May 5, 2021

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Request for Information Post-implementation Review IFRS10,11,12

The Thailand Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to response on ***IFRS Standards Request for Information Post-implementation Review IFRS10,11,12***. In this regards, we have some comments and suggestions on the implementation of these standards to be shared from our experiences.

Please find our responses to the specific survey raised in ***IFRS Standards Request for Information Post-implementation Review IFRS10,11,12*** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions of Thailand.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand

IFRS Standards Request for Information – Post-implementation Review IFRS 10 *Consolidated Financial Statements* IFRS 11 *Joint Arrangements* IFRS 12 *Disclosure of Interests in Other Entities*

Question 1—Your background
To understand whether groups of stakeholders share similar views, the Board would like to know: (a) your principal role in relation to financial reporting. Are you a user or a preparer of financial statements, an auditor, a regulator, a standard-setter or an academic? Do you represent a professional accounting body? If you are a user of financial statements, what kind of user are you, for example, are you a buy-side analyst, sell-side analyst, credit rating analyst, creditor or lender, or asset or portfolio manager? (b) your principal jurisdiction and industry. For example, if you are a user of financial statements, which regions do you follow or invest in? Please state whether your responses to questions 2-10 are unrelated to your principal jurisdiction or industry.

TFAC:

(a) We are the Federation of Accounting Professions (TFAC) that is the standard-setter which promote and develop accountants to be professional, modern, international and ethical by establishing and developing the standard of accounting profession to be acceptable in a national and global level.

(b) Since, we have the committee which consists of a preparer of financial statements, an auditor, a regulator, a standard-setter and an academic for establishing and developing the standard of accounting profession. So, we answer this IFRS Standards Request for Information letter in overall of using these 3 standards.

Question 2(a)
In your experience: (i) to what extent does applying paragraphs 10-14 and B11-B13 of IFRS 10 enable an investor to identify the relevant activities of an investee? (ii) are there situations in which identifying the relevant activities of an investee poses a challenge, and how frequently do these situations arise? In these situations, what other factors are relevant to identifying the relevant activities?

TFAC:

Sometime, we have the challenges to identify the relevant activities of an investee. The example of the situations are as follows;

- There will be the significant judgement when the relevant activities occur at different times – the investee is the researcher and marketing, at the beginning stage the relevant activity will be research process (which is operated by investor A) so Investor A will consolidate the investee but at the end of research process the relevant activity will be marketing process (which is operated by investor B) so there may change at the end of research process.
- Or each of investors have rights that give them the unilateral ability to direct different activities – the investee is the manufacturer and distributor which the investor A has knowledge in manufacturing while investor B has knowledge in distribution.

Our challenge are that whose investor has power over the investee by identifying the current ability to direct the activities that most significantly affect the returns of the investee. These can lead to inconsistent outcomes.

We have to use the significant judgment to consider all facts and circumstances at that time to identify the relevant activities of an investee. However, these situations arise infrequently in Thailand.

Question 2(b)
In your experience:
(i) to what extent does applying paragraphs B26–B33 of IFRS 10 enable an investor to determine if rights are protective rights?
(ii) to what extent does applying paragraphs B22–B24 of IFRS 10 enable an investor to determine if rights (including potential voting rights) are, or have ceased to be, substantive?

TFAC:

(i) Normally, Thailand law or regulation granted the protective rights to the investors to protect the interests of their holder without giving that party the power over the investee. By the way, there are some rights (that are not described in paragraph B26-B33 of IFRS10) which a preparer, an auditor or a regulator needs to evaluate whether that rights give an investor the power over the investee or it is just the protective rights; such as the right to approve the financial budget or the right to liquidate the entity etc.

(ii) We agree with the feedback that the standard should have additional guidance on how does an investor reassess its own rights and the rights of other parties (including potential voting rights) when facts and circumstances change.

Question 2(C)
In your experience: (i) to what extent does applying paragraphs B41–B46 of IFRS 10 to situations in which the other shareholdings are widely dispersed enable an investor that does not hold a majority of the voting rights to make an appropriate assessment of whether it has acquired (or lost) the practical ability to direct an investee's relevant activities? (ii) how frequently does the situation in which an investor needs to make the assessment described in question 2(c)(i) arise? (iii) is the cost of obtaining the information required to make the assessment significant?

TFAC:

(i) We have experienced in 2 situations as follows:

1) The Company A held in the Company B with 60% shareholding, the remaining 40% shareholdings are widely dispersed. However, the majority of the voting rights need 75% shareholdings. The auditors have to prove that in the past there were no change in the shareholders for the 60% shareholding of the Company A and in the past, the other shareholders who have 40% shareholding never attended the meeting to exercise their voting rights. We will conclude that the Company A has control over the Company B.
2) The Company A, B and C held in the Company D with 20% shareholding each; totaling 60% shareholding, the remaining 40% shareholding are widely dispersed. However, the majority of the voting right need 75% shareholdings. The auditors have to prove that in the past there were no change in the shareholders for the 60% shareholding of the Company A, B and C and in the past, the other shareholders who have 40% shareholding never attended the meeting to exercise their voting rights. We will conclude that the Company A, B and C have control over the Company D.

(ii) The situation described in question 2(c)(i); which an investor needs to make the assessment, often arises.

(iii) The cost of obtaining the information required to make the assessment depends on the information which the preparer (management) can provide to an auditor. Normally, the cost is not significant because the information are the list of shareholders, previous shareholders' meetings and the investee's voting policy.

Question 3(a)
In your experience: (i) to what extent does applying the factors listed in paragraph B60 of IFRS 10 (and the application guidance in paragraphs B62–B72 of IFRS 10) enable an investor to determine whether a decision maker is a principal or an agent? (ii) are there situations in which it is challenging to identify an agency relationship? If yes, please describe the challenges that arise in these situations. (iii) how frequently do these situations arise?

TFAC:

There are no further information.

Question 3(b)
In your experience: (i) to what extent does applying paragraphs B73–B75 of IFRS 10 enable an investor to assess whether control exists because another party is acting as a de facto agent (ie in the absence of a contractual arrangement between the parties)? (ii) how frequently does the situation in which an investor needs to make the assessment described in question 3(b)(i) arise? (iii) please describe the situations that give rise to such a need.

TFAC:

There are no further information.

Question 4(a)
In your experience: (i) to what extent does applying the definition (paragraph 27 of IFRS 10) and the description of the typical characteristics of an investment entity (paragraph 28 of IFRS 10) lead to consistent outcomes? If you have found that inconsistent outcomes arise, please describe these outcomes and explain the situations in which they arise. (ii) to what extent does the definition and the description of typical characteristics result in classification outcomes that, in your view, fail to represent the nature of the entity in a relevant or faithful manner? For example, do the definition and the description of typical characteristics include entities in (or exclude entities from) the category of investment entities that in your view should be excluded (or included)? Please provide the reasons for your answer.

TFAC:

There are no further information.

Question 4(b)
In your experience: (i) are there situations in which requiring an investment entity to measure at fair value its investment in a subsidiary that is an investment entity itself results in a loss of information? If so, please provide details of the useful information that is missing and explain why you think that information is useful. (ii) are there criteria, other than those in paragraph 32 of IFRS 10, that may be relevant to the scope of application of the consolidation exception for investment entities?

TFAC:

There are no further information.

Question 5(a)
In your experience: (i) how frequently do transactions, events or circumstances arise that: (a) alter the relationship between an investor and an investee (for example, a change from being a parent to being a joint operator); and (b) are not addressed in IFRS Standards? (ii) how do entities account for these transactions, events or circumstances that alter the relationship between an investor and an investee? (iii) in transactions, events or circumstances that result in a loss of control, does remeasuring the retained interest at fair value provide relevant information? If not, please explain why not, and describe the relevant transactions, events or circumstances.

TFAC:

(i) The transactions of changing in the relationship between an investor and investee are always arise in the business. But mostly of transactions are addressed in IFRS standard. By the way, the transaction of a change from being a subsidiary to being a joint operator is rarely occurred.

(ii) As described in (i) since the transaction is rarely occurred. Normally, the transaction that are not addressed the entities will account by using the paragraph 10-11 of IAS 8 which is up to the judgement of each entity, auditor and regulator.

(iii) We agreed that remeasuring the retained interest at fair value provide relevant information but we suggest that the remeasuring interest has the significant costs of obtaining the fair value at the date when control is lost. Moreover, we determined that remeasuring the retained interest is inappropriate because, considered in isolation, the retained interest has not changed.

Question 5(b)
In your experience: (i) how do entities account for transactions in which an investor acquires control of a subsidiary that does not constitute a business, as defined in IFRS 3? Does the investor recognise a non-controlling interest for equity not attributable to the parent? (ii) how frequently do these transactions occur?

TFAC:

(i) The accounting practices that the entities account for the transactions in which an investor acquires control of a subsidiary that does not constitute a business, as defined in IFRS 3 by the acquisition method- including recognition of non-controlling interest.

(ii) These transactions infrequently occurred.

Question 6
In your experience: (a) how widespread are collaborative arrangements that do not meet the IFRS 11 definition of 'joint arrangement' because the parties to the arrangement do not have joint control? Please provide a description of the features of these collaborative arrangements, including whether they are structured through a separate legal vehicle. (b) how do entities that apply IFRS Standards account for such collaborative arrangements? Is the accounting a faithful representation of the arrangement and why?

TFAC:

Mostly, we will consider the legal form and the contractual arrangement. The collaborative arrangements are structured through a separate legal vehicle.

Question 7
In your experience: (a) how frequently does a party to a joint arrangement need to consider other facts and circumstances to determine the classification of the joint arrangement after having considered the legal form and the contractual arrangement? (b) to what extent does applying paragraphs B29–B32 of IFRS 11 enable an investor to determine the classification of a joint arrangement based on 'other facts and circumstances'? Are there other factors that may be relevant to the classification that are not included in paragraphs B29–B32 of IFRS 11?

TFAC:

(a) It rarely arise that a party to a joint arrangement need to consider other facts and circumstances to determine the classification of the joint arrangement after having considered the legal form and the contractual arrangement. Mostly we will consider the legal form and the contractual arrangement.

(b) There are no further information to be included in paragraphs B29–B32 of IFRS 11. But we agreed with the view of the stakeholders that the requirements in IFRS 11 regarding the classification of joint arrangements should be made simpler for application. We suggest that in case of using of high-level judgement for the classification of joint arrangements, it should account as joint venture.

Question 8
In your experience: (a) to what extent does applying the requirements in IFRS 11 enable a joint operator to report its assets, liabilities, revenue and expenses in a relevant and faithful manner? (b) are there situations in which a joint operator cannot so report? If so, please describe these situations and explain why the report fails to constitute a relevant and faithful representation of the joint operator's assets, liabilities, revenue and expenses.

TFAC:

(i) The requirements in IFRS 11 enable a joint operator to report its assets, liabilities, revenue and expenses in a relevant and faithful manner just only when the joint arrangement is not structured through a separate vehicle.

(ii) The example of the situation is 'the joint arrangement structured through a separate vehicle and consideration of other facts and circumstances which lead to such an arrangement being classified as a joint operation'. The report of the joint operator's assets, liabilities, revenue and expenses may fail to constitute a relevant and faithful representation because how an entity accounts for a difference between 'the amount of assets and liabilities initially recognized' and 'the equity that was contributed initially' can mislead the user of financial statements.

Question 9
In your experience: (a) to what extent do the IFRS 12 disclosure requirements assist an entity to meet the objective of IFRS 12, especially the new requirements introduced by IFRS 12 (for example the requirements for summarised information for each material joint venture or associate)? (b) do the IFRS 12 disclosure requirements help an entity determine the level of detail necessary to satisfy the objective of IFRS 12 so that useful information is not obscured by either the inclusion of a large amount of detail or the aggregation of items that have different characteristics? (c) what additional information that is not required by IFRS 12, if any, would be useful to meet the objective of IFRS 12? If there is such information, why and how would it be used? Please provide suggestions on how such information could be disclosed. (d) does IFRS 12 require information to be provided that is not useful to meet the objective of IFRS 12? If yes, please specify the information that you consider unnecessary, why it is unnecessary and what requirements in IFRS 12 give rise to the provision of this information.

TFAC:

(a) We agree that the disclosure requirements assist an entity to meet the objective of IFRS 12; however, some of the new requirements is not appropriate, especially for the disclosure related to 'interests in joint arrangements and associates. Since we don't have the control in those entities so it is very difficult to find out the information for disclosure. By the way, we agree to disclose information of the investment held by subsidiaries with material non-controlling interests but it should be voluntary disclosure because some disclosure may constitute information that affects their competitive advantage.

(b) - (d) There are no further information.

Question 10
Are there topics not addressed in this Request for Information, including those arising from the interaction of IFRS 10 and IFRS 11 and other IFRS Standards, that you consider to be relevant to this Post-implementation Review? If so, please explain the topic and why you think it should be addressed in the Post-implementation Review.

TFAC:

We would like to address that the potential revision of other IFRS standards should have the guidance for implementation and consider the relevance for the user of the financial statements, as well as, cost and benefit of preparers and users.