

Disclosure of Interests in Other Entities (IFRS 12)

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IFRS 12 is all about transparency—making sure users of financial statements can really see and understand how an entity is involved with other entities, and what risks and effects flow from those relationships.

1. Objective and core principle of IFRS 12

1.1 Objective

IFRS 12's **objective** is to require an entity to disclose information that enables users of its financial statements to evaluate:

- **Nature and risks:** The nature of, and risks associated with, its interests in other entities.
- **Financial effects:** The effects of those interests on its financial position, financial performance, and cash flows.

In other words, IFRS 12 is **not** about *measurement* (that's IFRS 10, IFRS 11, IAS 28, IFRS 9, etc.), but about **telling the story** behind those interests—who the entity is involved with, how, and what that means.

1.2 Core principle

The **core principle** is that disclosures must be:

- **Entity-specific:** Not boilerplate; tailored to the entity's actual interests and risks.
- **Sufficiently detailed:** Enough to allow users to understand the nature, extent and financial effects of interests in:
 - Subsidiaries
 - Joint arrangements (joint ventures and joint operations)
 - Associates
 - Unconsolidated structured entities

2. Scope of IFRS 12

2.1 Interests covered

IFRS 12 applies to interests in:

- **Subsidiaries** (as defined in IFRS 10)
- **Joint arrangements** (joint ventures and joint operations under IFRS 11)
- **Associates** (under IAS 28)
- **Unconsolidated structured entities** (often special purpose vehicles, securitisation vehicles, etc.)

These interests may be accounted for using different standards (e.g. IFRS 10, IFRS 11, IAS 28, IFRS 9), but IFRS 12 governs the **disclosures** about them.

2.2 Interests not covered (or partially covered)

IFRS 12 does **not** require disclosures for:

- **Entities that participate in joint arrangements but do not have joint control.**
- **Post-employment or other long-term employee benefit plans** (IAS 19).
- **Interests accounted for as financial instruments under IFRS 9**, except:
 - Interests in associates or joint ventures accounted for at fair value in accordance with IAS 28.
 - Interests in unconsolidated structured entities.
- **Separate financial statements** prepared under IAS 27 (those have their own disclosure requirements).
- Certain disclosure requirements may be modified for interests **classified as held for sale** under IFRS 5.

3. Significant judgements and assumptions

A major theme in IFRS 12 is **judgement**—especially around control, joint control, significant influence, and investment entity status.

3.1 Judgements about control, joint control and significant influence

Entities must disclose **significant judgements and assumptions** made in determining that they:

- **Control another entity** (IFRS 10).
- **Have joint control** of an arrangement (IFRS 11).
- **Have significant influence** over another entity (IAS 28).

This includes:

- **Key factors considered** (e.g. voting rights, contractual arrangements, *de facto* control).
- **Changes in judgements** during the period (e.g. reassessment of control due to changes in facts and circumstances).

Example – judgement disclosure:

“The Group holds 40% of the voting rights in Entity X and has the current ability to direct the relevant activities through a shareholders’ agreement. Management concluded that the Group controls Entity X and therefore consolidates it. This conclusion required significant judgement, particularly in assessing the practical ability of other shareholders to block decisions.”

3.2 Judgements about type of joint arrangement

Where a joint arrangement is **structured through a separate vehicle**, entities must disclose significant judgements in determining whether it is a:

- **Joint operation**, or
- **Joint venture**.

This often involves analysing:

- Rights to assets and obligations for liabilities.
- Legal form of the vehicle.
- Terms of contractual arrangements.
- Other facts and circumstances.

3.3 Judgements about investment entity status

Entities must disclose significant judgements in determining whether they are an **investment entity** under IFRS 10, and information about changes in investment entity status.

This is important because investment entities **do not consolidate** certain subsidiaries; instead, they measure them at fair value through profit or loss, and IFRS 12 requires specific disclosures about such unconsolidated subsidiaries.

4. Disclosures about interests in subsidiaries

4.1 Overall aim

For **subsidiaries**, IFRS 12 aims to explain:

- The **composition of the group**.
- The **interest that non-controlling interests (NCI)** have in the group's activities and cash flows.
- The **nature and extent of significant restrictions** on the group's ability to access or use assets and settle liabilities.
- The **effects of changes in ownership interests and loss of control**.

4.2 Composition of the group

Entities must disclose information that helps users understand **how the group is structured**, including:

- **Name of each significant subsidiary**.
- **Principal place of business** (and country of incorporation if different).
- **Proportion of ownership interests** held by the parent.
- **Proportion of voting rights** held, if different from ownership interests.

Where control is obtained **without acquiring equity** (e.g. via contractual rights), the entity explains the mechanism.

Example – composition disclosure:

“The Group’s principal subsidiaries at 31 December 20X5 are:

- Alpha (Pty) Ltd – South Africa; 80% ownership, 80% voting rights.
- Beta Ltd – UK; 60% ownership, 75% voting rights (due to different share classes).”

4.3 Non-controlling interests (NCI)

For each **material subsidiary with NCI**, the entity must present **summarised financial information** about that subsidiary, before intra-group eliminations.

This typically includes:

- **Revenue**
- **Profit or loss**
- **Total comprehensive income**
- **Total assets**
- **Total liabilities**
- **Total equity**
- **Cash flows** (operating, investing, financing)

If individual subsidiaries with NCI are **not material**, the entity may **aggregate** information about multiple subsidiaries.

Example – NCI disclosure (extract):

“At 31 December 20X5, Gamma Ltd has NCI of 30%. Summarised financial information (before intra-group eliminations) is:

- Revenue: R100,000
- Profit: R20,000
- Total assets: R150,000
- Total liabilities: R50,000
- Total equity: R100,000”

4.4 Significant restrictions

Where **significant restrictions** exist that limit the group’s ability to:

- Access or use the assets of a subsidiary, or
- Settle the liabilities of the group using those assets,

the entity must disclose:

- **Nature of the restrictions** (e.g. regulatory, contractual, protective rights).
- **Extent of the restrictions** (e.g. amounts of assets or cash subject to restrictions).
- **Impact on the group's ability to transfer cash or assets.**

Example – restriction disclosure:

“Cash balances of R10 million in Subsidiary Z are subject to exchange controls in Country Y, restricting the ability of the Group to repatriate funds. These restrictions limit the Group's ability to use these cash balances to settle liabilities of other group entities.”

4.5 Different reporting dates

If the financial statements of a subsidiary used in consolidation have a **different reporting date** from the parent's consolidated financial statements, the entity discloses:

- The **date** of the subsidiary's reporting period.
- An **explanation** of why a different date is used.

4.6 Changes in ownership interests without loss of control

Where there has been a **change in ownership percentage** of a subsidiary during the period **without loss of control**, the entity discloses:

- The **effect of the change on equity** (e.g. transfers between owners of the parent and NCI).
- A **reconciliation** of changes in NCI.

Example – partial disposal without loss of control:

“During the year, the Group sold a 10% interest in Delta Ltd, reducing its ownership from 80% to 70% while retaining control. The transaction resulted in a decrease in equity attributable to owners of the parent of R500,000 and an increase in NCI of R500,000.”

4.7 Loss of control of a subsidiary

When control of a subsidiary is **lost** during the reporting period, the entity discloses:

- The **gain or loss** arising on disposal.
- The **line item(s)** in profit or loss in which the gain or loss is recognised.
- A description of the **circumstances** leading to loss of control (e.g. sale, dilution, expiry of rights).

Example – loss of control disclosure:

“On 30 June 20X5, the Group disposed of its 60% interest in Omega Ltd and lost control. A profit of R1,200,000 was recognised in ‘Other income’ in profit or loss. The Group retains a 20% interest in Omega Ltd, which is accounted for as an associate.”

5. Investment entities and unconsolidated subsidiaries

5.1 Investment entity status

An **investment entity** (under IFRS 10) typically:

- Obtains funds from investors.
- Provides them with investment management services.
- Commits to investing solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates performance on a fair value basis.

IFRS 12 requires disclosures about:

- **Judgements** in determining investment entity status.
- **Changes** in status (e.g. becoming or ceasing to be an investment entity).

5.2 Interests in unconsolidated subsidiaries (investment entities)

Investment entities generally **do not consolidate** certain subsidiaries; instead, they measure them at fair value through profit or loss. IFRS 12 requires disclosures about **interests in unconsolidated subsidiaries**, including:

- **Name and nature** of each unconsolidated subsidiary.
- **Carrying amount** of the investment.
- **Restrictions** on transferring funds.
- **Support provided** (e.g. financial or other support).
- **Commitments** to provide financial support.

Example – unconsolidated subsidiary disclosure:

“The Fund holds a 100% interest in SPV A, which is not consolidated because the Fund is an investment entity. SPV A holds a portfolio of debt instruments. The carrying amount of the Fund’s investment in SPV A is R50 million, measured at fair value through profit or loss.”

6. Interests in joint arrangements and associates

6.1 Overview

For **joint arrangements and associates**, IFRS 12 focuses on:

- The **nature, extent and financial effects** of interests in joint arrangements and associates.
- The **risks** associated with those interests.

6.2 Basic disclosures for joint arrangements and associates

For each **material joint arrangement or associate**, the entity discloses:

- **Name** of the investee.
- **Principal place of business**.
- **Nature of the relationship** (associate, joint venture, joint operation).
- **Proportion of ownership interest** and, if different, **proportion of voting rights**.

6.3 Classification of joint arrangements

Entities must clarify whether each joint arrangement is classified as:

- **Joint operation**, or
- **Joint venture**.

For **joint operations**, the entity discloses:

- The **nature and extent** of its interest.
- Its **share of assets, liabilities, revenue and expenses**, usually by line item.

For **joint ventures**, the entity applies similar disclosure principles as for associates, typically using the **equity method**.

6.4 Summarised financial information for material associates and joint ventures

For **material associates and joint ventures** accounted for using the equity method, the entity provides **summarised financial information**, including:

- **Current and non-current assets and liabilities**.
- **Revenue and profit or loss**.
- **Other comprehensive income**.
- **Total comprehensive income**.

This information is presented **from the perspective of the investee**, not the investor's share.

Example – associate disclosure (extract):

“The Group holds a 30% interest in Associate Y, accounted for using the equity method. Summarised financial information of Associate Y is:

- Current assets: R40,000
- Non-current assets: R60,000
- Current liabilities: R25,000
- Non-current liabilities: R15,000
- Revenue: R100,000
- Profit: R10,000”

6.5 Risks associated with interests in joint ventures and associates

Entities disclose **risks** associated with interests in joint ventures and associates, such as:

- **Contingent liabilities** relating to the investee.
- **Commitments** to provide funding or support.
- **Exposure to losses** beyond the carrying amount of the investment (e.g. guarantees).

7. Interests in unconsolidated structured entities

7.1 What is a structured entity?

A **structured entity** is designed so that **voting rights are not the dominant factor** in deciding who controls the entity. Instead, control may be determined by:

- Contractual arrangements.
- Exposure to variability of returns.
- Other mechanisms.

Examples include:

- Securitisation vehicles.
- Special purpose entities (SPEs).
- Certain investment funds.

IFRS 12 requires disclosures even when such entities are **not consolidated** (i.e. the reporting entity does not control them under IFRS 10).

7.2 Nature of interests

Entities must disclose the **nature of their interests** in unconsolidated structured entities, including:

- **Purpose and activities** of the structured entity.
- **Nature of involvement** (e.g. sponsor, investor, guarantor).
- **How the entity is exposed to variability of returns** (e.g. through holdings of notes, guarantees, liquidity facilities).

7.3 Nature of risks

Entities must disclose the **nature of risks** associated with their interests in unconsolidated structured entities, such as:

- **Liquidity risk** (e.g. commitments to provide funding).
- **Credit risk** (e.g. guarantees of underlying assets).
- **Market risk** (e.g. exposure to changes in fair value of notes).

7.4 Financial effects of involvement

Disclosures include:

- **Carrying amounts** of assets and liabilities relating to interests in unconsolidated structured entities.
- **Income and expenses** recognised in profit or loss from those interests.
- **Cash flows** arising from those interests (e.g. fees received, interest income, funding provided).
- **Support provided** (including support not contractually required).
- **Current intentions** to provide financial or other support.

Example – structured entity disclosure (simplified):

“The Group sponsors securitisation vehicles that purchase trade receivables from customers. The Group holds junior notes and provides liquidity facilities. At 31 December 20X5, the carrying amount of junior notes is R5 million, and liquidity facilities of R20 million are undrawn. The Group recognised fee income of R1 million and interest income of R0.5 million from these vehicles during the year.”

8. Changes in ownership interests and other effects

8.1 Changes in ownership interests in subsidiaries

IFRS 12 requires disclosure of **changes in ownership interests** in subsidiaries, including:

- **Transactions with NCI** that do not result in loss of control.
- **Gains or losses** arising from such transactions.
- **Effects on equity** attributable to owners of the parent and NCI.

8.2 Loss of control

As discussed earlier, when control is lost, the entity discloses:

- **Gain or loss** on disposal.
- **Line item** in profit or loss.
- **Nature of the transaction** (e.g. sale, dilution, expiry of rights).

8.3 Off-balance-sheet exposure

For unconsolidated structured entities and other off-balance-sheet arrangements, IFRS 12 emphasises disclosure of:

- **Maximum exposure to loss** (if determinable).
- **How that exposure is determined.**
- **Any additional support** provided or expected to be provided.

9. Interaction with other standards

9.1 IFRS 10 — Consolidated Financial Statements

- IFRS 10 defines **control** and when an entity must **consolidate** another entity.
- IFRS 12 then requires **disclosures** about those consolidated subsidiaries and about unconsolidated interests (e.g. investment entities, structured entities).

9.2 IFRS 11 — Joint Arrangements

- IFRS 11 classifies joint arrangements as **joint operations** or **joint ventures**.
- IFRS 12 requires disclosures about the **nature, extent and financial effects** of interests in those arrangements.

9.3 IAS 28 — Investments in Associates and Joint Ventures

- IAS 28 deals with **recognition and measurement** (equity method).
- IFRS 12 requires **summarised financial information** and risk disclosures for associates and joint ventures.

9.4 IFRS 9 — Financial Instruments

- Some interests in other entities are accounted for under IFRS 9 (e.g. equity instruments at fair value).
- IFRS 12 applies to such interests **only** when they are:
 - Interests in associates or joint ventures accounted for at fair value under IAS 28, or
 - Interests in unconsolidated structured entities.

9.5 IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations

- Certain IFRS 12 disclosures may be **modified** for interests classified as **held for sale** under IFRS 5 (e.g. summarised information may be limited).

9.6 IAS 27 — Separate Financial Statements

- IFRS 12 does **not** apply to separate financial statements prepared under IAS 27; those have their own disclosure requirements.

10. Practical examples and common pitfalls

10.1 Example: Group with subsidiaries, associate and structured entity

Imagine Entity A:

- Has three subsidiaries (B, C, D).

- Holds 30% in Associate E (equity-accounted).
- Participates in a securitisation vehicle (Structured Entity F) that it does not control.

Under IFRS 12, Entity A would:

- **Subsidiaries:**
 - Disclose composition of the group (names, locations, ownership, voting rights).
 - Provide summarised information for any **material subsidiary with NCI**.
 - Explain any **restrictions** on assets or cash transfers.
 - Disclose **changes in ownership interests** and any **loss of control** events.
- **Associate E:**
 - Disclose name, location, ownership percentage.
 - Provide **summarised financial information** for E.
 - Disclose **risks** (e.g. guarantees, commitments).
- **Structured Entity F:**
 - Explain the **purpose** of F and Entity A's role (e.g. sponsor, investor).
 - Disclose **carrying amounts, income/expenses, cash flows** and **maximum exposure to loss**.
 - Describe any **support provided** or expected to be provided.

10.2 Common pitfalls

Pitfall 1: Boilerplate disclosures

- **Issue:** Generic wording that does not explain the entity's specific interests and risks.
- **IFRS 12 expectation:** Disclosures must be **entity-specific**, reflecting actual structures and exposures.

Pitfall 2: Incomplete NCI information

- **Issue:** Only disclosing NCI percentage without summarised financial information for material subsidiaries.
- **IFRS 12 expectation:** Provide **summarised financial information** for each material subsidiary with NCI.

Pitfall 3: Ignoring unconsolidated structured entities

- **Issue:** No disclosure about off-balance-sheet vehicles that the entity sponsors or supports.
- **IFRS 12 expectation:** Disclose **nature, risks and financial effects** of involvement, even if not consolidated.

Pitfall 4: Weak judgement disclosures

- **Issue:** Not explaining key judgements about control, joint control, significant influence, or investment entity status.

- **IFRS 12 expectation:** Clearly describe **significant judgements and assumptions**, and any **changes** in those judgements.

11. 20 Multiple-Choice Questions (with Answers)

1. What is the primary objective of IFRS 12?

- A. To prescribe consolidation procedures
- B. To require disclosures about interests in other entities
- C. To define control
- D. To measure investments at fair value

➤ **Answer: B**

2. IFRS 12 applies to interests in all of the following except:

- A. Subsidiaries
- B. Associates
- C. Joint arrangements
- D. Employee benefit plans

➤ **Answer: D**

3. Which of the following must be disclosed under IFRS 12?

- A. Detailed consolidation workings
- B. Significant judgements made in determining control
- C. Only quantitative information
- D. Only qualitative information

➤ **Answer: B**

4. IFRS 12 requires summarised financial information for:

- A. Only material subsidiaries with non-controlling interests
- B. All subsidiaries
- C. Only wholly owned subsidiaries
- D. Only associates

➤ **Answer: A**

5. Which of the following is an example of a significant judgement under IFRS 12?

- A. Choosing a depreciation method
- B. Determining whether an entity is an investment entity
- C. Estimating useful lives of PPE

D. Selecting a discount rate

➤ **Answer: B**

6. A structured entity is typically characterised by:

- A. Voting rights determining control
- B. Control through contractual arrangements
- C. No exposure to variable returns
- D. Mandatory consolidation

➤ **Answer: B**

7. IFRS 12 requires disclosure of restrictions on:

- A. Employee benefits
- B. Dividend payments to shareholders
- C. The entity's ability to access subsidiary assets
- D. Inventory usage

➤ **Answer: C**

8. Which of the following must be disclosed when control of a subsidiary is lost?

- A. The subsidiary's future business plans
- B. The gain or loss recognised
- C. The parent's future intentions
- D. The subsidiary's tax rate

➤ **Answer: B**

9. Investment entities must disclose information about:

- A. Consolidated subsidiaries
- B. Unconsolidated subsidiaries measured at fair value
- C. Only associates
- D. Only joint ventures

➤ **Answer: B**

10. Summarised financial information for associates must be presented:

- A. Before intra-group eliminations
- B. After intra-group eliminations
- C. Only for immaterial associates
- D. Only when requested by shareholders

➤ **Answer: A**

11. IFRS 12 requires disclosure of the nature of:

- A. The entity's PPE
- B. Interests in joint arrangements
- C. Revenue streams
- D. Employee share schemes

➤ **Answer: B**

12. Maximum exposure to loss must be disclosed for:

- A. Consolidated subsidiaries
- B. Unconsolidated structured entities
- C. Associates
- D. Joint operations

➤ **Answer: B**

13. Which of the following is NOT required for joint ventures under IFRS 12?

- A. Summarised financial information
- B. Nature of the relationship
- C. Consolidation procedures
- D. Ownership interest

➤ **Answer: C**

14. IFRS 12 requires disclosure of support provided to unconsolidated structured entities:

- A. Only when contractually required
- B. Only when material
- C. Even when not contractually required
- D. Never

➤ **Answer: C**

15. When a subsidiary has a different reporting date from the parent, IFRS 12 requires disclosure of:

- A. The subsidiary's full financial statements
- B. The reason for using a different reporting date
- C. The subsidiary's tax reconciliation
- D. The subsidiary's future forecasts

➤ **Answer: B**

16. Non-controlling interests must be disclosed:

- A. Only in the statement of financial position
- B. Only when they exceed 50%
- C. For each material subsidiary
- D. Only when dividends are paid

➤ **Answer: C**

17. IFRS 12 requires disclosure of commitments to provide financial support to:

- A. All subsidiaries
- B. Only associates
- C. Unconsolidated structured entities
- D. Joint operations

➤ **Answer: C**

18. Which of the following is a required disclosure for joint operations?

- A. Summarised financial information of the joint operation
- B. The entity's share of assets, liabilities, revenue and expenses
- C. Fair value of the joint operation
- D. Consolidated financial statements

➤ **Answer: B**

19. IFRS 12 requires disclosure of:

- A. The risks associated with interests in other entities
- B. The fair value of all subsidiaries
- C. Only financial effects of interests
- D. Only qualitative descriptions of interests

➤ **Answer: A**

20. Which of the following is a key disclosure for investment entities?

- A. Consolidation procedures
- B. Names and nature of unconsolidated subsidiaries
- C. PPE depreciation policies
- D. Segment information

➤ **Answer: B**

12. Comprehensive Question Bank (with Solutions)

Question 1 — Objective of IFRS 12

Explain the main objective of IFRS 12.

Solution 1

The objective is to require disclosures that enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, performance, and cash flows.

Question 2 — Scope of IFRS 12

List the types of interests in other entities covered by IFRS 12.

Solution 2

IFRS 12 applies to interests in subsidiaries, joint arrangements (joint ventures and joint operations), associates, and unconsolidated structured entities. It also applies to unconsolidated subsidiaries of investment entities.

Question 3 — Significant Judgements

Provide two examples of significant judgements that must be disclosed under IFRS 12.

Solution 3

Examples include judgements about whether control exists, whether joint control exists, whether significant influence exists, and whether the entity qualifies as an investment entity.

Question 4 — Composition of the Group

What information must be disclosed regarding the composition of the group?

Solution 4

Entities must disclose the name, principal place of business, and proportion of ownership and voting rights for each significant subsidiary.

Question 5 — Non-Controlling Interests (NCI)

What summarised financial information must be disclosed for subsidiaries with material NCI?

Solution 5

Summarised financial information such as assets, liabilities, revenue, profit or loss, total comprehensive income, and cash flows must be disclosed, before intra-group eliminations.

Question 6 — Restrictions on Assets

What types of restrictions must be disclosed under IFRS 12?

Solution 6

Restrictions on the entity's ability to access or use assets of subsidiaries, or to settle liabilities, including regulatory restrictions, contractual restrictions, and protective rights.

Question 7 — Reporting Date Differences

What must be disclosed when a subsidiary has a different reporting date from the parent?

Solution 7

The reporting date of the subsidiary and the reason for using a different reporting date.

Question 8 — Changes in Ownership Interests

What disclosures are required when ownership interests in a subsidiary change without loss of control?

Solution 8

The effect on equity attributable to owners of the parent and NCI, and a reconciliation of changes in NCI.

Question 9 — Loss of Control

List the disclosures required when an entity loses control of a subsidiary.

Solution 9

The gain or loss recognised, the line item in profit or loss where it is recorded, and a description of the circumstances leading to loss of control.

Question 10 — Investment Entities

What must investment entities disclose about their unconsolidated subsidiaries?

Solution 10

Names, nature of interests, carrying amounts, restrictions on transferring funds, support provided, and commitments to provide support.

Question 11 — Joint Arrangements

What disclosures are required for joint operations?

Solution 11

The nature and extent of the entity's interest, and the entity's share of assets, liabilities, revenue, and expenses.

Question 12 — Joint Ventures

What summarised financial information must be disclosed for material joint ventures?

Solution 12

Summarised financial information including current and non-current assets, current and non-current liabilities, revenue, profit or loss, and total comprehensive income.

Question 13 — Associates

What information must be disclosed for associates accounted for using the equity method?

Solution 13

Name, principal place of business, ownership interest, voting rights, summarised financial information, and risks associated with the interest.

Question 14 — Structured Entities

Define a structured entity according to IFRS 12.

Solution 14

A structured entity is one in which voting rights are not the dominant factor in determining control; instead, control is achieved through contractual arrangements or other mechanisms.

Question 15 — Nature of Interests in Structured Entities

What must be disclosed about interests in unconsolidated structured entities?

Solution 15

Purpose and activities of the structured entity, nature of involvement, exposure to variability of returns, carrying amounts, income and expenses, and cash flows.

Question 16 — Maximum Exposure to Loss

What is “maximum exposure to loss” and when must it be disclosed?

Solution 16

It is the maximum potential loss the entity could incur from its involvement with an unconsolidated structured entity. It must be disclosed when determinable.

Question 17 — Support Provided

What disclosures are required regarding support provided to unconsolidated structured entities?

Solution 17

Entities must disclose any financial or other support provided, including support not contractually required, and intentions to provide future support.

Question 18 — Off-Balance-Sheet Exposure

Why does IFRS 12 emphasise disclosure of off-balance-sheet exposure?

Solution 18

Because structured entities and other arrangements may expose the entity to risks not reflected in the statement of financial position, and users need transparency about these exposures.

Question 19 — Interaction with IFRS 10

How does IFRS 12 interact with IFRS 10?

Solution 19

IFRS 10 determines when an entity controls another entity and must consolidate it. IFRS 12 then requires disclosures about consolidated subsidiaries and unconsolidated interests.

Question 20 — Entity-Specific Disclosures

Why does IFRS 12 emphasise entity-specific disclosures rather than boilerplate disclosures?

Solution 20

Because users need meaningful information tailored to the entity's actual interests, risks, and exposures. Boilerplate disclosures do not provide useful insight.
