

**PROPOSED AMENDMENTS TO IPSAS 35 AND IPSAS 2 FROM  
“IFRS ACCOUNTING STANDARDS ANNUAL IMPROVEMENTS – VOLUME 11”**

**Part 1: Amendments to IPSAS 35, *Consolidated Financial Statements***

Paragraph 79G is added. New text is underlined.

**Effective Date**

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79G. [Annual Improvements to IFRS Accounting Standards—Volume 11], issued in [MMMM YYYY], amended paragraph AG76. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January [YYYY]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## **Application Guidance**

Paragraph AG76 is amended. Paragraphs AG75 and AG77 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

### **Relationship with Other Parties**

- AG75. When assessing control, an entity shall consider the nature of its relationship with other parties and whether those other parties are acting on the entity's behalf (i.e., they are "de facto agents"). The determination of whether other parties are acting as de facto agents requires judgment, considering not only the nature of the relationship but also how those parties interact with each other and the entity.
- AG76. Such a relationship need not involve a binding arrangement. Such relationships could also arise from legislative or executive authority that does not meet the definition of a binding arrangement. A party is a de facto agent when the entity has, ~~or those that direct the activities of the entity have,~~ the ability to direct that party to act on the entity's behalf. A party might also be a de facto agent when those that direct the activities of the entity have the ability to direct that party to act on the entity's behalf. The ~~In these circumstances, the~~ entity shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable benefits through the de facto agent together with its own when assessing control of another entity.
- AG77. The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the entity:
- (a) The entity's related parties.
  - (b) A party that received its interest in the other entity as a contribution or loan from the entity making the assessment of control.
  - (c) A party that has agreed not to sell, transfer or encumber its interests in the other entity without the entity's prior approval (except for situations in which the entity and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).
  - (d) A party that cannot finance its operations without subordinated financial support from the entity.
  - (e) Another entity for which the majority of the members of its governing body or for which its key management personnel are the same as those of the entity.
  - (f) A party that has a close business relationship with the entity, such as the relationship between a professional service provider and one of its significant clients.

**Part 2: Amendments to *IPSAS 2, Cash Flow Statements***

Paragraph 47 is amended and paragraph 63L is added. New text is underlined and deleted text is struck through.

**Investment in Controlled Entities, Associates and Joint Ventures**

47. When accounting for an investment in an associate, a joint venture, or a controlled entity accounted for by use of the equity method or ~~at cost-method~~, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends or similar distributions and advances.

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**Effective Date**

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- 63L. [Annual Improvements to IFRS Accounting Standards—Volume 11], issued in [MMMM YYYY], amended paragraph 47. An entity shall apply that amendment for annual reporting periods beginning on or after January 1, [YYYY]. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.