



Accounting Standards Board

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www.frc.org.uk/asb



Françoise Flores
Chair
European Financial Reporting Advisory Group
35 Square de Meeûs
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17 February 2012

Dear Françoise

EFRAG's Draft Comment Letter on the IASB Exposure Draft (ED) 'Transition Guidance: Proposed amendments to IFRS 10'

I am writing on behalf of the Accounting Standards Board (ASB) in response to EFRAG's Draft Comment Letter (DCL) on the IASB's ED 'Transition Guidance: Proposed amendments to IFRS 10'.

The ASB has responded to the IASB and a copy of our response is attached. As you will see from the attached letter, the ASB supports the IASB's proposals and hence is broadly in agreement with the DCL. We believe that the need for an amendment is a consequence of the decision, by the IASB, not to defer the effective date of IFRS 10 in line with EFRAG's recommendation. Therefore, we suggest that EFRAG may want to make reference to this point in its comment letter.

Should you wish us to expand on any aspect of this response, please contact me or Michelle Sansom (telephone 020 7492 2432).

Yours sincerely

Roger Marshall
Chairman

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Alan Teixeira
Senior Director, Technical Activities
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

17 February 2012

Dear Alan

Exposure Draft 2011/7 'Transition Guidance: Proposed amendments to IFRS 10'

This letter sets out the Accounting Standards Board's (ASB) comments on the Exposure Draft (ED) 'Transition Guidance: Proposed amendments to IFRS 10'.

The ASB supports the decision to clarify the transition guidance in IFRS 10 'Consolidated Financial Statements'. However, the ASB believes that this ED is a consequence of the decision not to defer the effective date of IFRS 10 as recommended by EFRAG. The ASB's response to the invitation to comment is set out in the appendix to this letter.

Should you wish us to expand on any aspect of this response, please contact me or Michelle Sansom (telephone 020 7492 2432).

Yours sincerely

Roger Marshall
Chairman

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Question 1

The Board proposes to clarify the 'date of initial application' in IFRS 10. The date of initial application for IFRS 10 would be 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The Board also proposes to make editorial amendments to paragraphs C4 and C5 of IFRS 10 to clarify how an investor shall adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

The ASB agrees with the proposed amendment. The ASB also recommends that the phrase 'date of initial application' be added to the IASB's Glossary of Terms.

Question 2

The Board proposes to amend paragraph C3 of IFRS 10 to clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same under IAS 27/SIC-12 and IFRS 10. As a result, the Board confirms that relief from retrospective application of IFRS 10 would apply to an investor's interests in investees that were disposed of during a comparative period such that consolidation would not occur under either IAS 27/SIC-12 or IFRS 10 at the date of initial application.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

The ASB agrees with the proposed amendment. However, the ASB recommends that the wording of the amendment specifically states that relief from retrospective application of IFRS 10 applies to an investor's interests in investees that were disposed of during a comparative period. The ASB recommends retaining the staff text presented in the IASB staff paper AP 3 at its November 2011 meeting, that is:

When applying this IFRS for the first time, an entity is not required to make adjustments to the accounting for its involvement with an entity that was disposed of in the comparative period(s) for which control was lost in the comparative period(s).