



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12

Telefax +49 (0)30 206412-15

E-Mail info@drsc.de

EFRAG

Françoise Flores

Chairman EFRAG TEG

35 Square Meeûs

Berlin, 08 March 2012

B-1000 Brussels

Dear Françoise,

**EFRAG's draft comment letter on the IASB's Exposure Draft *Transition Guidance*
(Proposed amendments to IFRS 10)**

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's draft comment letter on the IASB's ED *Transition Guidance*. The ASCG welcomes the intended clarification of the transition guidance in IFRS 10.

We would like to specifically address the following issues:

- **Date of initial application:** We support EFRAG's request for deferring the effective date to 1 January 2014. We would suggest changing the wording for the date of initial application accordingly.
- **Transition Guidance:** If the conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10, especially if an entity has to be consolidated that was not consolidated in accordance with IAS 27 and SIC-12, we believe it to be necessary to provide more simplifications for measuring the assets, liabilities and non-controlling interests in that previously unconsolidated investee.

For further details, please see our comment letter to the IASB as attached to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

Zimmerstr. 30 · 10969 Berlin · Telefon +49 (0)30 206412-0 · Telefax +49 (0)30 206412-15 · E-Mail: info@drsc.de
Bankverbindung: Deutsche Bank Berlin, Konto-Nr. 0 700 781 00, BLZ 100 700 00
IBAN-Nr. DE26 1007 0000 0070 0781 00, BIC (Swift-Code) DEUTDE33HAN
Vereinsregister: Amtsgericht Berlin-Charlottenburg, VR 18526 Nz

Präsidium:

Liesel Knorr (Präsidentin), Dr. Rolf Ulrich (Vizepräsident)



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Telefon +49 (0)30 206412-12
Telefax +49 (0)30 206412-15
E-Mail info@drsc.de

Berlin, 08 March 2012

Dear Hans,

IASB Exposure Draft ED/2011/7 *Transition Guidance (Proposed Amendments to IFRS 10)*

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the IASB Exposure Draft ED/2011/7 *Transition Guidance* (herein referred to as 'ED'). The ASCG welcomes the intended clarification of the transition guidance in IFRS 10 and therefore appreciates the opportunity to comment on the ED.

We would like to specifically address the following issues:

- **Date of initial application:** We recommend deferring the effective date to 1 January 2014 and would suggest changing the wording for the date of initial application accordingly.
- **Transition Guidance:** If the conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10, especially if an entity has to be consolidated that was not consolidated in accordance with IAS 27 and SIC-12, we believe it to be necessary to provide more simplifications for measuring the assets, liabilities and non-controlling interests in that previously unconsolidated investee.

Please find our detailed comments on the questions raised in the invitation to comment in the appendix to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

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Appendix – Answers to the questions of the exposure draft

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?

As stated in our letter we recommend deferring the effective date of IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28. Due to the uncertainty resulting from the impact ED *Investment Entities* may have as well as to the fact that ED *Transition Guidance* has not yet been finalized, we deem it necessary to defer the effective date of the standards in order to give sufficient time to develop a consistent understanding of the requirements.

The ASCG agrees with the intention to clarify the 'date of initial application' in IFRS 10 and acknowledges the challenges in incorporating financial periods that deviate from a calendar year as well as the possibility of earlier application. Nevertheless we would welcome a more precise wording for paragraph C2A of IFRS 10.

Therefore the ASCG proposes the following wording for clarifying the date of initial application: 'For the purposes of this IFRS, the date of initial application is the beginning of the first annual reporting period beginning on or after 1 January 2014. Earlier application is permitted.'

If the date of initial application remains 1 January 2013 this paragraph would have to be adjusted accordingly.

Regarding the amendments to paragraphs C4 and C5 of IFRS 10, the ASCG suggests giving more application guidance in the form of helpful simplifications, as were provided for in IFRS 1, for measuring the assets, liabilities and non-controlling interests in a previously unconsolidated investee. If an entity has to be consolidated that was not consolidated in accordance with IAS 27 and SIC-12, we believe the following two simplifications are necessary: to allow the use of deemed cost and to restrict the deemed acquisition date to be no earlier than the beginning of



the first comparative period. We believe this would be an appropriate trade-off between the costs to preparers and the benefits to users.

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 ASCG agrees with the proposed amendments to paragraph C3 of IFRS 10. In our view a retrospective application resulting in an adjustment of the comparative period(s) for a temporary consolidation until disposal would be burdensome for the preparer and of little relevance to the users. Therefore we welcome the confirmation of the relief from retrospective application.

With reference to our answer to question 1, we suggest giving constituents more relief from retrospective application if the date of initial application remains 1 January 2013, since we believe there would be insufficient time for most constituents to prepare the comparative period(s).