

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS, JOINT ARRANGEMENTS AND  
DISCLOSURE OF INTERESTS IN OTHER ENTITIES: TRANSITION GUIDANCE  
(AMENDMENTS TO IFRS 10, IFRS 11 AND IFRS 12)**

**INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to [commentletters@efrag.org](mailto:commentletters@efrag.org) or  
uploaded via our website by 17 August 2012

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Linde AG

Klosterhofstraße 1

80331 Munich

- (b) Are you a:

X Preparer  User  Other (please specify)

- (c) Please provide a short description of your activity:

Gases & Engineering Company

(d) Country where you are located:

worldwide

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(e) Contact details including e-mail address:

Christina.moderegger@linde.com

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2 EFRAG's initial assessment of the Amendments is that it meets / they meet the technical criteria for endorsement. In other words, it is / they are not contrary to the principle of true and fair view and it meets / they meet the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

N/A

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3 EFRAG is also assessing the cost and benefits that are likely to arise for preparers on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 58-61 of Appendix 3. To summarise, EFRAG's initial assessment is that the transition relief provided by the Amendments significantly reduces the transitional cost of the preparers to apply IFRS 10, IFRS 11 and IFRS 12.

Do you agree with this assessment?

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

X Yes  No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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- 4 In addition, EFRAG is assessing the cost and benefits that are likely to arise for users from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 67 of Appendix 3. To summarise, EFRAG's initial assessment is that the Amendments will result in some one-off cost for users in the period in which the new standards are first applied. However, these costs are unlikely to be significant.

Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 5 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

Do you agree that there are no other factors?

X Yes

No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

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- 7 In its final endorsement advice letter on IFRS 10 to the European Commission, EFRAG recommended that the mandatory effective date of IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) to be 1 January 2014, with early adoption permitted. Consistent with EFRAG's recommendation, the Accounting Regulatory Committee voted on 1 June 2012 to recommend endorsement of the standards for adoption with the mandatory effective date of 1 January 2014.

In order to align the mandatory effective date of the Amendments with the effective date of IFRS 10, IFRS 11 and IFRS 12, EFRAG's preliminary recommendation is to defer the mandatory effective date of the Amendments from 1 January 2013 to 1 January 2014, with early adoption permitted.

Do you agree with EFRAG's preliminary recommendation that the Amendments should also be effective in the EU as of 1 January 2014, with early application permitted?

X Yes

No

If you do not agree with this recommendation, please explain your position?

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## **APPENDIX 1**

### **A SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS, JOINT ARRANGEMENTS AND DISCLOSURE OF INTERESTS IN OTHER ENTITIES: TRANSITION GUIDANCE (AMENDMENTS TO IFRS 10, IFRS 11 AND IFRS 12)**

#### **What has changed?**

- 1 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* ('the Amendments'), clarify the following:
  - (a) *Date of initial application*: is the beginning of the annual reporting period in which IFRS 10 is applied for the first time.
  - (b) *Interests in investees that were disposed of during a comparative period under IFRS 10*: relief is provided from retrospective application of IFRS 10 if an investor's interests in investees, that were not consolidated under IAS 27/SIC-12 but would be consolidated under IFRS 10, were disposed of before the date of initial application of IFRS 10.
  - (c) *The version of IFRS 3 Business Combinations to use when applying IFRS 10*: If control was obtained *after* the effective date of IFRS 3 (2008), then IFRS 3 (2008) shall be used for the purposes of restating the comparatives. If control was obtained *before* the effective date of IFRS 3 (2008), an entity is allowed to apply either IFRS 3 (2008) or the previous version of IFRS 3 (issued in 2004) and the corresponding version of IAS 27/IFRS 10.
- 2 In addition, the amendments provide transition relief with the following two areas of transition in IFRS 10, IFRS 11 and IFRS 12, to address concerns expressed by some preparers that the transition requirements in IFRS 10, IFRS 11 and IFRS 12 would be more onerous than originally envisaged.
  - (d) eliminate the requirement to adjust comparatives that exceed the minimum requirements under IFRSs; and
  - (e) provide relief from comparative information under IFRS 12 in relation to unconsolidated structured entities.

*Comparatives for entities that need to provide more than the immediately preceding period for IFRS 10, IFRS 11 and IFRS 12*

#### IFRS 10

- 3 IFRS 10 requires an entity to apply IFRS 10 retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as stated in paragraphs C2A-C6 of IFRS 10. Consequently, when an entity first applies IFRS 10, it is required to adjust all relevant prior period amounts (and disclosures) presented in its financial statements. This would require entities to disclose the amount of the adjustment or affected financial statement line items for the current period of change and for each prior period presented. The Amendments limit the quantitative information required by IAS 8 to the immediately preceding period, although an entity may present this information for the current period or for earlier comparative periods, but is not required to do so.

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

- 4 The Amendment also limits the requirement to present adjusted comparatives to only one comparative period – the immediately preceding period, which is consistent with the minimum comparative disclosure requirements contained in IAS 1 *Presentation of Financial Statements*.
- 5 However, an entity will be permitted to present or adjust comparatives for earlier periods. If the entity presents unadjusted comparative information for any earlier periods, the entity is required to identify the information that has not been adjusted, and explain the basis on which it has been prepared.

IFRS 11 and IFRS 12

- 6 IFRS 11 and IFRS 12 are also amended to include similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period.

*Comparative information under IFRS 12 in relation to unconsolidated structured entities*

- 7 The disclosure requirements in IFRS 12 for unconsolidated structured entities, is applied retrospectively. The amendment eliminates the requirement to present comparatives for the disclosures under IFRS 12 relating to unconsolidated structured entities, for any period before the first year for which IFRS 12 is applied (i.e. comparative disclosures are not required).

*Consequential Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards*

- 8 The Amendments amend IFRS 1 to clarify that, when a first-time adopter applies the guidance in IFRS 11, they should apply the requirements at the *date of transition*, which is the same as the beginning of the earliest IFRS period presented. Other requirements in IFRS 1 remain unaffected by the Amendments.

**When does Transition Guidance, Amendments to IFRS 10, IFRS 11 and IFRS 12 become effective?**

- 9 The Amendments become effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Early adopters would need to disclose that fact and apply IFRS 10, IFRS 11 and IFRS 12 at the same time.

## **APPENDIX 2**

### **EFRAG'S TECHNICAL ASSESSMENT OF CONSOLIDATED FINANCIAL STATEMENTS, JOINT ARRANGEMENTS AND DISCLOSURE OF INTERESTS IN OTHER ENTITIES: TRANSITION GUIDANCE (AMENDMENTS TO IFRS 10, IFRS 11 AND IFRS 12)**

*In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG's capacity of contributing to the IASB's due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advising the European Commission on endorsement of the definitive IFRS in the European Union and European Economic Area.*

*In the latter capacity, EFRAG's role is to make a recommendation about endorsement based on its assessment of the final IFRS or Interpretation against the technical criteria for the European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRSs or Interpretations. Another reason for a difference is that EFRAG's thinking may evolve.*

**Does the accounting that results from the application of *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* meet the technical criteria for EU endorsement?**

- 1 EFRAG has considered whether *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* ('the Amendments') meet the technical requirements of the European Parliament and of the Council on the application of international accounting standards, as set out in Regulation (EC) No 1606/2002, in other words that the Amendments:
  - (a) are not contrary to the principle of 'true and fair view' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and
  - (b) meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

EFRAG also considered whether it had any evidence that it would not be conducive to the European public good to adopt the Amendments.

#### *Approach adopted for the technical assessment of the Amendments*

- 2 The Amendments clarify the following aspects of IFRS 10:
  - (a) *Date of initial application*: is the beginning of the annual reporting period in which IFRS 10 is applied for the first time.
  - (b) *Interests in investees that were disposed of during a comparative period under IFRS 10*: relief is provided from retrospective application of IFRS 10 if an investor's interests in investees, that were not consolidated under

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

IAS 27/SIC-12 but would be consolidated under IFRS 10, were disposed of before the date of initial application of IFRS 10.

- (c) *The version of IFRS 3 Business Combinations to use when applying IFRS 10:* If control was obtained *after* the effective date of IFRS 3 (2008), then IFRS 3 (2008) shall be used for the purposes of restating the comparatives. If control was obtained *before* the effective date of IFRS 3 (2008), an entity is allowed to apply either IFRS 3 (2008) or the previous version of IFRS 3 (issued in 2004) and the corresponding version of IAS 27/IFRS 10.
- 3 In EFRAG's view, amendments (a), (b) and (c) are straightforward and do not raise any new concerns. For this reason, they are not discussed specifically in this Appendix.
- 4 The Amendments also provide transition relief in the following two main areas of transition in IFRS 10, IFRS 11 and IFRS 12.
- (a) eliminate the requirement to adjust comparatives that exceed the minimum requirements under IFRSs; and
- (b) provide relief from comparative information under IFRS 12 in relation to unconsolidated structured entities.
- 5 The amendments in paragraph 4 apply only in the period when an entity adopts IFRS 10, IFRS 11 and IFRS 12. These are discussed in the paragraphs below.

***Comparatives for entities that need to provide more than the immediately preceding period for IFRS 10, IFRS 11 and IFRS 12***

- 6 This amendment affects those companies that provide (are required or do so on a voluntary basis) more than one comparative period when they implement IFRS 10, IFRS 11 and IFRS 12, and affects comparative information in two ways:
- (a) It limits the requirement for full retrospective application in IFRS 10, IFRS 11 and IFRS 12, by requiring only one comparative period in the year an entity adopts these standards.
- (b) When IFRS 10 and IFRS 11 are adopted, an entity is required to disclose the amount of the adjustment or affected financial statement line items for the *current period of change and for each prior period presented*, as required under paragraph 28(f) of IAS 8. The Amendments limits the quantitative information required by IAS 8 to the immediately preceding period

Relevance

- 7 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.
- 8 EFRAG considered whether this amendment would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.
- 9 In EFRAG's view, the companies affected by this amendment provide as much relevant information as companies that only comply with the minimum comparative



*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

disclosure requirements contained in IAS 1 *Presentation of Financial Statements*. Also, companies are permitted (but not required) to present or adjust comparative information for earlier periods.

- 10 EFRAG notes that the amendment would permit the earliest comparative periods to be presented on the same basis as they were presented in the previous set of financial statements, which would be more information than entities that only provide the minimum amount of information required by IAS 1.
- 11 For the reasons stated above, EFRAG's overall initial assessment is that this amendment meets the relevance criterion.

Reliability

- 12 EFRAG also considered the reliability of the information that will be provided by applying this amendment. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.
- 13 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness.
- 14 The amendments require companies to state which comparative information has not been restated and the basis on which it has been prepared. For this reason, EFRAG does not believe that the amendments affect the reliability of the financial information.
- 15 EFRAG's overall initial assessment is that this amendment satisfies the reliability criterion.

Comparability

- 16 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.
- 17 EFRAG has considered whether the amendment results in transactions that are:
  - (a) economically similar being accounted for differently; or
  - (b) transactions that are economically different being accounted for as if they are similar.
- 18 EFRAG generally believes that providing information for one comparative period generally meets the comparability criterion. Also, EFRAG notes that the relief in relation to comparative information is limited to the period when IFRS 10, IFRS 11 and IFRS 12 are first adopted.
- 19 EFRAG acknowledges that the amendment relating to paragraph 28(f) of IAS 8 will have some negative affect on comparability of information as users will not be provided with the amount of the adjustment or affected financial statement items for the *current period* that explains the effect of adopting IFRS 10 and IFRS 11 on an entity's financial results. However, users will have this information for the immediately preceding period.

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

- 20 For the reasons stated above, EFRAG's initial assessment is that this amendment satisfies the comparability criterion.

Understandability

- 21 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.
- 22 Although there are a number of aspects to the notion of 'understandability', EFRAG notes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.
- 23 In EFRAG's view, this amendment does not introduce any new complexities that may impair understandability, but clarifies the requirement for comparative information both on a mandatory and on a voluntary basis.
- 24 EFRAG's overall initial assessment is that this amendment satisfies the understandability criterion.

***Disclosure on IFRS 12 for unconsolidated structured entities***

- 25 This amendment eliminates the requirement to present comparative information for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. Therefore, only current period information will be required.

Relevance

- 26 Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future events or by confirming or correcting their past evaluations.
- 27 EFRAG considered whether this amendment would result in the provision of relevant information – in other words, information that has predictive value, confirmatory value or both – or whether it would result in the omission of relevant information.
- 28 EFRAG believes that the information required in IFRS 12 about unconsolidated structured entities, is useful to users as it addresses user concerns about the lack of information regarding the nature and extent of an entity's involvement in unconsolidated structured entities and the risks resulting from that involvement. The amendment will require entities to provide this information for the *current period only*, when IFRS 12 is first adopted. Also, companies are permitted (but not required) to present or adjust comparative information for earlier periods.
- 29 In EFRAG's view, the primary purpose of producing information about unconsolidated structured entities is to provide users with information about an entity's exposure to risks that arise from its involvement in those entities. Therefore, presenting the required information for the current period, results in the presentation of relevant information. EFRAG further notes that the relief in relation to comparative information is limited to the period when IFRS 12 is first adopted.
- 30 For the reasons stated above, EFRAG's overall initial assessment is that this amendment meets the relevance criterion.

### Reliability

- 31 EFRAG also considered the reliability of the information that will be provided by applying this amendment. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent, and is complete within the bounds of materiality and cost.
- 32 There are a number of aspects to the notion of reliability: freedom from material error and bias, faithful representation, and completeness.
- 33 EFRAG acknowledged that entities might have concerns with reliability until they have the processes in place to obtain the required information on a timely basis. For some companies having reliable information for comparative periods of previously unconsolidated structured entities might be challenging. In EFRAG's view, the amendment addresses this concern, and does not raise any concern about reliability of information.
- 34 The amendment requires entities to state which comparative information has not been restated and explain the basis on which it has been prepared. This will ensure that users are informed of the basis of the information, and therefore ensure faithful representation.
- 35 EFRAG's overall initial assessment is that this amendment satisfies the reliability criterion.

### Comparability

- 36 The notion of comparability requires that like items and events are accounted for in a consistent way through time and by different entities, and that unlike items and events should be accounted for differently.
- 37 EFRAG has considered whether the amendment results in transactions that are:
- (a) economically similar being accounted for differently; or
  - (b) transactions that are economically different being accounted for as if they are similar.
- 38 EFRAG notes that the relief in relation to comparative information is limited to the period when IFRS 12 is first adopted.
- 39 As explained in the assessment in the 'relevance' criterion, EFRAG believes that the primary purpose of producing information about unconsolidated structured entities is to provide users with information about an entity's exposure to risks that arise from its involvement in those entities.
- 40 EFRAG believes that the transitional relief on the comparative disclosures will capture prior period risk exposures in relation to risks that still exist in the current period, and which have materialised in the current period. However, users will only be able to assess changes in risk exposures after the first period in which IFRS 12 is applied.

*Draft endorsement advice on Consolidated financial statements, Joint arrangements and Disclosure of interests in other interests: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

- 41 For the reasons explained above, EFRAG's initial assessment is that this amendment satisfies the comparability criterion.

Understandability

- 42 The notion of understandability requires that the financial information provided should be readily understandable by users with a reasonable knowledge of business and economic activity and accounting and the willingness to study the information with reasonable diligence.
- 43 Although there are a number of aspects to the notion of 'understandability', EFRAG notes that most of the aspects are covered by the discussion above about relevance, reliability and comparability.
- 44 As a result, EFRAG is of the view that the main additional issue it needs to consider, in assessing whether the information resulting from the application of the amendment is understandable, is whether that information will be unduly complex.
- 45 EFRAG believes that the amendment does not introduce any new complexities that may impair understandability. Therefore, EFRAG's overall initial assessment is that this amendment satisfies the understandability criterion.

*True and Fair*

- 46 EFRAG's overall initial assessment is that the information resulting from the application of the Amendments would not be contrary to the true and fair view principle.

*European public good*

- 47 EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt the Amendments.

**Conclusion**

- 48 For the reasons set out above, EFRAG's tentative initial assessment is that the Amendments satisfy the technical criteria for EU endorsement.

### **APPENDIX 3**

#### **CONSOLIDATED FINANCIAL STATEMENTS, JOINT ARRANGEMENTS AND DISCLOSURE OF INTERESTS IN OTHER ENTITIES: TRANSITION GUIDANCE (AMENDMENTS TO IFRS 10, IFRS 11 AND IFRS 12)**

1 EFRAG has also considered whether, and if so to what extent, implementing *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* ('the Amendments') in the EU might result in incremental costs for preparers and/or users, and whether those costs are likely to be exceeded by the benefits to be derived from its adoption.

#### **Approach adopted for EFRAG's cost and benefit assessments of the Amendments**

2 The approach adopted to conduct EFRAG's initial assessments on the costs and benefits of the Amendments is, similar to the approach EFRAG undertook in its technical assessments of the Amendments, to focus on the amendments that are likely to result in additional costs and additional benefits to preparers and users.

3 As noted in paragraph 1 of Appendix 1, the Amendments clarify some aspects of IFRS 10 that are straightforward and do not raise any new concerns. Those clarifications are not discussed specifically in this Appendix.

4 The Amendments also provide transition relief in the following two areas of transition in IFRS 10, IFRS 11 and IFRS 12.

- (a) eliminate the requirement to adjust comparatives that exceed the minimum requirements under IFRSs; and
- (b) provide relief from comparative information under IFRS 12 in relation to unconsolidated structured entities.

5 The Amendments affect those entities that provide (are required or do so on a voluntary basis) more than one comparative period when they implement IFRS 10, IFRS 11 and IFRS 12, and provide relief in respect of current period information required by IAS 8 when IFRS 10 and IFRS 11 are first adopted.

6 The Amendments in paragraph 53 apply only when an entity adopts IFRS 10, IFRS 11 and IFRS 12. These are discussed in the paragraphs below.

#### **Cost and benefits for preparers**

7 EFRAG has carried out an initial assessment of the cost implications for preparers resulting from the Amendments of the transitional guidance.

*Comparatives for entities that need to provide more than the immediately preceding period for IFRS 10, IFRS 11 and IFRS 12*

8 This amendment limits the requirement for full retrospective application in IFRS 10, IFRS 11 and IFRS 12, by requiring only one comparative period when an entity adopts these standards. The amendment also limits requirement under paragraph 28(f) of IAS 8 to only the immediately preceding period.

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- 9 In EFRAG's view, this amendment will significantly alleviate some of the operational burden for preparers that want to apply these standards as of 1 January 2013 and ensures the feasibility of doing so.
- 10 Furthermore, entities will not be required to provide the quantitative information required in paragraph 28(f) of IAS 8 regarding the impact of the change of adopting the new standard on the current period. This will further reduce the cost burden for the preparers affected.

*Disclosure on IFRS 12 for unconsolidated structured entities*

- 11 This amendment eliminates the requirement to present comparatives for the disclosures related to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.
- 12 EFRAG believes that the transition relief provided by this amendment will significantly reduce the transitional cost the preparers affected.

**Cost and benefits for users**

- 13 EFRAG has carried out an initial assessment of the cost implications for users resulting from the Amendments.
- 14 EFRAG notes that any impacts on costs and benefits from the Amendments will be one-off, as they specifically relate only to transition of IFRS 10, IFRS 11 and IFRS 12.
- 15 Users will incur costs to understand the new transition relief and modify their financial models accordingly. Similarly users will lose the quantitative information required by paragraph 28(f) of IAS 8 on the impact of the change of the new standards in the current period. In EFRAG's view, these costs are unlikely to be significant, as entities will still be required to present one period of comparative information.
- 16 In relation to the disclosure for unconsolidated structured entities, EFRAG believes that presenting the required information for the current period, results in the presentation of useful and relevant information for users.
- 17 Overall, EFRAG's initial assessment is that the Amendments will result in some one-off cost for users in the period in which the new standards are first applied. However, these costs are unlikely to be significant.

**Conclusion on costs for preparers and users**

- 18 EFRAG's initial assessment is that the overall the benefits to preparers to be derived from the Amendments are likely to outweigh the costs to users.