

26 March 2012

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Re: Exposure Draft Transition Guidance (Amendments to IFRS 10)

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the Exposure Draft *Transition Guidance (Amendment to IFRS 10)* (the ED) that was issued by the IASB on 20 December 2011. This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS in the European Union and European Economic Area.

EFRAG welcomes the IASB's decision to clarify the transition guidance in IFRS 10. In addition, we also support the Board's decision to address this issue separately rather than through an annual improvement.

EFRAG supports the proposed amendments as they provide greater clarity and ensure consistent application of the transition requirements of IFRS 10. EFRAG agrees with the amendments as they provide an appropriate trade-off between the costs to preparers and benefits to users.

Our detailed responses to the questions in the ED are set out in the Appendix to this letter.

If you wish to discuss our comments further, please do not hesitate to contact Panagiotis Papadopoulos or me.

Yours sincerely,



Françoise Flores
EFRAG Chairman

APPENDIX

EFRAG's responses to the questions raised in 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?

EFRAG's response

EFRAG supports the proposed amendments as they provide greater clarity and ensure consistent application of the transition requirements of IFRS 10.

- 1 EFRAG supports the proposed amendments as they provide greater clarity and ensure consistent accounting for transactions on the initial application of the standard.
- 2 EFRAG notes that the proposed definition of the 'date of initial application' is consistent with our understanding and the definition provided in other IFRSs. However, we agree with the suggestion of the IFRS Interpretations Committee that the IASB should consider adding a definition of the date of initial application to the Glossary of Terms.
- 3 Finally, we note that some constituents believe that the transition guidance in the Exposure Draft is not clear as to which version of IFRS 3 *Business Combinations* should be used to apply the acquisition accounting on the adoption of IFRS 10.

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?

EFRAG's response

EFRAG agrees with the amendment as it provides an appropriate trade off between the costs to preparers and benefits to users.

- 4 EFRAG believes that it is preferable to apply consistent criteria for the consolidation of the subsidiaries in the current period and comparative period, because it provides useful information about the development of the group and its history. However, we recognise that an entity may not be able to obtain information from an investee that it no longer controls and we believe that the benefits to users would not outweigh the costs of retrospective application of IFRS 10. Therefore, we agree with the amendments to paragraph C3 of IFRS 10.