Project: **Consolidation and Joint Arrangements**

Topic: **Effective date**

Introduction

1. This paper discusses the effective date requirements for IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Involvement with Other Entities* and IAS 28 *Investments in Associates* (as amended in 2011) [hereafter referred to as 'the four IFRSs'].

2. In addition, this paper summarises the current project status and next steps for the four IFRSs.

Staff analysis

Effective date

3. In selecting the effective date, the Board should consider the following:

   (a) The time necessary for translation and the inclusion into legislation for some jurisdictions.

   (b) The number of countries that are adopting IFRS in the next few years, and the need to avoid them having to make two changes in a short period of time.

   (c) The time and effort that will be involved in adapting to the new requirements, bearing in mind that these new requirements are finalised during a period of regulatory change and continuing economic uncertainty for many entities.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

(d) The Board usually sets an effective date between six and eighteen months after issuing an IFRS.

Staff recommendations—effective date

4. Because of the interaction between IFRS 10, IFRS 11, IFRS 12 and IAS 28, we recommend requiring the same effective date for all four IFRSs.

5. We recommend an effective date of 1 January 2013 for the four IFRSs. This would allow entities enough time to be able to provide all of the disclosures required by IFRS 12, in particular with respect to unconsolidated structured entities. Further, all four IFRSs require (limited) retrospective application. An effective date of January 2013 provides an appropriate lead time between publication of the final standards and the effective date.

Early application

6. The EDs on consolidation and joint arrangements (ED 10 *Consolidated Financial Statements* and ED 9 *Joint Arrangements*) proposed to permit entities to apply the new requirements early. The EDs also proposed that entities that choose to apply the standards early should disclose that fact. All four IFRSs are expected to be finalised in the first Quarter of 2011. The possibility to early adopt would enable entities to use the new guidance in their 2011 and 2012 financial statements.

Staff recommendation—early application

7. The four IFRSs will improve the accounting and, in particular, the disclosures provided by a reporting entity in relation to its involvement with subsidiaries, joint ventures, associates and unconsolidated structured entities. Accordingly, we do not believe entities should be prevented from applying the new requirements early should they choose to do so. In addition, early application will address the concerns expressed by those who will adopt IFRSs for the first time in 2011 or 2012—if first-time adopters were prevented from applying the IFRSs early, those entities might be forced to make two changes to their accounting with respect to consolidation and joint control within a short time

period. Therefore, we recommend permitting early application of the four IFRSs and requiring entities that apply the IFRSs early to disclose that fact.

8. Because of the significant interaction between the four IFRSs and in order to improve comparability among entities, we also recommend that if an entity elects to apply the new requirements early, the entity must apply the requirements of all four IFRSs early as a package.

9. The Board should note that it still has the opportunity to review the effective date as part of its broader consideration of the feedback received from the request for views on effective dates and transition consultation.

Questions for the Board
Does the Board agree with the staff recommendations to (a) require an effective date of 1 January 2013 for IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended in 2011)? (b) permit early application of IFRS 10, IFRS 11, IFRS 12 and IAS 28, but only if all four IFRSs are applied early? (c) to require an entity to disclose the fact that it has applied the four IFRSs early, if that is the case? If not, why and what does the Board propose?

Update of the current project status

10. The Board has completed its deliberations for all four IFRSs (subject to discussions at this meeting) and we are ready to begin the balloting process. We would like to determine if any of the Board members intend to provide alternative views on any of the four IFRSs.

Alternative views
Does any of the Board members intend to provide alternative views on IFRS 10, IFRS 11, IFRS 12 or IAS 28 (as amended in 2011)?