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Project **Amendments to the Transition Guidance in IFRS 10**

Topic **Comment period for the exposure draft**

Background

1. In May 2011 the Board published IFRS 10 *Consolidated Financial Statements*. This standard shall be applied for annual periods beginning on or after 1 January 2013.

2. At the 15 November 2011 Board meeting, the Board discussed the transitional provisions in IFRS 10 and unanimously decided to clarify them by:

   a) defining 'date of initial application'. The definition would be 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time';

   b) amending paragraph C3 to clarify that an investor is not required to make adjustments to its previous accounting for its interests in investees 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, this relief would also be available 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; and

   c) amending paragraphs C4 and C5 to clarify how an investor shall retrospectively adjust comparative periods if the consolidation conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10.

3. Given the mandatory effective date of IFRS 10 the publication of the exposure document is urgent. The staff aims to publish the exposure draft, the scope of which is limited to these clarifications of the transitional requirements in IFRS 10, towards the end of December 2011. The purpose of this paper is to discuss the comment period for this document.

Analysis

4. Paragraphs 99-100 of the *Due Process Handbook for the International Accounting Standards Board (IASB)* state that the IASB normally allows a period of 120 days for comment on its consultation documents. For exposure drafts, if the matter is exceptionally urgent, the document is short, and the IASB believes that there is likely to be broad consensus on the topic, the IASB may consider a comment period of no less than 30 days.

5. The staff believes that a shorter comment period can be justified.

6. The staff is recommending to the Board that the comment period be 90 days, rather than the normal exposure period of 120 days. The staff originally considered a 75 day comment period, but added 15 days because of the Christmas period.

7. The document is relatively short (eleven pages in total), as the changes are limited to the transitional provisions in the standard. The changes are essentially just clarifications of the Board's intention when IFRS 10 was issued.

8. The staff assessment is that there is likely to be broad consensus on the topic. The amendments clarify the situations when transition relief is available and confirm that relief from retrospective application is available when an entity is disposed of during the comparative period(s). This is the approach favoured by those seeking clarification on the basis that the cost of retrospective application would exceed the benefits in such cases.

9. The staff and Board also want to provide these clarifications as early as possible during the comparative period and to align the effective date of the amendments

with those of IFRS 10 (1 January 2013). In addition, sufficient time should be allowed for the endorsement process in jurisdictions that have one.

10. As such, the staff assessment is that the urgency and simplicity of the proposed clarification warrant a shorter than normal comment period.

11. The amendments were supported by all Board members present at the 15 November 2011 meeting at which the amendments were tentatively approved.

Staff recommendation

12. For the reasons outlined above the staff recommends a comment period of 90 days.

Question 1 – Comment period
Does the Board agree with the staff recommendation that the Board adopt a comment period of 90 days? If not, what would the Board like to do and why?