STAFF PAPER

May 2012

IASB Meeting

Project	**Transition Guidance (Proposed amendments to IFRS 10)**		
Paper topic	Due process considerations		
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Introduction

1. In May 2011 the IASB published IFRS 10 *Consolidated Financial Statements*.
2. In September 2011 the IFRS Interpretations Committee discussed a request to clarify the transition requirements when IFRS 10 is first applied. The Interpretations Committee recommended that the Board should amend IFRS 10, to clarify the requirements.
3. In November 2011 the Board discussed the issue and agreed that addressing the request for clarifications would be helpful to constituents. The Board decided to add a definition of "date of initial application" and add a description of a scenario not included in IFRS 10, for which transition relief was always intended to be available. These proposed amendments are clarifications of the Board's intent when it issued the IFRS in May 2011.
4. In December 2011 the IASB published the exposure draft *Transition Guidance: Proposed Amendments to IFRS 10* (the ED) reflecting those additions in order to allay the concerns of some who thought that the transition provisions in the standard were more burdensome than originally intended.

Purpose

5. This paper reviews whether the Board has complied with due process steps, as required in the *IASB Due Process Handbook*.

Due process

6. The *IASB Due Process Handbook* includes mandatory and non-mandatory due process steps that are required to be undertaken before the publication of an exposure draft or the issue of a new IFRS or amendments to existing IFRSs. The Board is required to explain why it has not undertaken any of the non-mandatory steps (ie the 'comply or explain' approach).

Mandatory steps

Publishing an exposure draft, with a basis for conclusions and alternative views if relevant

7. The Board published the exposure draft *Transition Guidance: Proposed amendments to IFRS 10* (the ED) in December 2011. The ED had a comment period ending on 21 March 2012. The ED was approved by all fifteen Board members and included a Basis for Conclusions.

Comment letter period and review

8. In December 2011, after having consulted with, and received approval from, the Due Process Oversight Committee (DPOC), the Board unanimously voted to shorten the comment period on the ED from 120 days to 90 days. The Board believed that this would be appropriate because the document was short, the Board believed that there was likely to be a broad consensus on the topic and it was important that the extent of the relief should be made known as soon as practicable.

9. The IASB received 64 comment letters. A comment letter summary is being presented to the Board at the May 2012 meeting. Summary statistics included in that comment letter summary are reproduced as Appendix A to this paper.

Considering the need for re-exposure

10. The proposed amendments in the exposure draft, together with a summary of tentative decisions in redeliberations, (assuming that staff recommendations from this meeting are accepted), is shown in Appendix B.

11. The vast majority of respondents agreed with the proposed amendments to IFRS 10 set out in the exposure draft, subject to some drafting changes. Several respondents requested additional changes, most significantly the deferral of the effective date for IFRS10, IFRS 11 and IFRS 12 (the new standards) or, as an alternative to deferral, additional transition relief to restrict the requirements for comparative information.

12. In January 2012, the Board reconsidered the 1 January 2013 mandatory effective date and agreed unanimously not to defer it.

13. At the May 2012 meeting, the staff will ask the Board to give additional transition relief in two areas: restricting to only the preceding period the requirement to present restated comparatives on initial application of the new standards; and removing the requirement for comparative information relating to unconsolidated structured entities on initial application of IFRS 12.

14. If the Board agrees to provide this additional relief, the staff assessment is that re-exposure would not be needed.

15. When the Board considered the transition provisions for IFRS 10, IFRS 11 and IFRS 12 it considered giving relief similar to the relief recommended in agenda paper 9A. At the time, the information available to the Board suggested that such relief was not necessary, because entities would have sufficient time and information to meet the disclosure requirements. Comments we received in response to the December ED suggest that the preparatory work being undertaken by entities has highlighted that complying with the comparative requirement is proving to be more onerous than some of those entities had originally thought. If the Board supports providing this additional relief in the light of the new information, we think that re-exposure would not be required because, in all probability, if the Board had known this at the time they would have reached this conclusion when IFRS 10, IFRS 11 and IFRS 12 were originally approved. If the comparative relief had been provided when IFRS 10, IFRS 11 and IFRS 12 were originally approved, our assessment is that providing the relief would not have been a matter for re-exposure.

Non-mandatory steps

16. Because this ED is a narrow-scope amendment and not a major project, consultation through the comment letter process is considered to be sufficient. Consequently, steps such as the publication of a discussion document, the establishment of a working group, the holding of public hearings and the undertaking of fieldwork were considered to be unnecessary.

Summary

17. The staff are satisfied that the Board has been given sufficient feedback and analysis from the consultation steps that have been performed. In the staff's view, this project has complied with all mandatory steps in the *Due Process Handbook* thus far.

18. The staff also believes that the Board has performed sufficient non-mandatory due process steps. The Basis for Conclusions will state that fact.

Question
Is the Board satisfied that the Board: (a) has performed all mandatory due process steps? (b) has performed sufficient non-mandatory due process steps?

Question
Does the Board agree that the staff should proceed with the proposed amendments as agreed at this May 2012 meeting, including a ballot to be provided to the Board for finalisation of this project without formal re-exposure?

Appendix A: Statistical analysis of comment letters

Demographics of the comment letter respondents (as of 26 April 2012)

Respondents by geographic region	Number	%
Africa	4	6%
Asia	13	20%
Europe	29	46%
North America	9	14%
Oceania	7	11%
South America	2	3%
Total	**64**	**100%**

Respondents by type	Number	%
Accountancy Body	12	19%
Accounting Firm	8	13%
Government/Policymaker	4	6%
Individual	2	3%
Industry Organisation	3	5%
Preparer/Industry	3	5%
Preparer/Industry (Banks)	5	8%
Preparer/Industry (Financials)	1	1%
Preparer/Representative Body	3	5%
Regulator	1	1%
Standard-setter	21	33%
User/Representative Body	1	1%
Total	**64**	**100%**

Appendix B: Comparison of ED proposals to tentative decisions in redeliberations

ED proposals:	**Tentative decisions in redeliberations (assumes staff recommendations from this meeting are taken):**
Definition of the date of initial application • The beginning of the annual reporting period in which this IFRS is applied for the first time; ie 1 January 2013 for a calendar-year entity, assuming no early application (ED par C2A)	*Definition of the date of initial application* • Confirms the definition in the ED, which clarifies the Board's intention in IFRS 10
Transition relief from retrospective application • Where the consolidation conclusion is unchanged at the date of initial application, no retrospective restatement is required, including where an investment is disposed of in the comparative period	*Transition relief from retrospective application* • Clarifies the Board's intention in IFRS 10 and is consistent with the control assessment being made at the date of initial application
Proposed amendments to clarify paragraphs C4 and C5 • Maintain and clarify the transition requirements when the consolidation conclusion changes at the date of initial application • Confirm that comparative period(s) are adjusted retrospectively and any difference in the amounts recognised is adjusted to opening retained earnings	*Proposed amendments to clarify paragraphs C4 and C5* • Confirms the clarifications in the ED, with any difference in the amounts recognised being adjusted to opening equity, consistent with IFRS 10 today • Provides additional transition relief by restricting the presentation of adjusted comparatives to the preceding period • For unconsolidated structured entities (as defined in IFRS 12), provides further transition relief by removing the need to restate comparative information when IFRS 12 is first applied