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Project	Exposure Draft—<i>Annual Improvements to IFRSs 2014–2016 Cycle</i>		
Paper topic	Comment letter analysis—Proposed amendments to IFRS 1: <i>Deletion of short-term exemptions</i>		
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Introduction

1. The Exposure Draft *Annual Improvements to IFRSs 2014–2016 Cycle* (the ED), published in November 2015, included a proposal to delete the short-term exemptions in paragraphs E3–E7 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This is because the relief provided in those paragraphs had served its intended purpose.

Objective and structure of the paper

2. The objective of this paper is to provide an analysis of the feedback received in comment letters on the proposed amendments to IFRS 1.
3. This paper:
 - (a) provides a description of the issue that led to the proposed amendments;
 - (b) analyses the comments received on the ED; and
 - (c) asks the International Accounting Standards Board (the Board) whether it agrees with the staff recommendation to finalise the amendments to IFRS 1.

Issue

4. In September 2014, the Board amended paragraphs 44R and B30 of IFRS 7 *Financial Instruments: Disclosures* and added paragraph B30A to clarify how an entity decides whether servicing rights and obligations represent continuing involvement for the purposes of the disclosure requirements in IFRS 7¹.
5. As a consequence of the amendments to IFRS 7, the Board added paragraph E4A to Appendix E of IFRS 1—“Short-term exemptions from IFRSs”. It did so to provide a first-time adopter with the same transition relief as had been provided to a preparer of IFRS financial statements (hereafter, ‘IFRS preparer’)—that transition relief was included in paragraph 44AA of IFRS 7.
6. Developing that short-term exemption prompted the Board to review the existing short-term exemptions in Appendix E of IFRS 1 to determine if they had served their intended purpose. This review resulted in the Board proposing amendments to delete paragraphs E3-E7 of IFRS 1.
7. We provide below a brief description of the short-term exemptions in paragraphs E3–E7 of IFRS 1. **Appendix B** to this paper expands upon that description.

Description of short-term exemptions

Paragraphs E3–E5

8. The short-term exemptions in paragraphs E3–E5 of IFRS 1 permit a first-time adopter to use some of the transition reliefs provided for IFRS preparers regarding the provision of disclosures in comparative periods. Specifically:
 - (a) Paragraph E3 of IFRS 1 allows a first-time adopter to omit some disclosures in IFRS 7 relating to liquidity risk. This relief applies to:
 - (i) any annual or interim period presented within an annual comparative period ending before 31 December 2009; or

¹ <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/October/AP15-Annual%20Improvements%202012-2014%20cycle.pdf>

- (ii) any statement of financial position as at the beginning of the earliest comparative period before 31 December 2009.
 - (b) Paragraph E4 of IFRS 1 allows a first-time adopter to omit some disclosures in IFRS 7 relating to transfers of financial assets. This relief applies to comparative periods that began before 1 July 2011.
 - (c) Paragraph E4A of IFRS 1 allows a first-time adopter to omit some disclosures in IFRS 7 relating to servicing contracts (refer to paragraph 4 of this paper). This relief applies to any comparative period that began before 1 January 2016.
 - (d) Paragraph E5 of IFRS 1 allows a first-time adopter to omit some disclosures required by paragraph 145 of IAS 19 *Employee Benefits* about the sensitivity of the defined benefit obligation. This relief applies to comparative periods that began before 1 January 2014.
9. Because a first-time adopter could no longer use these reliefs, the Board proposed to delete these short-term exemptions.

Paragraphs E6–E7 of IFRS 1

10. Paragraph E7 allows a first-time adopter that is an investment entity (as defined in Appendix A to IFRS 10 *Consolidated Financial Statements*) to apply only some of the transition reliefs in IFRS 10 and in IAS 27 *Separate Financial Statements*, ie those in paragraphs C3C–C3D of IFRS 10 and paragraphs 18C–18G of IAS 27. These reliefs apply if a first-time adopter’s first IFRS financial statements are for an annual period ending on or before 31 December 2014.
11. Paragraph E6 of IFRS 1 identifies the population of first-time adopters that can apply the exemption in paragraph E7. This paragraph requires a first-time adopter to assess whether it is an investment entity on the basis of facts and circumstances that exist at the *date of transition to IFRSs*. The date of transition to IFRSs is the ‘beginning of the earliest period for which an entity presents full comparative information under IFRSs in its first IFRS financial statements’.

12. The Board proposed to delete the short-term exemptions in paragraphs E6–E7 of IFRS 1 by explaining that the relief provided through these exemptions had now expired.
13. In addition, the Board observed that the relief in paragraph E6 of IFRS 1 was considered unnecessary. This is because:
 - (a) requiring a first-time adopter to make an assessment at the date of transition to IFRSs has the same outcome as requiring a first-time adopter to make this assessment retrospectively.
 - (b) whether a first-time adopter applies investment entity accounting from the date of transition to IFRSs or from an earlier date does not affect the accounting outcome—ie the first-time adopter measures investments at fair value at the date of transition with adjustments recognised in opening retained earnings.

Comment letter analysis

14. In this section, we discuss and analyse the comments received from respondents to the ED on the proposed amendment to IFRS 1. The comment period ended on 17 February 2016.
15. 45 respondents commented on the proposed amendments to IFRS 1. Most of those respondents agree with the proposed amendments to IFRS 1 for the reasons provided in the ED. Some respondents agree with the proposed amendments, but they had further comments or requested further clarifications.

Deletion of short-term exemptions

16. Respondents who generally agree with the proposed amendment to IFRS 1 suggest the following:
 - (a) clarify the accounting treatment for a first-time adopter that was viewed as an investment entity before the date of transition (hereafter, Issue 1);

- (b) maintain the short-term exemption in paragraph E4A (hereafter, Issue 2);
 - (c) other issues (hereafter, Issue 3):
 - (i) make the short-term exemptions in paragraphs E3, E4A and E4 permanent exemptions;
 - (ii) consider removing obsolete transition provisions in other IFRS Standards; and
 - (iii) draft future short-term exemptions with a retirement or sunset date.
17. We discuss comments received on the transition and effective date of the proposed amendments to IFRS 1 (hereafter, Issue 4).
18. Appendix A to this paper also includes some comments on drafting, and outlines our proposals on how to address those comments.

Issue 1—clarify the accounting treatment for a first-time adopter that was viewed as an investment entity before the date of transition

19. Some respondents observe that paragraph E6 requires a first-time adopter that is a parent to assess whether it is an investment entity at the date of transition to IFRSs. These respondents agree with the Board’s proposal to delete this paragraph from IFRS 1 for the reasons provided in the ED when a first-time adopter:
- (a) was an investment entity before the date of transition, and continued to be an investment entity at that date, or
 - (b) becomes an investment entity at the date of transition.²
20. However, they note that the Board should further clarify the accounting when a first-time adopter is viewed as an investment entity before the date of transition but is no longer an investment entity at the date of transition.
21. For example one respondent said:
- ...We understand that, if paragraph E6 is removed, paragraph B100 of IFRS 10 *Consolidated Financial Statements* would be

² For example, Singapore Accounting Standards Council (ASC), EY and JICPA.

invoked, meaning that the entity would need to apply IFRS 3 *Business Combinations* retrospectively at the date of the status change from investment entity to non-investment entity. This requirement would clearly be onerous for such an entity. The staff paper 12D for the December 2013 Board meeting addressed this issue (...)

We agree with the staff that the relief offered by Appendix C1 of IFRS 1 should be available for an entity that was an investment entity before the date of transition, but is no longer an investment entity at the date of transition. However, from reading the proposed amendment and the Basis for Conclusions, we do not think it is clear that the relief would be available, because the scenario is not a traditional business combination scenario as anticipated by Appendix C. We therefore think it would be helpful to amend Appendix C and to include some explanatory wording in the Basis for Conclusions to clarify that this relief is available to such entities [EY].

Staff analysis and recommendation

22. As presented in our previous analysis to the Board (see paragraph 29 of [Agenda Paper 12D of December 2013](#)), paragraph B100 of IFRS 10 requires an entity to apply IFRS 3 *Business Combinations* to investments in subsidiaries when it ceases to be an investment entity. Nonetheless, a first-time adopter that was viewed as an investment entity before the date of transition of IFRSs (but is not viewed as an investment entity on that date) is able to make use of Appendix C to IFRS 1. Appendix C to IFRS 1 provides an exemption from applying IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.
23. A first-time adopter that decides to apply the exemption in Appendix C still needs to make adjustments to its opening IFRS statement of financial position (at the date of transition to IFRSs). In this respect, applying paragraphs C4(b) and C4(c) of IFRS 1, the first-time adopter:
 - (a) recognises all assets and liabilities at the date of transition applying IFRS Standards (with limited exceptions); and

- (b) excludes any items recognised applying previous GAAP that do not qualify for recognition as an asset or a liability applying IFRS Standards at the date of transition to IFRSs.
24. On the basis of the requirements in Appendix C of IFRS 1 and the fact that a first-time adopter can no longer use the relief, we recommend proceeding with the deletion of the short-term exemption in paragraphs E6-E7 of IFRS 1. We think it is not necessary for the Board to further amend IFRS 1 to specify the accounting for a first-time adopter that was viewed as an investment entity before the date of transition to IFRSs but is not viewed as an investment entity on that date.

Issue 2—maintain the short-term exemption in paragraph E4A

25. One respondent says that it would be premature to delete paragraph E4A. This is because the relief would still be applicable for financial statements ending before 31 December 2017, and deleting the paragraph ‘would impose an unnecessary inconvenience for a first-time adopter as it would need to refer back to older versions of IFRS 1’³.
26. Another respondent says the relief in paragraph 44AA (which is linked to the short-term exemption in paragraph E4A) would still be available for annual periods ending on 30 June 2018 that require a third statement of financial position at the beginning of the comparative period⁴. That respondent disagrees with the statement in the Basis for Conclusions that the relief is not applicable for financial statements ending on or after 31 December 2017.

Staff analysis and recommendation

27. The Board proposed deleting the short-term exemption in paragraph E4A of IFRS 1 because the relief would no longer apply at the time the amendments to IFRS 1 would become effective (presumably, annual periods beginning on or after 1 January 2018—the effective date is discussed further in paragraphs 37-40 of this paper and in agenda

³Grant Thornton.

⁴Australian Accounting Standards Board (AASB).

paper 12F for this meeting). Accordingly, we think that the Board's proposal to delete paragraph E4A is appropriate.

28. Setting an effective date of 1 January 2018 removes the concern raised about annual periods ending on 30 June 2018. This is because, for an entity with a 30 June year-end, the amendments become effective only for the annual period ending on 30 June 2019. We also propose to refer in the Basis for Conclusions to the periods of application of the transition reliefs, instead of the periods that they are no longer available (see Appendix A to this paper). This will also remove the concern raised about the statement in the Basis for Conclusions described in paragraph 26 above.
29. Consequently, we recommend that the Board proceed with the deletion of paragraph E4A of IFRS 1. The Basis for Conclusions can explain that paragraph E4A of IFRS 1 was deleted because it was obsolete at the time that the amendments to IFRS 1 became effective, on the basis that the relief provided applied to comparative periods beginning before 1 January 2016.

Issue 3—other issues

Make the short-term exemptions in paragraphs E3, E4A and E4 permanent exemptions

30. Some respondents say the Board should make the exemptions in paragraphs E3 and E4 of IFRS 1 permanent exemptions. This is because the transition provisions to which they relate (ie paragraphs 44G and 44M of IFRS 7) have the effect of restricting the use of hindsight, and they think it could be helpful to continue to restrict the use of hindsight⁵. For example, paragraph BC72A of IFRS 7 states that the reason for granting the transition relief in paragraph 44M of IFRS 7 was to 'avoid the risk of hindsight being applied'.
31. We observe that the transition provisions in paragraphs 44G and 44M of IFRS 7 are available for a limited period of time. When that period of time has elapsed, IFRS preparers and first-time adopters should be able to provide comparative information

⁵ South African Institute of Chartered Accountants (SAICA) and EY.

for the disclosures required by IFRS 7, without the use of hindsight. Consequently, we recommend that the Board does not make the short-term exemptions in paragraphs E3 and E4 of IFRS 1 permanent exemptions.

Consider removing obsolete transition provisions in other IFRS Standards

32. Some respondents suggest that the Board consider more broadly the relevance of transition provisions in IFRS Standards (not only in IFRS 1), and consider removing obsolete transition provisions when they have served their intended purpose. For example, those respondents think that the Board should delete paragraph 44G of IFRS 7 because, similarly to paragraph E3 of IFRS 1, it has served its intended purpose⁶.
33. We agree with the observation made that it might also be helpful to delete some of the transition provisions in other IFRS Standards because some of them may have served their intended purpose and may no longer be relevant.
34. Nonetheless, in our view, considering the transition provisions in other IFRS Standards is a broader undertaking that extends beyond the short-term exemptions in IFRS 1 and, thus, is outside the scope of this annual improvement. Consequently, we do not propose any further action to remove the transition provisions in other Standards at this time.

Draft future short-term exemptions with a retirement or sunset date

35. Some respondents ask the Board to consider introducing ‘sunset’ or ‘retirement’ clauses for future short-term exemptions in IFRS 1 so that it will be possible to remove them as editorial amendments, rather than following extensive due process.⁷
36. We think that, in the future, it might not be necessary to expose for comment proposals to delete short-term exemptions that have served their intended purpose. The transition relief provided by any short-term exemption automatically expires when an entity can no longer use that relief. When the Board develops and issues future short-term exemptions, it should explicitly indicate that the exemptions will be deleted at some point after they cease to be relevant. If it does so, we think that the

⁶ For example, ICAEW, Grant Thornton International, Ms Lynessa Dias.

⁷ For example, EFRAG, PwC, AASB and Japanese Institute of certified Public Accountants (JICPA).

Board will no longer need to expose for comment proposals to delete short-term exemptions.

Issue 4—transition and effective date

- 37. The ED did not include specific transition provisions for the proposed amendments because IFRS 1 is, by nature, a transition Standard. In this respect, a few respondents mentioned that the amendments to IFRS 1 do not need specific transition provisions⁸.
- 38. Some respondents questioned the need to specify an effective date for the amendments to IFRS 1. This is because they observe that the short-term exemptions automatically expire when entities can no longer apply them.

Staff analysis and recommendation

- 39. We agree in principle that the Board might not need to specify an effective date for the amendments to IFRS 1 because the reliefs provided by the short-term exemptions apply only for a limited period of time. However, we observe that because the amendments to IFRS 1 include consequential amendments to other IFRS Standards (for example, to explain that some of the short-term exemptions applicable to first-time adopters have been removed), it would be helpful to include an effective date for the proposed amendments to IFRS 1.
- 40. We recommend that the effective date for the proposed amendments to IFRS 1 is 1 January 2018 because, by this date, entities will no longer be able to use the transition reliefs in paragraphs E3-E7 of IFRS 1.
- 41. The effective date of the Annual Improvements package is discussed further in Agenda Paper 12F for this meeting. Agenda paper 12F also includes the question for the Board on the effective date.

⁸ For example, Grant Thornton.

Summary of staff recommendations

42. On the basis of the analysis in the previous section of the paper, we recommend that the Board finalise the proposed amendments to IFRS 1.
43. We also recommend the following changes to the proposed amendments to IFRS 1:
- (a) do not amend the footnote in paragraph 44G of IFRS 7 (see Appendix A);
and
 - (b) refer in the Basis for Conclusions to the periods of application of the transition reliefs, instead of to the periods when the short-term exemptions in IFRS 1 are no longer available (see Appendix A).

Question for the Board

Question for the Board

Does the Board agree with the staff recommendation to finalise the proposed amendments to IFRS 1, subject to the proposed changes described in paragraph 43 of this paper?

Appendix A—Comments on drafting raised in the comment letters

Proposal in the ED	Issue	Staff Proposal
<u>Footnotes in paragraphs 44G and BC72A of IFRS 7</u>		
<p>The ED proposed:</p> <p>a) an amendment to the footnote to paragraph 44G of IFRS 7 to explain the effect the proposed deletion of paragraph E3 of IFRS 1 would have on first-time adopters; and</p> <p>b) adding a footnote to paragraph BC72A of IFRS 7 to indicate that the relief in paragraph 44AA of IFRS 7 had served its intended purpose and would no longer be available to first-time adopters.</p>	<p>Some respondents disagree with the amendment to the footnote to paragraph 44G of IFRS 7 and with the proposal to add a footnote to paragraph BC72A of IFRS 7.</p> <p>This is because they observe that neither paragraph 44G nor paragraph BC72A contain references to IFRS 1 or to first-time adopters⁹.</p> <p>Some of these respondents also say that the footnote in paragraph 44G should be deleted altogether on the grounds that it is irrelevant.</p>	<p>We agree that the footnote in paragraph 44G of IFRS 7 should not be amended because it does not contain an explicit reference to IFRS 1 and it could be confusing to include such a reference as part of these amendments. We think it is sufficient that the Basis for Conclusions explains the link between the deleted short-term exemptions in IFRS 1 and the transition provisions in other Standards.</p> <p>We recommend retaining the footnote in paragraph BC72A of IFRS 7 because this paragraph refers to the application of the transition relief in paragraph 44M of IFRS 7 by first-time adopters, and it would be useful to know that this relief is no longer available.</p> <p>We disagree with deleting the original footnote in paragraph 44G of IFRS 7. This is because it provides information about how and when the transition provisions in this paragraph were amended (ie the transition provisions were added in March 2009 and further amended in January 2010).</p>
<u>Dates of when the short-term exemptions would cease to be relevant</u>		
<p>The Basis for Conclusions in the ED indicated the dates when the short-term exemptions cease to be relevant</p>	<p>Some respondents say that referring in the Basis for Conclusions to when the short-term exemptions cease to be relevant is confusing¹⁰. This is because:</p> <p>a) the description is not consistent with the description of the transition requirements in other Standards. They note that other Standards refer to the periods to which the reliefs apply, whereas the explanations in the Basis for Conclusions refer to the periods for which the reliefs are not available.</p> <p>b) entities could have reporting periods of less (or more) than 12 months, or reporting periods that do not necessarily end on the date set out in the Basis for Conclusions</p>	<p>We agree that referring in the Basis for Conclusions to the periods when the short-term exemptions in IFRS 1 are no longer available could be confusing.</p> <p>Consequently, we recommend referring instead to the periods of application of the transition reliefs.</p>

⁹ For example, PwC, AASB.

¹⁰ For example, ACCA, Ms Lynessa Dias, AASB.

Appendix B—Description of short-term exemptions in Appendix E to IFRS 1

Exemption in paragraph:	Exemption added by:	Transition relief from other Standards	Description of transition relief
E3	<p><i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> (Amendment to IFRS 1) issued in January 2010.</p> <p>This amendment clarifies the intended transition requirements for first-time adopters derived from <i>Improving Disclosures about Financial Instruments</i> (Amendments to IFRS 7) issued in March 2009.</p>	44G of IFRS 7	<p><i>Improving Disclosures about Financial Instruments</i> (Amendments to IFRS 7), issued in March 2009, amended paragraphs 27, 39 and B11 and added paragraphs 27A, 27B, B10A and B11A–B11F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. An entity need not provide the disclosures required by the amendments for:</p> <p>(a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009, or</p> <p>(b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.</p>
E4	<p><i>Disclosures—Transfers of Financial Assets</i> (Amendments to IFRS 7), issued in October 2010.</p>	44M of IFRS 7	<p><i>Disclosures—Transfers of Financial Assets</i> (Amendments to IFRS 7), issued in October 2010, deleted paragraph 13 and added paragraphs 42A–42H and B29–B39. An entity shall apply those amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact. An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.</p>
E4A	<p><i>Annual Improvements to IFRSs 2012–2014 Cycle</i>, issued in September 2014.</p>	44AA of IFRS 7	<p><i>Annual Improvements to IFRSs 2012–2014 Cycle</i>, issued in September 2014, amended paragraphs 44R and B30 and added paragraph B30A. An entity shall apply those amendments retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> for annual periods beginning on or after 1 January 2016, except that an entity need not apply the amendments to paragraphs B30 and B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application of the amendments to paragraphs 44R, B30 and B30A is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.</p>
E5	<p>IAS 19 (as amended in June 2011)</p>	173(b) of IAS 19	<p>An entity shall apply this Standard retrospectively, in accordance with IAS 8, except that:</p> <p>(a) ...</p> <p>(b) in financial statements for periods beginning before 1 January 2014, an entity need not present comparative information for the disclosures required by paragraph 145 about the sensitivity of the defined benefit obligation.</p>
E6	<p><i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12, and IAS 27) issued in October 2012</p>	–	<p>A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in IFRS 10, on the basis of the facts and circumstances that exist at the date of transition to IFRSs.</p>

Exemption in paragraph:	Exemption added by:	Transition relief from other Standards	Description of transition relief
E7	<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12, and IAS 27) issued in October 2012	C3C–C3D of IFRS 10 and paragraphs 18C–18G of IAS 27	<p>A first-time adopter that is an investment entity, as defined in IFRS 10, may apply the transition provisions in paragraphs C3C–C3D of IFRS 10 and paragraphs 18C–18G of IAS 27 if its first IFRS financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to IFRSs.</p> <p><u>C3C –C3D of IFRS 10</u></p> <p>C3C Before the date that IFRS 13 <i>Fair Value Measurement</i> is adopted, an investment entity shall use the fair value amounts that were previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the date of the valuation.</p> <p>C3D If measuring an investment in a subsidiary in accordance with paragraphs C3B–C3C is impracticable (as defined in IAS 8), an investment entity shall apply the requirements of this IFRS at the beginning of the earliest period for which application of paragraphs C3B–C3C is practicable, which may be the current period. The investor shall retrospectively adjust the annual period that immediately precedes the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to equity shall be recognised at the beginning of the current period.</p> <p><u>18C –18G of IAS 27</u></p> <p>18C At the date of initial application, an investment entity that previously measured its investment in a subsidiary at cost shall instead measure that investment at fair value through profit or loss as if the requirements of this IFRS had always been effective. The investment entity shall adjust retrospectively the annual period immediately preceding the date of initial application and shall adjust retained earnings at the beginning of the immediately preceding period for any difference between:</p> <p>(a) the previous carrying amount of the investment; and</p> <p>(b) the fair value of the investor's investment in the subsidiary.</p> <p>18D At the date of initial application, an investment entity that previously measured its investment in a subsidiary at fair value through other comprehensive income shall continue to measure that investment at fair value. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual period immediately preceding the date of initial application.</p> <p>18E At the date of initial application, an investment entity shall not make adjustments to the previous accounting for an interest in a subsidiary that it had previously elected to measure at fair value through profit or loss in accordance with IFRS 9, as permitted in paragraph 10.</p> <p>18F Before the date that IFRS 13 <i>Fair Value Measurement</i> is adopted, an investment entity shall use the fair value amounts previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's</p>

Exemption in paragraph:	Exemption added by:	Transition relief from other Standards	Description of transition relief
			<p>length transaction at the date of the valuation.</p> <p>18G If measuring the investment in the subsidiary in accordance with paragraphs 18C–18F is impracticable (as defined in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>), an investment entity shall apply the requirements of this IFRS at the beginning of the earliest period for which application of paragraphs 18C–18F is practicable, which may be the current period. The investor shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of the subsidiary is earlier than the beginning of the immediately preceding period, the investor shall adjust equity at the beginning of the immediately preceding period for any difference between:</p> <ul style="list-style-type: none"> (a) the previous carrying amount of the investment; and (b) the fair value of the investor’s investment in the subsidiary. <p>If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to equity shall be recognised at the beginning of the current period.</p>