Transition provisions in respect of impairment, foreign exchange and borrowing costs
The Interpretations Committee received a request to clarify the transition provisions of IFRS 10
Consolidated Financial Statements and IFRS 11 Joint Arrangements. The transition provisions of IFRS 10
and IFRS 11 include exemptions from retrospective application in specific circumstances. However, the
submitter observes that IFRS 10 and IFRS 11 do not provide specific exemptions from retrospective
application in respect of the application of IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS
23 Borrowing Costs or IAS 36 Impairment of Assets. The submitter thinks that retrospective application
of these Standards could be problematic when first applying IFRS 10 and IFRS 11. The Interpretations
Committee noted that when IFRS 10 is applied for the first time, it must be applied retrospectively, except
for the specific circumstances for which exemptions from retrospective application are given. It also noted
that when IFRS 10 is applied retrospectively, there may be consequential accounting requirements arising
from other Standards (such as IAS 21, IAS 23 and IAS 36). These requirements must also be applied
retrospectively in order to measure the investee’s assets, liabilities and non-controlling interests, as
described in paragraph C4 of IFRS 10, or the interest in the investee, as described in paragraph C5 of IFRS
10. The Interpretations Committee observed that if retrospective application of the requirements of IFRS
10 is impracticable to apply retrospectively the requirements of other Standards, then IFRS 10 (paragraphs
C4A and C5A) provides exemption from retrospective application.

The Interpretations Committee noted that although the meaning of the term ‘joint control’ as defined in
IFRS 11 is different from its meaning in IAS 31 Interests in Joint Ventures (2003) because of the new
definition of ‘control’ in IFRS 10, nevertheless the outcome of assessing whether control is held ‘jointly’
would in most cases be the same in accordance with IFRS 11 as it was in accordance with IAS 31. As a
result, the Interpretations Committee observed that, typically, the changes resulting from the initial
application of IFRS 11 would be to change from proportionate consolidation to equity accounting or from
equity accounting to recognising a share of assets and a share of liabilities. In those situations, IFRS 11
already provides exemption from retrospective application. The Interpretations Committee concluded that
in most cases the initial application of IFRS 11 should not raise issues in respect of the application of other
Standards. On the basis of the analysis above, the Interpretations Committee determined that the existing
transition requirements of IFRS 10 and IFRS 11 provide sufficient guidance or exemptions from
retrospective application and consequently decided not to add this issue to its agenda.