IFRS 10 - *Consolidated Financial Statements* (November 2013)

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.