

Straight away

IFRS bulletin from PwC

21 December 2011

IASB proposes amendments to transition guidance in IFRS 10

What's the issue?

The IASB has proposed changes to the transition requirements in IFRS 10, 'Consolidated financial statements', in the exposure draft (ED) 'Transition guidance – Proposed amendments to IFRS 10'. The ED provides further guidance on a new term, 'date of initial application'. The date of initial application is the first day of the annual period in which IFRS 10 is adopted; for example, 1 January 2013 for a calendar year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 assess control at the date of initial application and adjust the comparative figures accordingly.

The ED also provides transition guidance for investees that were disposed of during the comparative period.

The ED is expected to apply for annual periods beginning after 1 January 2013, consistent with IFRS 10. The comment period ends 21 March 2012.

Key amendments

The key clarifications in the ED are:

- The date of initial application is the beginning of the annual reporting period in which IFRS 10 is first applied.
- If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at the date of initial application, the comparative period is restated to be consistent with the accounting conclusion under IFRS 10, with retrospective measurement of the

transaction. For example, if a previously acquired business is newly consolidated under IFRS 10 as of the date of initial application, the assets, liabilities and non-controlling interest are measured as at the date of the business combination. A business that is deemed to be not controlled under IFRS 10 as at the date of initial application is de-consolidated, with the comparative period restated and measured as of the date of the disposal.

- Retrospective adjustments will be required, unless impracticable. If this is impracticable, retrospective adjustment from the earliest practicable date is required.
- Adjustments to previous accounting are not required for investees that will be consolidated under both IFRS 10 and the previous guidance in IAS 27/SIC 12 as at the date of initial application, or investees that will be unconsolidated under both sets of guidance as at the date of initial application.

Am I affected?

Entities that expect changes in the scope of consolidation on adoption of IFRS 10 are most likely to be affected by the proposed changes.

What do I need to do?

Management should read the ED in its entirety to determine the impact and consider commenting on it.

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