

Straight away

IFRS bulletin from PwC

29 June 2012

IASB amends transition guidance for IFRSs 10, 11 and 12

What's the issue?

The IASB has issued an amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'.

It clarifies that 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 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

The key changes in the amendment are:

- If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at the date of initial application, the immediately preceding comparative period (that is, 2012 for a calendar-year entity that adopts IFRS 10 in 2013) is restated to be consistent with the accounting conclusion under IFRS 10, unless impracticable.
- Any difference between IFRS 10 carrying amounts and previous carrying amounts at the beginning of the immediately preceding annual period is adjusted to equity.
- 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.

- Comparative disclosures will be required for IFRS 12 disclosures in relation to subsidiaries, associates, and joint arrangements. However, this is limited only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities.

The amendment is effective for annual periods beginning on or after 1 January 2013, consistent with IFRS 10, 11 and 12.

Am I affected?

The amendment will affect all reporting entities (investors) who need to adopt IFRSs 10, 11 or 12.

What do I need to do?

The amendment is effective for annual periods beginning on or after 1 January 2013; earlier application is required if the underlying standards (IFRSs 10, 11 and 12) are early-adopted.

IFRS preparers should start considering the transition amendment, and how they can use the exemptions granted to minimise implementation costs of IFRSs 10, 11 and 12. IFRS preparers should also start collating the comparative disclosure information required by the amendment.

