



Our ref: ICAEW Rep 18/12

Your ref: ED/2011/7

Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Dear Hans

**ED/2011/7 *Transition Guidance - Proposed amendments to IFRS 10***

ICAEW is pleased to respond to your request for comments on ED/2011/7 *Transition Guidance - Proposed amendments to IFRS 10*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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## ICAEW REPRESENTATION

### ED2011/4 INVESTMENT ENTITIES

Memorandum of comment submitted in February 2012 by ICAEW, in response to the IASB's ED/2011/7 published in December 2011.

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## INTRODUCTION

1. ICAEW welcomes the opportunity to comment on ED/2011/7 *Transition Guidance - Proposed amendments to IFRS 10* published by the International Accounting Standards Board (IASB) on 20 December 2011, a copy of which is available from this [link](#).

## WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 138,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

## RESPONSES TO SPECIFIC QUESTIONS

### Question 1

The Board proposes to clarify the 'date of initial application' in IFRS 10. The date of initial application for IFRS 10 would be 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The Board also proposes to make editorial amendments to paragraphs C4 and C5 of IFRS 10 to clarify how an investor shall adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

5. We support the proposed amendments as they provide greater clarity and should therefore ensure that the transition requirements of IFRS 10 are applied consistently.

### Question 2

The Board proposes to amend paragraph C3 of IFRS 10 to clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same under IAS 27/SIC-12 and IFRS 10. As a result, the Board confirms that relief from retrospective application of IFRS 10 would apply to an investor's interests in investees that were disposed of during a comparative period such that consolidation would not occur under either IAS 27/SIC-12 or IFRS 10 at the date of initial application.

Do you agree with the amendments proposed? Why or why not? If not, what alternative do you propose?

6. We agree with the proposed amendment as without the proposed transitional relief, the costs of restating comparative information would clearly outweigh the benefits – particularly in those jurisdictions where several years of comparatives are prepared.

7. We are aware of EFRAG's draft endorsement advice that the effective date for IFRS 10 and remainder of the 'package of five' related standards should be delayed until 1 January 2014, with early application permitted. To avoid the adoption of these standards being delayed in the EU it may be worth the Board considering completely removing the requirement to restate comparative information. Doing so may help to allay EFRAG's concern that an effective date of 1 January 2013 leaves companies insufficient time to develop a common understanding of how the principles in IFRS 10 should be applied in preparing meaningful and consistent financial reporting.

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