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To: ["mstewart@ifrs.org"](mailto:mstewart@ifrs.org)
Cc: [Robert Keys](#)
Subject: IFRS 10 transitional requirements
Date: Monday, 10 October 2011 8:48:00 AM

Dear Michael,

I am the project manager responsible for the Consolidation and Joint Arrangements Projects and just wanted to bring to your attention a concern that we have become aware of regarding the IFRS 10 *Consolidated Financial Statements* transitional requirements.

As a result of the IFRS Interpretations Committee's discussion at its September 2011 meeting regarding the IFRS 10 transitional requirements, more specifically the meaning of 'the date of initial application', we understand a decision on the interpretation of this term could have a significant practical impact on many entities applying the Standard.

We appreciate, per the comments in the September IFRIC Update, the Committee has noted the possible need for an exception to be added to the transitional requirements if the intention of the Board was to provide an exception to retrospective application for the involvement in entities that are disposed of or whose control is lost in the comparative period(s). However, we wanted to bring to your attention one of the practical implications if an exception is not provided and retrospective application is required in the comparative period.

The concern brought to our attention relates to an entity that held an investment in an entity in the comparative period but did not have that holding at any time during the current period that previously under IAS 27 *Consolidated and Separate Financial Statements* did not constitute control but under IFRS 10 would be considered controlled and require consolidation. If the term 'the date of initial application' is interpreted as 'the beginning of the earliest period presented', this would require the entity to apply the requirements of IFRS 10 to these investments, which practitioners foresee would be burdensome and the costs would outweigh the benefits, particularly considering the entity no longer has an interest in these entities. In addition, the costs could be significantly burdensome for entities, such as entities in the US, that are required to disclose 5 years of comparatives.

We believe IFRS 10 is currently unclear on the transitional requirements and to enable entities to early adopt the Standard, needs to be addressed promptly providing clarification of the intended requirements, having regard to cost/benefit considerations.

Kind regards

Lisa

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