IFRS Global office
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IFRS in Focus
IASB issues Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance

Contents

The Bottom Line

- The amendments define the 'date of initial application' of IFRS 10 as the beginning of the annual reporting period in which IFRS 10 is applied for the first time and clarify that:
  - an entity should assess whether the consolidation conclusion is different under IAS 27/SIC-12 and IFRS 10 as at that date; and
  - if the consolidation conclusion reached at the date of initial application is different under IAS 27/SIC-12 and IFRS 10, an entity is required to adjust retrospectively its immediately preceding period as if the requirements of IFRS 10 had always been applied, with any adjustments recognised in opening equity (if practicable).
- The amendments also clarify that when an investor concludes that it should consolidate an investee that was not previously consolidated, and control was obtained before the effective date of the 2008 revisions to IFRS 3 and IAS 27, an entity can apply either IFRS 3 (2008) or IFRS 3 (2004) and IAS 27 (2008) or IAS 27 (2003) in applying the transition requirements.
- The amendments provide additional transitional relief to IFRS 10, IFRS 11 and IFRS 12:
  - to limit the requirement to provide adjusted comparative information to the immediately preceding period; and
  - to eliminate the requirement in IFRS 12 to present comparative information for the disclosures related to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.
- The effective date of the amendments is aligned with the effective dates of IFRS 10, IFRS 11 and IFRS 12.

The amendments

In June 2012, the International Accounting Standards Board ('IASB' or the 'Board') issued *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12) ('the amendments') that clarifies the transitional guidance in IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. The amendments are in response to constituent requests for clarification on certain aspects of the transition guidance in IFRS 10, IFRS 11 and IFRS 12.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

IFRS 10

Date of initial application

The amendments explain that the 'date of initial application' in IFRS 10 means 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time' (so, 1 January 2013 for a calendar year-end entity applying the Standard for the first time in its 2013 financial statements).

An entity would not be 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 *Consolidated and Separate Financial Statements*/SIC-12 *Consolidation – Special Purpose Entities* and IFRS 10.

Observation

The amendments provide relief from making adjustments in respect of interests in investees that were disposed of before the date of initial application of IFRS 10 as the consolidation conclusion following disposal would be not to consolidate, irrespective of whether the investee would have been consolidated prior to disposal under the requirements of IFRS 10.

Different consolidation conclusion reached

The amendments clarify how an investor should 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.

Beginning to consolidate an investee on adoption of IFRS 10

If, at the date of initial application, an entity concludes that it should consolidate an investee that was not previously consolidated, the assets, liabilities and non-controlling interests should be measured as if IFRS 3 *Business Combinations* had been applied at the date when the investor obtained control under the requirements of IFRS 10. The entity would adjust retrospectively the annual period immediately preceding the date of initial application. If the date the control was obtained is earlier than the beginning of the immediately preceding period, any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investor's involvement in the investee would be recognised as an adjustment to equity at the beginning of the immediately preceding period.

The amendments also clarify that when an investor concludes that it should consolidate an investee that was not previously consolidated, and control was obtained before the effective date of the 2008 revisions to IFRS 3 and IAS 27, an entity can apply either the 2008 or 2004 versions of those standards in applying the transition requirements.

Ceasing to consolidate an investee on adoption of IFRS 10

Conversely, if, at the date of initial application, an investor concludes that it should no longer consolidate an investee that was previously consolidated, the interest in the investee would be measured at the amount at which it would have been measured if the requirements of IFRS 10 had been effective when the investor became involved with, or lost control of, the investee. The annual period immediately preceding the date of initial application would be adjusted retrospectively. If the date that the investor became involved with or lost control of, the investee is earlier than the beginning of the immediately preceding period, any difference between the previous carrying amount of assets, liabilities and non-controlling interests recognised and the recognised amount of the investor's interest in the investee would be recognised as an adjustment to equity at the beginning of the immediately preceding period.

Transitional relief and impracticability

For investees that are consolidated under IFRS 10 but were not previously consolidated, or cease to be consolidated on adoption of IFRS 10, if retrospective adjustment is not practicable as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the deemed acquisition or deemed disposal should be the beginning of the earliest period for which application of this paragraph is practicable, which may be the current period.

The amendments to IFRS 10 also provide additional transition relief by:

- limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application; and
- waiving the requirement of paragraph 28(f) of IAS 8 to provide quantitative information on the current period impact of adoption of IFRS 10.

IFRS 11 and IFRS 12

The amendments to IFRS 11 and IFRS 12 provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period and, in respect of IFRS 11, from the disclosure requirements of paragraph 28(f) of IAS 8.

The amendments to IFRS 12 also provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

Effective date and transition

The amendments are to be applied in whichever accounting period IFRS 10, IFRS 11 and IFRS 12 are adopted for the first time.

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