

Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
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25 September 2013

Dear Mr Upton

Tentative Agenda Decision - IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*: Transitional provisions in respect of impairment, foreign exchange and borrowing costs

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the July IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for clarification of the transitional provisions of IFRS 10 and IFRS 11 as they relate to impairment, foreign exchange and borrowing costs.

Whilst we agree that the impracticability provisions of paragraphs C4A and C4B of IFRS 10 may be considered relevant to this issue, we would also make the following observations in view of the Committee's tentative decision:

- the extent to which these provisions address the issues raised depends upon how the term 'impracticability' is applied, we believe that under IAS 8 *Accounting Policies, Changes in Accounting Policies and Errors* it is currently interpreted as applying only in limited circumstances requiring an assessment that the impact of a change in policy cannot be determined after making every reasonable attempt to do so. The tentative agenda decision may be interpreted as broadening the circumstances in which this concept applies (both in the context of transition to IFRS 10 and IFRS 11 and elsewhere);
- there are circumstances in which commencing or discontinuing consolidation of an investee could have an impact on, for example, the borrowing costs available for capitalisation by other entities within a group or the cash-generating units to which goodwill is allocated for the purposes of impairment testing. The existing transitional provisions of IFRS 10 do not address such circumstances; and
- we do not believe that the statement that "the assessment of whether an investor has joint control of a joint arrangement would in most cases be the same when applying IFRS 11" is helpful as a different assessment could result not only from the incorporation of the changed definition of control in IFRS 10 (as noted in the tentative agenda decision) but also from consideration of

whether decisions about 'relevant activities (rather than, as under IAS 31 *Interests in Joint Ventures*, 'strategic financial and operating decisions') require unanimous consent.

As a result of the above, we believe that these issues may result in initial application differences on transition to IFRS 10 and IFRS 11 for some entities and that additional transitional guidance should be provided.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Poole', is positioned above the typed name.

Veronica Poole
Global IFRS Leader