

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

Email: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

21 March 2012

Dear Mr Hoogervorst,

## **Exposure Draft ED 2011/7 – Transition Guidance – Proposed amendments to IFRS 10**

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's (the Board's) Exposure Draft on amendments to the transitional provisions of IFRS 10 *Consolidated Financial Statements* ('the exposure draft').

We welcome the Board's proposal to clarify the meaning of 'the date of initial application' in IFRS 10 as a clear definition of such terms is necessary to enable a consistent understanding of transitional provisions, particularly when IFRSs are translated into other languages. We recommend that the Board seek to use consistent terminology in the transitional provisions of other IFRSs and, if possible, provide definitions that can be applied consistently throughout IFRSs. We note that currently the term 'date of initial application' is used with different meanings in IFRS 9 and IAS 19(2011).

We agree with the proposed amendment to paragraph C3 for the reasons set out in the exposure draft.

We also agree with the editorial amendments to paragraphs C4 and C5 as they provide clarity on the mechanics of the adjustments required when the consolidation conclusion differs between IFRS 10 and IAS 27/SIC-12. However, we believe that further clarity could be provided by specifying what effect, if any, the date at which control is deemed to have been obtained or lost on the basis of the requirements of IFRS 10 has on those adjustments. Specifically:

- which version of IFRS 3 should be used if control is deemed to have been obtained before the effective date of IFRS 3(2008);
- whether the effect of new IFRSs, or changes to existing IFRSs, which became effective subsequent to the date at which control is deemed to have been obtained should be reflected from that date or only from the effective date of the new, or amended, IFRS in question; and
- whether the amendments made to IAS 27 in 2008 (as referred to in IFRS 10.C6(c)) should be applied to a loss of control deemed to have occurred before their effective date.

In addition, we believe that further guidance on the following aspects of the adjustments required by paragraphs C4 and C4A would be beneficial:

- whether, for an involvement in an investee previously classified as an available-for-sale financial asset under IAS 39, classified at fair value through other comprehensive income

under IFRS 9 or accounted for using the equity method, any cumulative gain or loss recognised in other comprehensive income is reclassified to retained earnings;

- if the assessment of whether an investee is or is not a business (as defined in IFRS 3) is made based on facts and circumstances existing at the date of initial application or at the date when control is deemed to have been obtained; and
- if the investee is not a business, whether the requirements of other IFRSs relating specifically to business combinations (for example, the treatment of temporary differences under IAS 12) should be applied (the reference in the standard to “applying the acquisition method as described in IFRS 3 without recognising any goodwill” is not clear).

Our comments above may also be applicable to first-time adopters, particularly those choosing to apply IFRS 3 and IFRS 10 retrospectively to business combinations occurring before the date of transition to IFRSs. We would, therefore, encourage the Board to consider the requirements of IFRS 1 in finalising the proposals.

Finally, we recommend that the Board take the opportunity provided by this consultation to reconsider the mandatory effective date of the package of standards, including IFRS 10, issued in 2011 as the transitional provisions of IFRS 10 will now be finalised only a matter of months before the date of initial application of these standards. In addition to this, we believe that further standard-setting activity is necessary to clarify some requirements of, in particular, IFRS 11. Presently, we are concerned that the package of standards may not be capable of high quality and consistent application within the timescale required by the current effective date.

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

Yours sincerely,



**Veronica Poole**  
Global Managing Director  
IFRS Technical