



Our Ref.: C/FRSC

Sent electronically through the IASB Website (www.iasb.org)

21 March 2012

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

IASB Exposure Draft of Transition Guidance (Proposed amendments to IFRS 10)

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned Exposure Draft. Our responses to the questions raised in your Exposure Draft are set out in the Appendix for your consideration.

We welcome the IASB's decision to clarify the transition guidance in IFRS 10 and, in general, we support the proposed amendments as they provide greater clarity and ensure consistent application of the transition requirements of IFRS 10.

We understand that some constituents have expressed concerns about the effective dates of IFRS 10, 11 & 12 after they were published in May 2011. We note that the adoption of IFRS 10 and 11 may lead to significant changes in an entity's reported financial position and performance. Given that the new Standards contain certain requirements which require exercise of significant judgment and yet do not contain clear principles or guidance in respect of those requirements, more time and effort would be required to develop a common understanding of how the key judgment should be applied in those situations. A further concern is that the IASB is currently working on the project of investment entities and the possible amendments to the transitional requirements around IFRS 10 that might affect the application of IFRS 10 and create uncertainty. For these reasons, we recommend the Board to consider deferring the effective date of the Standards to the later of (a) 1 January 2014 or (b) 12 months after the amendments to IFRS 10 and the standard on investment entities have both been published.

If you have any questions on our comments, please do not hesitate to contact me at ong@hkicpa.org.hk.

Yours faithfully,

Steve Ong, FCPA, FCA
Director, Standard Setting Department

SO/WC/jn

Encl.

Hong Kong Institute of CPAs

Comments on the IASB Exposure Draft of *Transition Guidance (Proposed amendments to IFRS 10)*

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?

We agree with the proposed definition of the "date of initial application" as it is consistent with our understanding and the definition provided in other IFRSs. However, we have the following comments:

- Paragraph C4 (a) and (b) refer to IFRS 3. We consider that the IASB should specify which version of IFRS 3 that the investor should apply acquisition accounting on. The revised version issued in 2008 is very different from the first version which was issued in 2004. The transition provisions contained in the 2008 version stated that it shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 and earlier application is permitted.

On this basis, some would argue that, for the purposes of applying IFRS 10 paragraphs C4 and C4A, IFRS 3 (2004) should be applied if the acquisition date or deemed acquisition date is before an annual reporting period beginning on or after 1 July 2009. Even if this view is appropriate, it is noted that the transition provisions contained in the 2004 version stated that it shall be applied to the accounting for business combinations for which the agreement date is on or after 31 March 2004. Hence it can be further argued that IAS 22 – "Business Combinations" can be used if the acquisition date or deemed acquisition date is before 31 March 2004. Therefore, diversity practice can be prevented if the IASB can provide clarification on this matter.



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?

We agree with the proposed amendments as we believe that adjusting the comparative period(s) retrospectively for temporary consolidation until disposal would be of little relevance to users and would be burdensome for preparers.

