

Accounting Standards Board of Japan (ASBJ)

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March 21, 2012

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

Dear Sir or Madame,

Comments on the Exposure Draft
“Transitional Guidance (Proposed amendments to IFRS 10)”

We appreciate the continuous efforts made by the International Accounting Standards Board (IASB) to improve the accounting requirements for consolidation and welcome the opportunity to express our comments on the Exposure Draft “Transitional Guidance (Proposed amendments to IFRS 10)” (hereinafter referred to as “the ED”).

I. Overall Comments on the ED

1. We agree with the ED’s proposals that intend to clarify the transitional guidance in IFRS 10 and provide a transitional relief.
2. We hope the IASB to consider also the necessity of granting first-time IFRS adopters a relief similar to that provided to the existing IFRS adopters, in the redeliberation of the ED.

II. Comments on specific questions

3. Our comments on the questions set out in the ED are as follows:

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?

4. We agree with the proposed amendments to clarify the meaning of the 'date of initial application' and how to adjust comparative periods retrospectively. We believe that these amendments would ensure consistent treatments for consolidation when IFRS 10 is applied for the first time.
5. However, since IFRS 10 may be subject to change according to the Exposure Draft on Investment Entities as well as this ED, concerns about the effective date or requests for further relief from retrospective application, which may be raised by constituents, should be fully taken into consideration in the redeliberation of the ED.

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?

6. There may be a concern that the amendments proposed in the ED might lead to accounting treatments in a comparative period that could significantly differ depending on whether the timing of the disposal of an investment is before or after the date of initial application. However, we acknowledge the benefit of providing a relief in the situations where relevance to users may be less than burdens on preparers, as indicated in paragraph BC5 of the ED, with the merits of retrospective application preserved.
7. On balance, we agree with the proposal that relief from retrospective application of IFRS 10 should apply to the cases where interests in investees were disposed of during a comparative period such that consolidation would not occur at the date of initial application.

Relief for first-time adopters

8. We are of a view that the IASB should consider whether a relief similar to that provided to the existing IFRS adopters could be also provided to first-time adopters in transitions to new IFRSs.
9. Regarding the proposals in the ED, for example, a relief similar to that provided to the existing IFRS adopters could be provided for disposals of interests in investees during a comparative period by the first-time adopters applying IFRSs for annual reporting periods beginning up to December 31, 2013. We hope treatments for first-time adopters should be considered in the

redeliberation of the ED from such a viewpoint.

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We hope our comments will contribute to the forthcoming deliberations in the project.

Yours sincerely,

A handwritten signature in black ink that reads "Take Arai". The signature is written in a cursive, slightly slanted style.

Takehiro Arai

Chairman of the Consolidation/SPEs Technical Committee

Vice Chairman of the Accounting Standards Board of Japan