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By email: commentletters@hkiipa.org.hk

Mr. Steve Ong
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
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Wanchai
Hong Kong

Dear Steve

International Accounting Standards Board's Exposure Draft of Transition Guidance (Proposed Amendments to IFRS 10)

We refer to your letter dated 11 January 2012 inviting our comments on the International Accounting Standards Board (IASB)'s Exposure Draft (ED) of Transition Guidance (Proposed Amendments to IFRS 10) issued in December 2011.

We welcome the IASB's proposals to clarify the transition guidance in IFRS 10 and support the Board's decision to amend IFRS 10 for this issue separately rather than through an annual improvement.

In addition, we agree that the effective date of the proposed amendments should be aligned with the effective date of IFRS 10, which is 1 January 2013.

Our response to the specific questions raised in the exposure draft is attached. We would be pleased to further clarify or discuss any of our comments should you so wish.

Yours sincerely

Ronie Mak
Secretary

Enc.

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Ronie Mak

主席 香港上海匯豐銀行有限公司
副主席 中國銀行(香港)有限公司
渣打銀行(香港)有限公司
秘書 麥依敏



Responses of the Hong Kong Association of Banks (“HKAB”) to the Specific Questions in IASB Exposure Draft ED/2011/7 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 amendments to clarify that 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’ and not ‘the beginning of the earliest reporting period presented in the first financial statements in which the entity adopts IFRS 10’. The date of initial application for IFRS 10 will therefore be 1 January 2013 for current IFRS preparers assuming no early application.

We also agree that the proposed amendments to paragraphs C4 and C5 help to clarify how an investor shall adjust comparative periods retrospectively.

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 support the proposed amendments to paragraph C3 to clarify the transition relief. We also welcome the Board’s confirmation that the relief from retrospective application of IFRS 10 would apply to an investor’s interests in investees that were disposed of during a comparative period. We agree that in such circumstances, adjusting the comparative periods retrospectively would be of little relevance to users and would be burdensome for preparers.