

March 21, 2012

To the International Accounting Standards Board;

The Japanese Bankers Association

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

The Japanese Bankers Association is an organization that represents the banking industry in Japan; its members comprise banks and bank holding companies operating in Japan. The Association submits the following comments on *“Transition Guidance (Proposed amendments to IFRS 10)”*.

We hope that the comments below will assist the Board in its further deliberation.

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?

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?

(Response outline)

We agree. Our understanding is that the ED applies only to existing IFRS adopters, but we believe that there should be similar provisions for first-time adopters.

(Reasons)

Relief from retrospective application is provided because of concerns that the cost of applying IFRS 10 retrospectively may exceed the incremental benefit to users if the disposal of all, or a portion, of ownership interest in an investee during the comparative period does not change the consolidation (non-consolidation) conclusion reached at the date of initial application (BC5 of the ED).

These concerns are applicable to first-time adopters as well as existing IFRS adopters, but no consideration has been given under IFRS 1 to relief from retroactive application of IFRS10.

There is also currently no provision for relief from retrospective application for comparative periods under IFRS 1. If retrospective application of IFRS 10 results in consolidation under IFRS 10 when past transactions, such as sales of ownership interest, are factored in, an investor will be required to consolidate an investee under IFRS 10 reflecting all changes in ownership interest back to the time at which control was acquired. It is extremely burdensome for companies that hold thousands of investees to make consolidation determinations every time there is a change in ownership interest or other similar event occurs.

We therefore seek simplified treatment of comparative periods for first-time adopters for the same reasons as stated in the ED.