

Project

Amendments to IFRS 1

Topic

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – fixed dates

Introduction

1. During 2009 and 2010, the IFRS Interpretations Committee received requests to replace the fixed date of 1 January 2004 with ‘the date of transition to IFRSs’ in the following paragraphs of IFRS 1 *First-time Adoption of International Reporting Standards*:
 - (a) in paragraph B2 (relating to the derecognition exception), and
 - (b) in paragraph D20 (relating to the fair value measurement of financial assets or financial liabilities at initial recognition / “day 1 differences”).
2. The date of 1 January 2004 was originally included in both paragraphs B2 and D20 as a result of the revision to IAS 39 *Financial Instruments: Recognition and Measurement* in 2003. There are a number of jurisdictions that will be adopting IFRSs in the future. As time passes, the transition date of 1 January 2004 that is ‘hard-wired’ into the standard becomes more remote from the date these jurisdictions will adopt IFRSs.

History and current status of the issue

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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3. The issue of the fixed date in paragraph B2 was discussed at the March¹ 2010 Committee meeting. The issue relating to both paragraphs B2 and D20 was discussed by the Committee at its meeting in May 2010².
4. Following the May Committee meeting, the issue in paragraph B2 was discussed at the May Board meeting as part of the IFRS Interpretations Committee Update session. Some Board members reported that the fixed date in IFRS 1.B2 is causing difficulties in many jurisdictions, and that there was support for the fixed date to be changed to a relative one. Further, there was support for making the amendment sooner than later, so as to offer relief to those jurisdictions transitioning to IFRSs in the near future. In light of the discussion, the Chairman of the Board directed the Committee staff to revisit the issue with the derecognition team, and to take a paper to the Committee for further deliberation at their July 2010 meeting.
5. Following this, the staff presented papers at the Committee meeting in July 2010³. The papers considered the impact of the Board's decision in June 2010 to modify the work plan, as a result of which the fixed date in IFRS 1.B2 will not be addressed by the Derecognition project for some time.

The Committee's recommendation to the Board

6. The Committee recognised that the cost for an entity of reconstructing transactions back in time to 1 January 2004 would likely outweigh the benefit to be achieved by doing so. Therefore, the Committee recommended that the fixed date of 1 January 2004 in IFRS 1.B2 be changed to 'date of transition to IFRSs'. Recognising the similarity of this issue with that of the fixed date in IFRS 1.D20, the Committee recommended that D20 be amended in the same way. The wording of the proposed amendment to IFRS 1.B2 and D20 can be found in Appendix A and B, respectively.

¹ Paper 7A

² Papers 5 and 5A

³ Papers 8 and 8A

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7. The Committee also recommended that the Board consider these amendments as a separate project, rather than through *Annual Improvements*, so that the relief offered by the amendment may be available in time for those jurisdictions planning to adopt IFRS in the near future.

Question for the Board

Does the Board agree with the Committee's recommendation in paragraphs 6 and 7?

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Appendix A – Proposed wording for the amendment to IFRS 1.B2**Appendix B
Exceptions to the retrospective application of other IFRSs**

This appendix is an integral part of the IFRS.

Derecognition of financial assets and financial liabilities

B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in IAS 39 *Financial Instruments*:

Recognition and Measurement prospectively for transactions occurring on or after ~~1 January 2004~~ the date of transition to IFRSs. In other words, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before ~~1 January 2004~~ the date of transition to IFRSs, it shall not recognise those assets and liabilities in accordance with IFRSs (unless they qualify for recognition as a result of a later transaction or event).

B3 Notwithstanding paragraph B2, an entity may apply the derecognition requirements in IAS 39 retrospectively from a date of the entity's choosing, provided that the information needed to apply IAS 39 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

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Appendix B – Proposed wording for the amendment to IFRS 1.D20

**Appendix D
Exemptions from other IFRSs**

This appendix is an integral part of the IFRS.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of IAS 39 paragraph AG76 and in paragraph AG76A, ~~in either of the following ways:~~ prospectively to transactions entered into after ~~1 January 2004~~ the date of transition to IFRSs.

- ~~(a) prospectively to transactions entered into after 25 October 2002; or~~
- ~~(b)~~