

# INTERNATIONAL FINANCIAL REPORTING BULLETIN 2010/19

## REMOVAL OF FIXED DATES FOR FIRST-TIME ADOPTERS, PROPOSED AMENDMENTS TO IFRS 1



### Background

The International Accounting Standards Board (IASB) has published an Exposure Draft (the ED) of proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Paragraph B2 of IFRS 1 (relating to the derecognition exception), and paragraph D20 of IFRS 1 (relating to 'day 1 differences' in the fair value measurement of financial assets or financial liabilities at initial recognition) require restatement from a fixed date of 1 January 2004, regardless of the date on which an entity adopts IFRS. During 2009 and 2010, the IFRS Interpretations Committee received requests to replace this fixed date with 'the date of transition to IFRS', being the start of the earliest comparative period included in an entity's first IFRS financial statements.

The date of 1 January 2004 was originally included in both paragraphs B2 and D20 as a result of revisions to IAS 39 *Financial Instruments: Recognition and Measurement* in 2003. As there are a number of jurisdictions that will be adopting IFRSs in the near future, the transition date of 1 January 2004 becomes more remote from the date from which these jurisdictions will adopt IFRS.

### Proposals

The proposals would amend IFRS 1 by replacing references to a fixed transition date of 1 January 2004 with the date of transition to IFRS. Consequently, 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 its date of transition to IFRS, it is not required to recognise those assets and liabilities in accordance with IFRS (unless they qualify for recognition as a result of a later transaction or event). In addition, first-time adopters would also not have to recalculate 'day 1' differences on the initial recognition of financial instruments, where the transaction occurred before the date of transition to IFRS.

### Comment period

The IASB has requested the submission of comments on its proposals by 27 October 2010.

### STATUS

Exposure Draft

### EFFECTIVE DATE

To be confirmed

### ACCOUNTING IMPACT

Relief for first-time adopters for the derecognition, and fair value measurement, of financial instruments

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