



# Memo

CL 36

To: International Accounting Standards Board

From: Accounting Standards Board – Canada, Staff

Date: September 21, 2004

Re: **Transition and Initial Recognition of Financial Assets and Financial Liabilities**

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The following comprises the response of Accounting Standards Board – Canada staff (AcSB staff) to the IASB's Exposure Draft on Transition and Initial Recognition of Financial Assets and Financial Liabilities (proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement), dated July, 2004.

We agree with the proposed additional guidance in paragraph AG76A and note that the AcSB has included almost identical guidance in its Re-exposure draft of a proposed standard equivalent to IAS 39, without adverse comment to date.

We believe that, in addition to permitting an entity to apply the requirements in the last sentence of paragraph AG76 retrospectively and prospectively for transactions entered into after 25 October 2002, a first-time adopter should also have the option to apply the requirements prospectively to transactions occurring after January 1, 2004. We believe that any lack of comparability can be overcome by an explicit requirement to disclose the entity's accounting policy for such contracts in the year of transition, including the transition date selected. This is similar to the approach that the AcSB is proposing in its current Re-exposure draft and would

alleviate the difficulties some entities might have with determining the necessary information for an eighteen month period.

We suggest that the wording of proposed IFRS 1, paragraph 25E be amended to clarify that an entity electing not to apply the last sentence of paragraph AG76 to transactions entered into before 25 October 2002 may not do so selectively – i.e, the entity must apply one accounting policy to all transactions entered into before October 25, 2003 and the new accounting policy to all transactions entered into after 25 October 2002.

We would be pleased to elaborate on these points in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail [peter.martin@cica.ca](mailto:peter.martin@cica.ca)), or Ian Hague, Principal Accounting Standards at +1 416 204-3270 (e-mail [ian.hague@cica.ca](mailto:ian.hague@cica.ca)).