

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

COMMENTS ON PROPOSED AMENDMENT TO IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT - TRANSITION AND INITIAL RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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Question 1

Do you agree with the proposals in this Exposure Draft? If not, why not? What changes do you propose and why?

Answer:

Agreed. The proposals made in this exposure draft were necessary to facilitate first time adoption of IFRS.

However, giving the prospective application date of October 25, 2002, would resolve the issue for the first time adopters of US GAAP only. Whilst rest of the first time adopters would still face the problem of retrospective calculation of fair values from October 2002 to December 2004 leaving the concern un-addressed for them.

The retrospective application (from 2002 – 2004) will have serious repercussions especially in case of developing countries where evidencing fair value by comparison with other observable current market transactions is not possible due to not very mature financial markets.

Therefore it is suggested that the date of prospective application as proposed in paragraph **107A** should be changed to December 31, 2004 to address the concerns of first time adopters across the board.

Question 2

Do the proposals contained in this Exposure Draft appropriately address the concerns set out in paragraph 5 of the Background on this Exposure Draft? If not, why not and how would you address those concerns?

Answer

The proposals contained in this exposure draft would appropriately address the concerns raised in the ED if the above suggestions are taken care of.

Question 3

Do you have any other comments on the proposals?

Answer

None.