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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 18 July 2007, London

Project: Annual Improvements

**Subject: Transition provisions and relief for first-time adopters
(Agenda paper 5I)**

1. The Board has considered a number of proposed changes to IFRSs as part of the Annual Improvements process. The appendix to this paper provides a list of the improvements and an analysis of which standards are affected by each proposed amendment.[Appendix not included in Observer Notes]
2. The purpose of this paper is to request the Board's views on the following issues:
 - Should transition provisions be provided for any of the proposed improvements?
 - Should any relief be given to first-time adopters?
 - What guidance should be given on early adoption, including selective early adoption?

And to request notice of any further alternative views from Board Members that have not already been given.

Transition provisions

3. The staff has reviewed the proposed amendments. A summary of the Annual Improvements issues discussed by the Board up to and including June 2007 is included in the Appendix to this Board paper. The staff has assumed when performing this review that the default implementation will be retrospective application of the changes in accordance with the guidance in paragraph 19(b) of IAS 8:

‘when an entity changes an accounting policy upon initial application of a Standard or an Interpretation that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively’.

4. The staff believes that retrospective application of the proposed changes is appropriate for all of them. However, the following proposed changes are ones that the staff would like to draw to the Board’s attention to confirm this assessment.
 - *Contingent rents (IAS 17)*
 - *Additional biological transformation (IAS 41)*
 - *Definition of a derivative (IAS 39)*
 - *Advertising and promotional activities (IAS 38)*
 - *Impairment of investment in associate (IAS 28)*
 - *Reclassification of derivatives into or out of the classification as at fair value through profit or loss (IAS 39)*

- *Treating prepayment penalties as closely related embedded derivatives (IAS 39)*
- *Accounting for below-market rate loans from governments (IAS 20)*
- *Costs of originating a loan (IAS 18)*
- *Replanting obligations (July 2007 Board paper) (IAS 41)*
- *Classification of leases of land and buildings (July 2007 Board paper) (IAS 17)*

Staff recommendation

5. The staff recommends that all proposed changes are applied retrospectively.
6. **Does the Board agree?**

First-time adoption relief

7. The staff has not identified any proposed changes for which it believes specific relief is required for first-time adopters beyond the existing exemptions and exceptions included in IFRS 1.

Staff recommendation

8. The staff recommends that no new reliefs are provided for first time adopters in respect of these proposed changes.
9. **Does the Board agree?**

Early adoption and selective adoption

10. The staff has not identified any reason why entities should not be permitted to early adopt the proposed changes once the Amendments Standard is issued.
11. The staff has considered whether the proposed amendments to an individual standard should be capable of being early adopted before other amendments. The staff has identified that at least 5 of the proposed amendments affect more than one standard. All the standards affected by each of these amendments would need to be adopted together. The staff has also identified that of the standards that are affected by these amendments, there are at a minimum three groups of standards, containing up to 5 standards in each group, that would need to be adopted collectively. The staff therefore believes that selective early adoption would be unnecessarily complicated.

Staff recommendation

12. The staff recommends that early adoption should be permitted but that if the amendments are adopted early, all of the amendments should be adopted at the same time.
13. **Does the Board agree?**

Notice of alternative views

14. **Do any Board members have alternative views that have not been previously given?**

Process to issue of Exposure Draft

15. [Paragraphs 15 – 17 are omitted from the Observer Notes].