



30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>

**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: 21 March 2007, London

Project: Annual improvement process

Topic: IFRS 1 restructure
(Agenda Paper 6G)

-
1. At the February meeting, the Board agreed to restructure IFRS 1 *First-time adoption of International Financial Reporting Standards* in order to make it clearer and easier to navigate.
 2. The purpose of this paper is to explain aspects of the staff's restructure of IFRS 1 in addition to presenting the Board with a clean and marked-up version of the restructured standard.
 3. Comments about the proposed structure presented should be discussed at the meeting. Editorial comments should be dealt with offline or in the pre-ballot stage of the process.

Staff recommendation

4. The staff recommend that the restructured IFRS 1 is pre-balloted as part of the Annual Improvements Exposure Draft.

Background

5. The staff proposed to streamline IFRS 1 by removing the specific exemptions and exceptions from the body of the Standard and placing them in appendices. Attached as Appendices to this paper is a clean (Appendix One) and marked up version (Appendix Two) of IFRS 1, amended as proposed.
6. The staff would like to highlight the following points:
 - (a) **Effective date** – The staff have used an effective date of 1 January 2009 for the amended IFRS 1. No scope for early adoption has been provided. This is because the staff wish to clean up areas where several date specific transitional provisions exist. An entity that applies this standard for the first time would have a comparative period commencing at the earliest, 1 January 2008 (or in the case of a US registrant, 1 January 2007).
 - (b) **Withdrawal of the existing Standard** – The staff believe that the previous version of IFRS 1 will need to be withdrawn and the new IFRS 1 approved as a new Standard.
 - (c) **Deletion of certain transitional provisions** – As discussed above, using an effective date of 1 January 2009 allows the staff to delete certain transitional provisions. For example, the exception relating to prospective application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* was only applicable to those entities with a date of transition prior to 1 January 2005. Any transitional provisions that are not relevant for an entity that adopts IFRSs for the first time on or after 1 January 2009, have been deleted.

- (d) **Presentation format of the ED** – The staff propose to present only a clean version of the restructured standard and guidance in the ED. The standard and guidance is quite lengthy and reproducing a marked up version as well would be burdensome. The staff believes the focus for comments should be on the revised standard and guidance in its final form. Those wishing to trace the amendments will have access to the marked up version of the standard and guidance on the website.
- (e) **Content in the ED** - There is debate amongst the staff as to how to present the restructured standard and guidance in the Annual Improvements Exposure Draft. Some staff believe that an abridged version of the standard and guidance should be exposed, showing only the sections that have been amended significantly. Under this proposal, sections such as the introductory paragraphs, contents page, scope, definitions, basis for conclusions and implementation guidance would not be presented in the ED. The staff's preferred option is to present the majority of the standard and guidance with only the basis for conclusions and implementation guidance being excluded. This is because the staff believe that constituents should see the standard and relevant guidance as a complete set in order to make comments.
- (f) **Guidance accompanying IFRS 1** – The Basis of Conclusions and Guidance on Implementing IFRS 1 will need to be amended. However, these amendments will be mostly mechanical. As discussed above, these amendments will not be published with the ED.
- (g) **Order of Appendices and exemptions** – The staff have reordered the appendices to place mandatory exceptions to the retrospective application of IFRSs before the exemptions (previously the exemptions relating to business combinations were in Appendix B). This is because the staff believe the mandatory exceptions are more important than optional exemptions. Further, the order of the exemptions has been rearranged from that in the current version of IFRS 1 to align with the order of the Standards and Interpretations (IFRS 2 to IFRIC 12).

7. A proposed basis for conclusions for the section of the Annual Improvements ED relating to the restructure of IFRS 1 is also included below.
8. **Does the Board have any comments on the restructure of IFRS 1?**

Basis for Conclusions on Proposed Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

Restructure

- BC1 In the period of less than four years since it was issued, IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been amended several times to accommodate first-time adoption requirements resulting from new or amended standards. Because of the way IFRS 1 is structured, these amendments are making the standard more complex and less clear. In the future, as more amendments become necessary, this problem will become worse.
- BC2 The Board proposes to improve the structure of IFRS 1 without amending its substance. The proposed revised structure would be easier for the reader to understand and better designed to accommodate future changes. The focus of the restructure is to move all specific exemptions and exceptions from the requirements of IFRSs into appendices. Exemptions will be categorised into business combinations, permanent exemptions and short-term exemptions. Permanent exemptions are those exemptions that the Board believes will be applicable to all first-time adopters regardless of their date of transition to IFRSs. Short-term exemptions are those exemptions that the Board believes will only be useful to first-time adopters with a specific date of transition to IFRSs. Once these exemptions have passed their useful date, they will be deleted.