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International Accounting Standards Board

INFORMATION FOR OBSERVERS

Board Meeting:	**January 2009, London**
Subject:	**Sweep issue: effective date and transition of IFRIC 18 *Transfers of Assets from Customers* (Agenda paper 21)**

Purpose of this paper

1. This paper addresses a sweep issue on the effective date of IFRIC 18 *Transfers of Assets from Customers* ratified by the Board on Tuesday 20 January 2009

Effective date and transition

2. Paragraph 22 of agenda paper 17A for the Board meeting on Tuesday 20 January 2009 states:

> An entity shall apply this Interpretation prospectively to transfers of assets from customers received on or after [date to be set]. Earlier application is permitted. If an entity applies this Interpretation to transfers of assets from customers received before [date to be set], it shall disclose that fact.

3. At that meeting, the staff suggested 1 May 2009 as the effective date. However, the staff are of the view that this paragraph should be replaced by the following paragraph:

> An entity shall apply this Interpretation prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred. An entity shall disclose the date from which the Interpretation was applied.

4. The Basis for Conclusions of IFRIC 18 would also be amended. Paragraph BC25 of agenda paper 17A would be replaced by the following paragraph:

> The IFRIC noted that applying the change in accounting policy retrospectively would require entities to establish a carrying amount for assets that had been transferred in the past. That carrying amount would be based on historical fair values. Those fair values may not be based on an observable price or observable inputs. Therefore, the IFRIC concluded that retrospective application may be impracticable and that the Interpretation should require prospective application to transfers received after its effective date. However, the IFRIC also concluded that earlier application should be permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred.

5. Question for the Board: do you agree with the staff recommendation in respect of effective date and transition set out in paragraphs 3-4 of this paper?