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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:** 22 January 2009, London

**Project:** Improving Disclosures about Financial Instruments  
(proposed amendments to IFRS 7)

**Subject:** Effective date and transition (Agenda paper 14C)

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### **OVERVIEW OF COMMENTS RECEIVED**

1. The ED proposes an effective date of annual periods beginning on or after 1 July 2009 with the requirement to provide comparatives. Many respondents disagree with the effective date, the requirement to provide comparatives or both.

### **ANALYSIS OF RESPONSES TO THE QUESTIONS SET OUT IN THE ED**

#### **Effective date and transition**

##### **Question 7**

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

##### **Question 8**

Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

2. Many respondents disagree with the proposed effective date and transition requirements.
3. Reasons provided by these respondents include:
  - a) practical application issues (particularly in providing comparatives for the proposed fair value disclosures);
  - b) endorsement issues within individual jurisdictions.
4. Many respondents argued that internal accounting systems would need to be adjusted to capture data required for the proposed fair value disclosures (particularly the information required in reconciling beginning and ending balances of level 3 fair value measurements as set out in paragraphs 27B(b) and 27B(e) of the ED). These respondents believe that additional time is needed for such systems adjustments.
5. Many respondents argued that the required lead time particularly causes practical difficulties in providing comparatives for fair value disclosures. These respondents highlighted that for entities with reporting periods ending 30 June, the comparative period would have passed by the proposed effective date. Therefore comparative data required for reconciliation of movements might not be available.
6. In addition, a small number of respondents expressed that in their respective jurisdictions it would not be possible to adopt the proposed amendments into local GAAP by 1 July 2009 due to required endorsement processes. These respondents were concerned that there would be an unlevel playing field between the proposed effective date and their endorsement date.
7. However, several respondents encouraged bringing forward the effective date due to the urgent nature of these proposed amendments, notably users of financial statements. Some respondents proposed an effective date as early as 1 July 2008, noting that such an effective date is aligned with the effective date of the recent reclassification amendments to IAS 39. Some other respondents recommended 1 January 2009.

8. Moreover, some respondents proposed providing an exemption from providing comparatives for first year adoption to entities that voluntarily early adopt. These respondents believe that such an exemption provides an incentive to entities to early adopt.

### **Staff recommendation**

9. The staff thinks that the Board has the following alternatives:
  - a) Retain the proposed effective date but still require comparatives
  - b) Change the effective date (delay or bring forward) but still require comparatives
  - c) Bring forward the effective date and not require comparatives in the first year of adoption
  - d) Retain the proposed effective date and not require comparatives in the first year of adoption
10. The staff recommends c), ie bringing forward the effective date but eliminating the requirement to provide comparatives in the first year of adoption. The staff proposes an effective date of annual periods beginning on or after 1 January 2009 with earlier application permitted.

### **Staff analysis**

11. The staff acknowledges that requiring comparatives in the first year of adoption will result in practical application issues for some entities. Some of the proposed requirements are new and entities might need to adjust their accounting systems to capture data that was previously not required. Hence, the staff believes that the requirement to provide comparatives might be unduly onerous with the cost of application outweighing the benefits.

12. However, in the light of the urgent nature of the proposed amendments, the staff thinks that an earlier effective date should be required. The staff disagrees that an earlier effective date will result in an unlevel playing field due to endorsement issues. The staff notes that entities are always permitted to provide disclosures in addition to those required under IFRSs, if the entity believes such disclosures are useful to users.
13. Thus, the staff believes bringing forward the effective date by 6 months while providing relief from comparatives strikes the best balance. This will ensure that improved disclosures are required for 2009 annual accounting periods.

**Question to the Board**

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| <p>14. Does the Board agree with the staff recommendation? If not, why? What would the Board propose, and why?</p> |
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