



Project	Annual Improvements Exposure Draft August 2010
	Addendum to paper 8
Topic	IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – fixed date in exemption D20

Introduction

1. This issue was introduced for discussion by the IFRS Interpretations Committee, in Agenda paper 5A¹ of its May 2010 meeting. D20 (Fair value measurement of financial assets or financial liabilities at initial recognition / “day 1 differences”) allows entities to prospectively apply the provisions of AG76 and AG76A of IAS 39 *Financial Instruments: Recognition and Measurement* for transactions entered into after 25 October 2002, or 1 January 2004.
2. In IFRSs, such day 1 differences are required to be deferred, per paragraphs AG76 and AG76A. Therefore, where an entity’s previous GAAP does not require deferral of day 1 differences (such as US GAAP’s Topic 820 *Fair value Measurements and Disclosures*²), transitioning to IFRS would mean that such an entity will be required to recalculate these day 1 differences for deferral purposes. The transactions that a

¹ <http://www.iasb.org/NR/rdonlyres/49CE8489-6C12-415F-83E5-CE83F3F46616/0/1005ap5AobsAIPIFRS1D20exception.pdf>

² Previously SFAS 157 *Fair Value Measurement*

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRS Interpretations Committee.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRS Interpretations Committee or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in IFRIC *Update*.

Interpretations are published only after the IFRS Interpretations Committee and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

IFRIC Staff paper

first-time adopter will need to review, at a minimum, will be those that were entered from 1 January 2004, and which are still outstanding at transition date.

3. At the May 2010 meeting, the Committee recognised the similarity of the issue to the proposed amendment relating to paragraph B2 of IFRS 1 (discussed in paper 5³ of the May 2010 meeting), and recommended that both issues are revisited at a later date, and resolved together.

Current status of the issue and staff recommendation

4. Paper 8⁴ for this meeting discusses developments since the Committee's meeting in May, which influence the resolution of the IFRS 1.B2 issue. These include the Board's encouragement for the IFRS 1.B2 fixed date issue to be revisited, and the effect of the modification to the work plan announced by the IASB on 24 June 2010.
5. In paper 8, the staff confirm the recommendation it made at the May Committee meeting, that the fixed date in IFRS 1.B2 be changed to 'date of transition to IFRSs'. The staff also recommend that the amendment be treated as a separate project for consideration by the Board. This is because making the amendment through the Annual Improvements Process would not be the most expedient solution - the relief offered by the amendment would not be available in time for those jurisdictions planning to adopt IFRS in the near future.
6. The staff echo those recommendations in this paper, in respect of the fixed date in IFRS 1.D20. The wording of the proposed amendment to IFRS 1.D20 can be found in Appendix A.

Question for the Committee

Does the Committee agree with the staff's recommendations in paragraph 6?

³ <http://www.iasb.org/NR/rdonlyres/957FB3F2-E542-4991-9D8F-D56363501C38/0/1005ap5obsAIIPIFRS1fixeddateinderecognitionexception.pdf>

⁴ IFRS 1 *First-time Adoption of International Financial Reporting Standards* – fixed date in derecognition exception

Appendix A – Proposed wording for the amendment to IFRS 1

Appendix D

Exemptions from other IFRSs

This appendix is an integral part of the IFRS.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of IAS 39 paragraph AG76 and in paragraph AG76A, ~~in either of the following ways:~~ prospectively to transactions entered into after ~~1 January 2004~~ the date of transition to IFRSs.

~~(a) prospectively to transactions entered into after 25 October 2002; or~~

~~(b)~~