Staff Paper

Project: **Effective Date and Transition**

Topic: **Tentative staff views**

Purpose

1. At this meeting the staff will be presenting a summary of comments received in response to the boards' Discussion Paper (DP) and Request for Views (RFV) documents on *Effective Date and Transition*. Normally, we would not ask the boards to make any decisions on the basis of such a summary. However, we believe the boards can provide those applying IFRSs and US GAAP with some clarity about effective dates without prejudging the more detailed analysis that will be presented to the boards in the coming months.

Initial analysis

2. In the coming months we will bring to the boards a more detailed assessment of comments received about the effort and costs that entities have said they expect to incur to be able to implement each of the proposed new standards. Respondents acknowledge that the effort and cost will depend on the transition method, the complexity of the entity's operations and its financial reporting and information technology resources.

3. Respondents did indicate that, as proposed, they thought that the leases and revenue recognition projects could be time-consuming and costly for many entities to implement. Additionally, they thought that the proposals for the

insurance contracts and some aspects of financial instruments projects could be pervasive for many entities in the financial services and insurance industries.

4. The boards will be considering each of the proposals in much more detail within each project. The boards have already made some tentative decisions that they think will address some of the concerns related to the complexity of the proposals. However, the boards are only part way through their redeliberations and a more complete assessment of the likely effort and cost involved in implementing each proposal will not be possible until each of the proposals have been finalised.

5. In the interim, we know that some entities want assurance sooner rather than later that they will have sufficient time to educate and train their staff, update internal control processes, perform IT system changes or hire additional staff to apply the new requirements.

6. Another consistent message that we received is that the boards should ensure that related or interdependent standards are implemented at the same time. This message was implicit when respondents supported a single-date approach and explicit in the sequential-date approach.

7. Many respondents also urged the boards to set the same effective dates and transition methods, to the extent that those standards are converged, for the new IFRSs and amendments to the Codification because it would:

   (a) improve comparability, thus reducing confusion;

   (b) create a level playing field; and

   (c) reduce the cost for global companies with foreign subsidiaries in preparing financial reports rather than having to maintain multiple accounting records.

8. In response to the question about which date respondents would select for a mandatory effective date of a large suite of standards—such as insurance, leases and revenue recognition—many respondents suggested 1 January 2015. They stated that setting such a date would give entities three years to implement the requirements of the new standards.

Recommendations

FVM, OCI, post-employment benefits, consolidations, joint arrangements

9. We think that the boards should assess the effective date and transition methods for other comprehensive income and fair value measurement separately from the other major projects identified in the RFV/DP. As such, we suggest that the boards should consider the effective dates for those projects on a standard-by-standard basis.

10. For the IASB's post-employment benefits project, the IASB staff think that the Board should assess the effective date and transition requirements on a stand-alone basis.

11. The IASB has already decided, in the light of comments received on the projects and on the RFV, to set an effective date of 1 January 2013 for the consolidations, joint arrangements and related disclosures (IFRSs 10, 11 and 12).

Financial instruments

12. We also think that, because the work on the financial instruments project is at various stages of development and that some parts may take longer to implement, the effective dates should be considered as each part is completed.

13. The IASB has already committed itself to reconsider the mandatory effective dates of those parts of IFRS 9 that are already complete when the proposed IFRS on insurance contracts is finalised—keeping in mind that some entities are already applying IFRS 9.

Revenue recognition, insurance and leases

14. To provide reassurance to those applying IFRSs and US GAAP that they will have sufficient time to implement, and users to prepare for, the new requirements we recommend that the boards agree that the effective dates for *leases*, *insurance* and *revenue recognition* should not be earlier than 1 January 2015.

15. This does not preclude the boards from setting a later date for one or more of the projects. We also note that such an approach is consistent with the views expressed in the majority of the comment letters on the RFV.

Other projects

16. The boards have other projects, such as discontinued operations and investment entities. We believe that it is appropriate for the boards to consider the effective dates for those projects if or when the new requirements are completed, taking into consideration the comments more broadly received on the RFV and DP.

17. The boards are not actively considering financial instruments with characteristics of equity or financial statement presentation. The boards have not published exposure drafts for those projects and will assess the status of these projects after the other MoU projects have been completed. Accordingly, we have not included those projects in the assessment.

Other matters

18. The boards will still need to consider transitional provisions, early adoption and disclosures about the likely effect of the new requirements. Setting a 'not before' date for the three major projects does not pre-judge those matters.

Question
Do the boards agree with the staff recommendations (in paragraphs 9-17)?