



Project	Effective Dates and Transition Methods
Topic	Comment Letter and Constituent Feedback Summary Cover Memo

Introduction

1. The objective of the Effective Dates and Transition Methods project is to gather information from stakeholders about the time and effort that will be involved in adopting several new accounting standards and when those standards should be effective. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) requested this information in order to establish appropriate effective dates and transition methods for some projects on the FASB-IASB Memorandum of Understanding (MOU) that are due to be completed in 2011. Appendix A contains a list of those projects.
2. On October 19, 2010, the FASB published a Discussion Paper, *Effective Dates and Transition Methods*, and the IASB published a Request for Views on *Effective Dates and Transition Methods*, for public comment. The comment period for both documents ended January 31, 2011. For both documents, the Boards asked common questions dealing with the preparation and transition to the new requirements, implementation approach and timetable, and coordination between the FASB and the IASB on effective dates and transition methods.
3. In addition, the FASB asked its stakeholders to respond to the questions raised in the Discussion Paper for private companies, and the IASB asked its

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stakeholders if the IASB should permit different application dates and early application for first-time adopters of IFRSs.

4. As of February 18, 2011, the FASB and the IASB received 110 and 146 letters, respectively. Of the total respondents, only 19 provided comment letters to both Boards. Of those that provided two letters, 13 provided identical letters and the remaining 6 provided letters tailored to each Board's document. Since the majority of the respondents were unique to each Board, separate comment letter summaries were prepared for each Board and are attached:
 - (a) Summary of comments received by the FASB as FASB Memorandum No. 2 and IASB Agenda Paper No. 3A
 - (b) Summary of comments received by the IASB as IASB Agenda Paper No. 3B and FASB Memorandum No. 3.

Board members are expected to read their own Board's summary of comments. The other summary is background information to accompany this staff paper.

5. The purpose of this memorandum is to describe the main similarities and differences between the views expressed by FASB and IASB stakeholders for the common questions. This memorandum will also discuss some of the next steps for this project.

Comment Letter Overview

6. The Boards received similar feedback on the following issues:
 - (a) *Preparing for and transitioning to the new requirements* – Both FASB and IASB stakeholders said that implementation of some of the new standards as proposed could be a time-consuming, costly process. Implementation efforts and costs most frequently cited include training, system changes, use of external experts and consultants, communication and education of stakeholders, and potentially higher audit fees.

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- (b) *Effects on the broader financial reporting system* – Constituents of both Boards noted the possible effects of the new standards on a variety of regulatory and tax reporting requirements that would need consideration in determining effective dates. For example, many respondents cited the need for time to assess and address the impact of the accounting changes on such areas as debt covenants, royalty arrangements, capital requirements, and so forth.
 - (c) *Early application* – A majority of the FASB and IASB stakeholders preferred an early application option. Many respondents seemed to favor a single-date approach with an early adoption option as a way of providing companies the opportunity to implement the standards sequentially.
7. However, stakeholders of each Board expressed different views on other issues, such as:
- (a) *The implementation approach (single-date versus sequential)* – IASB stakeholders had a strong preference toward the single-date approach. The reason cited most frequently in support of that view was that it would achieve economies of scale and minimize disruption on the impact upon financial statements only once. Approximately equal numbers of FASB stakeholders supported the sequential and the single-date approach, with concerns about the effect on the cost of implementation driving the differences in views.
 - (b) *Transition methods* – Many of the FASB respondents expressed support for applying the new requirements prospectively, stating that it would be less costly and could allow for faster implementation than a retrospective or modified retrospective approach. On the other hand, the majority of IASB respondents tended to agree with the proposed transition methods of the major projects. However, constituents of both Boards expressed concerns over the transition method of the leasing project. Those respondents preferred to have the option of applying a full retrospective rather than a limited retrospective approach to transition.

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8. Another point of commonality was the relatively limited feedback received through comment letters themselves. Neither of the Boards received comment letters from investors or representatives of investors. The FASB received relatively little input from private companies (only 10% respondents identified themselves as private entities), and over half its letters were from companies involved in the financial services, insurance, and utility industries.

Going forward

9. The FASB and IASB staffs are both planning to conduct additional investor outreach to gain more feedback on the issues raised in the project.
10. The staff also plan to do further analysis of disclosures during the period of implementation and adoption due to the importance of disclosure to members of the FASB's Investors Technical Advisory Group and issues raised by some respondents to the IASB to provide relief from some disclosures for standards that have been recently published and not yet effective.
11. The staff intend to present staff analysis and recommendations on a proposed effective date and a holistic discussion on transitional provisions in the second quarter for the projects that are jointly developed by the Boards.
12. The IASB staff intends to present staff analysis and staff recommendations on the IASB-only projects at future meetings.

Question for the Boards

Question

What additional information or analysis, if any, should the staff prepare to help the Boards make a decision?

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Appendix A

This Appendix contains the projects that are subject to the FASB's Discussion Paper and the IASB's *Request for Views*.

FASB	IASB
Financial instruments, including netting of financial instruments (ED issued in May 2010)	Financial instruments (IFRS 9)
Revenue recognition	Revenue recognition
Leases	Leases
Financial statement presentation (including discontinued operations)~	-
Financial instruments with characteristics of equity ~	-
Insurance contracts	Insurance contracts
Comprehensive income	Comprehensive income
-	Fair value measurement*
-	Post-employment benefits

Note:

* The FASB's Discussion Paper stated that it would consider the fair value measurement project on a stand-alone basis, but may reconsider and amend its decision in light of the feedback it received on the Discussion Paper.

~ After the publication of the Discussion Paper/*Request for Views*, the Boards decided that work on the financial statement presentation and financial instruments with characteristics of equity projects is not expected to resume until late 2011.