

STAFF PAPER

March 2012

IASB Meeting

Project	Effective date and transition		
Paper topic	Cover memo		
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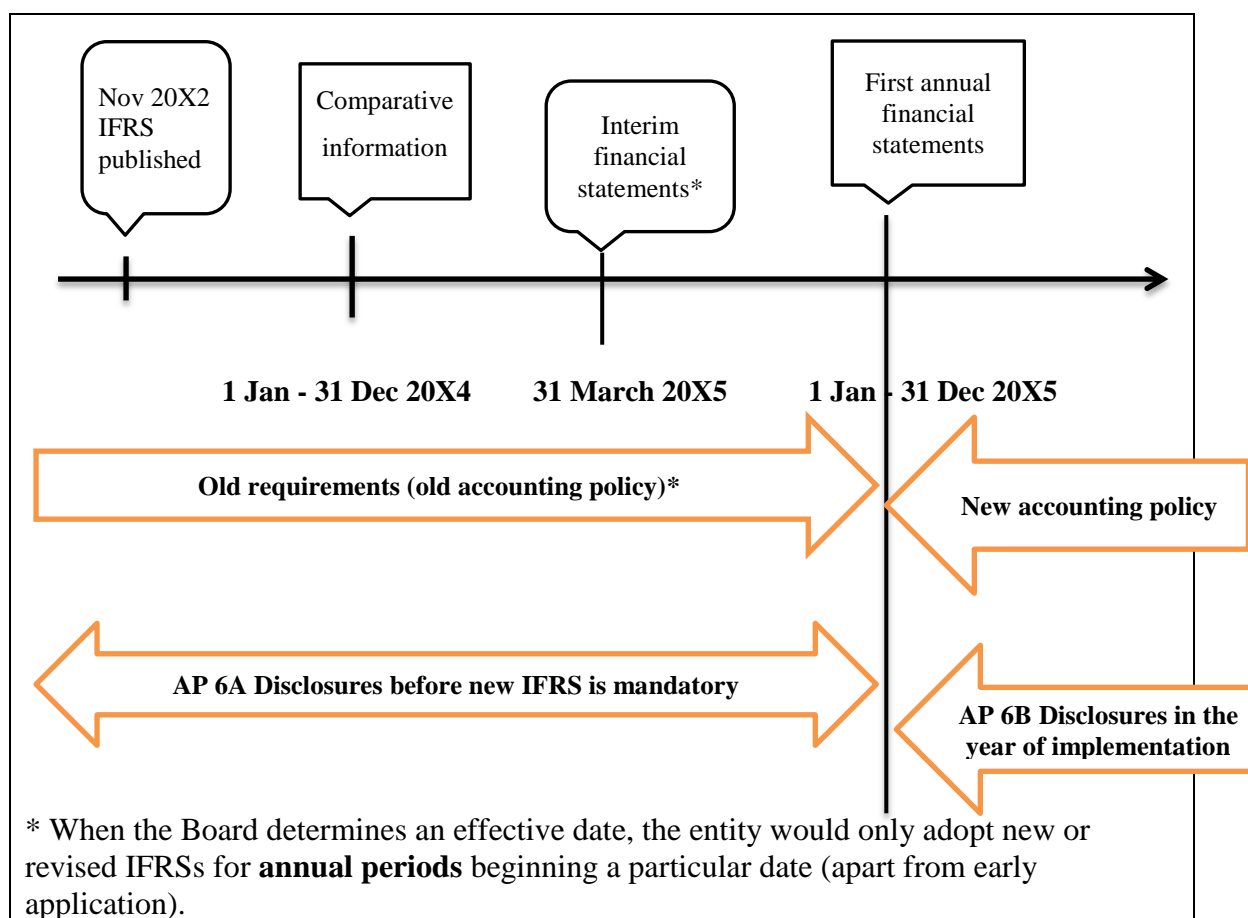
This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Introduction

1. The Board published an *Invitation to Comment* seeking views on the effective date and transition method on its major projects—Revenue recognition, Leases, Insurance and Financial instruments. In the light of the potential major changes in the financial statements, some respondents noted that it might be helpful if the Board were to consider providing some guidance, or requiring additional disclosures, to assist users to (a) advise them of any potential changes when those IFRSs are applied and (b) inform them of the effects of those changes after those IFRSs have been applied.
2. The purpose of this session is to ask the Board to consider if and how such additional guidance should be provided.
3. The agenda papers for discussion are listed below.
 - (a) *AP 6A: Disclosures before an IFRS is mandatory.* We propose that existing disclosure requirements should be retained, but that additional guidance should be given on what an entity should consider disclosing in the years before applying the new IFRSs. We also propose that such disclosures should be extended to interim financial reports.

- (b) AP6B: *Disclosures in the year of implementation*. We think that existing requirements should be retained, but we propose a clarification about a disclosure requirement on the effect of transitional provisions and to delete the requirement to disclose the effects on applying a change in accounting policy in the current period.

Figure 1: This diagram illustrates how the agenda papers apply in a time line once an IFRS has been published.



Decisions to date

4. The Board has yet to decide on an effective date for its projects on insurance, leases, revenue recognition and the hedging and impairment components of financial instruments.
5. For the Revenue standard, the Board has agreed that:

... the effective date of the revenue standard should be set to ensure that the start of the earliest comparative period for an entity required to present two comparative annual periods (in addition to the current annual period) would be a few months after the standard is issued. (paragraph BC334 in the November 2011 ED)

6. The Board recently issued an amendment to IFRS 9 *Financial Instruments* that set a new effective date of annual periods beginning on or after 1 January 2015. This was because there were compelling reasons, based on current circumstances, for all of the financial instrument phases to be implemented at the same time.
7. The Board has yet to decide whether its four major standards should be implemented at the same time or in a sequential order. The staff view is that any decision in regard to this matter would be premature if it were to be made now.

Feedback received

8. We reviewed the existing disclosure requirements and discussed with some users whether and how the Board could improve them. This included discussions with the Capital Markets Advisory Committee (CMAC) and the User Advisory Council of the Canadian Accounting Standards Board.
9. CMAC members were also asked whether the Board should develop special disclosure requirements that would be specific to those four projects. CMAC proposed that any changes made to disclosures should be made as a general requirement, rather than to specific standards. They viewed that such disclosures would be useful for other changes in accounting policies, and not just for those four projects. We agree with their suggestions and have drafted our recommendations in the staff papers to be discussed in this meeting on the basis of that premise. However, if the Board believes that any of the disclosures in this package should only be limited to some projects, please inform us.

Future work

10. We are also reviewing IAS 8 more generally to see if it is worthwhile addressing some other narrow scope matters. For example, we want to make it clearer that a new IFRS can override the general requirements in IAS 8. The staff will be bringing additional [papers to the Board as soon as possible.