

## IFRS in Focus

# IASB issues Exposure Draft on Removal of Fixed Dates for First-time Adopters

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#### The Bottom Line

- The ED proposes to provide relief to first-time adopters of IFRSs by amending IFRS 1 as follows:
  - it amends the date of prospective application of the derecognition of financial assets and liabilities from '1 January 2004' to 'the date of transition to IFRSs' so that first-time adopters of IFRSs do not have to apply the derecognition requirements in IAS 39 retrospectively; and
  - it amends the date of prospective application of the requirement to fair value financial assets and liabilities to transactions entered into 'on or after the date of transition to IFRSs', which would relieve first-time adopters from recalculating 'day 1' differences on initial recognition for those transactions occurring before the date of transition to IFRSs.
- The ED comment period ends on 27 October 2010.

#### The proposals

On 26 August 2010, the International Accounting Standards Board (IASB) published an exposure draft, ED/2010/10 *Removal of Fixed Dates for First-Time Adopters: Proposed amendments to IFRS 1*, that would provide some relief to first-time adopters of IFRSs.

The ED would amend paragraph B2 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* by replacing '1 January 2004' with 'the date of transition to IFRSs' so that first-time adopters of IFRSs do not have to apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* retrospectively. A similar relief is proposed relating to the initial recognition of financial assets and financial liabilities at fair value. The ED proposes to amend paragraph D20 of IFRS 1 to permit prospective application to transactions entered into 'on or after the date of transition to IFRSs', as opposed to the current fixed dates of '25 October 2002' or '1 January 2004'. This proposal would relieve first-time adopters from recalculating 'day 1' differences on initial recognition, where the transaction occurred before the date of transition to IFRSs.

In proposing these amendments, the IASB recognises that the fixed date of 1 January 2004 is no longer relevant to the financial statements of first-time adopters in jurisdictions that are or will be adopting IFRSs. Furthermore, at its July meeting, the IASB accepted that the cost of reconstructing transactions back in time to a fixed date would most likely outweigh the benefit.

#### Observation

In light of the proposed changes, a first-time adopter of IFRSs would still be able to apply the derecognition requirements in IAS 39 retrospectively from a date of the entity's choosing, provided that the information needed to apply IAS 39 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

#### Join Us!

Deloitte's IFRS Global Office will be holding a webcast on 8 September, 9:00-10:00am London time (GMT +1) to discuss important third quarter developments from the IASB including the proposals on revenue recognition and leases. For more information and to register, please click here.

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

## Effective date

The ED comment period ends on 27 October 2010. The ED does not specify an effective date; however, earlier application would be permitted.

## Key contacts

### IFRS global office

*Global IFRS Leader – Clients and Markets*

Joel Osnoos

[ifrglobalofficeuk@deloitte.co.uk](mailto:ifrglobalofficeuk@deloitte.co.uk)

*Global IFRS Leader – Technical*

Veronica Poole

[ifrglobalofficeuk@deloitte.co.uk](mailto:ifrglobalofficeuk@deloitte.co.uk)

*Leader – Global IFRS Communications*

Randall Sogoloff

[ifrglobalofficeuk@deloitte.co.uk](mailto:ifrglobalofficeuk@deloitte.co.uk)

### IFRS centres of excellence

#### Americas

*Canada*

Robert Lefrancois

[iasplus@deloitte.ca](mailto:iasplus@deloitte.ca)

*LATCO*

Fermin del Valle

[iasplus-LATCO@deloitte.com](mailto:iasplus-LATCO@deloitte.com)

*United States*

Robert Uhl

[iasplusamericas@deloitte.com](mailto:iasplusamericas@deloitte.com)

#### Asia-Pacific

*Australia*

Bruce Porter

[iasplus@deloitte.com.au](mailto:iasplus@deloitte.com.au)

*China*

Stephen Taylor

[iasplus@deloitte.com.hk](mailto:iasplus@deloitte.com.hk)

*Japan*

Shinya Iwasaki

[iasplus-tokyo@tohmatu.co.jp](mailto:iasplus-tokyo@tohmatu.co.jp)

#### Europe-Africa

*Belgium*

Laurent Boxus

[BEIFRSBelgium@deloitte.com](mailto:BEIFRSBelgium@deloitte.com)

*Denmark*

Jan Peter Larsen

[dk\\_iasplus@deloitte.dk](mailto:dk_iasplus@deloitte.dk)

*France*

Laurence Rivat

[iasplus@deloitte.fr](mailto:iasplus@deloitte.fr)

*Germany*

Andreas Barckow

[iasplus@deloitte.de](mailto:iasplus@deloitte.de)

*Luxembourg*

Eddy Termaten

[luiasplus@deloitte.lu](mailto:luiasplus@deloitte.lu)

*Netherlands*

Ralph ter Hoeven

[iasplus@deloitte.nl](mailto:iasplus@deloitte.nl)

*Russia*

Michael Raikhman

[iasplus@deloitte.ru](mailto:iasplus@deloitte.ru)

*South Africa*

Graeme Berry

[iasplus@deloitte.co.za](mailto:iasplus@deloitte.co.za)

*Spain*

Cleber Custodio

[iasplus@deloitte.es](mailto:iasplus@deloitte.es)

*United Kingdom*

Elizabeth Chrispin

[iasplus@deloitte.co.uk](mailto:iasplus@deloitte.co.uk)

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