

IFRS in Focus

IASB issues Request for Views seeking input on transition and effective dates for certain IASB projects

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The Bottom Line

- The Request for Views (RV) seeks input from stakeholders on the time and effort that will be involved in implementing the new IFRSs expected to be issued next year.
- The RV asks questions about the appropriate transition methods and effective dates for the future standards and includes considerations relating to convergence with US GAAP and first-time adopters of IFRSs.
- The comment period ends on 31 January 2011.

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Background

The International Accounting Standards Board (IASB) issued a Request for Views¹ (RV) that seeks input on the implementation of the new IFRSs expected to be issued next year and the effective dates of those IFRSs. The IASB's full agenda and the timing of the issue of final IFRSs have received a lot of attention recently. Concerns have been voiced by preparers about the vast resources that would be needed to implement such a large number of new standards in potentially a short period of time. In response, the IASB recently modified their work plan to prioritise certain projects and extend the timeline for others. The IASB is now focusing on implementation requirements and effective dates of their future standards through the RV.

The RV includes questions for stakeholders about the expected time and effort that will be involved in adopting the new standards and the implementation timetable and sequence of adoption that facilitates cost-effective management of the changes. On the basis of the responses, the IASB plans to develop an implementation plan with the objective of helping stakeholders properly manage the cost and pace of these changes. The RV's comment period ends on 31 January 2011.

Scope

The IASB is seeking input on the effective date and transition on most, but not all, of its current standard-setting projects. The RV covers the following projects:

- Fair value measurement
- Financial instruments (IFRS 9)
- Insurance contracts
- Leases
- Post-employment benefits – Defined benefits plans – Proposed amendments to IAS 19
- Presentation of items in other comprehensive income – Proposed amendments to IAS 1
- Revenue from contracts with customers

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

¹ The FASB issued a discussion paper that requests similar input from their stakeholders.

The IASB is expected to issue final standards, including transition requirements and effective dates, on Consolidation and Joint Arrangements in December 2010. According to the RV, the IASB may decide to amend the effective dates of these standards as well as the effective date of IFRS 9 depending on the information it receives through the RV. The IASB will also consider the information it receives in setting the effective dates and transition methods for other future standards, such as Financial Statement Presentation and Financial Instruments with Characteristics of Equity.

Preparing for transition to the new requirements

The method of transition is an important factor in determining the effort that will be needed in adopting a new standard. When deciding on the appropriate transition method (retrospective or prospective), the IASB weighs the costs and practicability of applying the standards retrospectively with the benefits of inter-period comparability. In balancing those benefits and costs, the IASB may also decide either (a) to limit the extent to which entities need to revise previously issued financial information (the 'limited retrospective method') or (b) to require a new IFRS to apply only to transactions and events after a particular effective date (the 'prospective method').

The IASB has made tentative decisions about transition methods separately for each exposure draft and has invited views on the proposed transition methods. The IASB is interested in views about how the tentative decisions at the individual project level would affect an overall implementation plan. The following table summarises the transition methods proposed for each exposure draft:

Project	Transition method
Consolidation	Limited retrospective
Fair Value Measurement	Prospective
Financial Instruments (IFRS 9)	Retrospective (Phases 1 and 2)
Insurance Contracts	Limited retrospective
Joint Arrangements	Limited retrospective
Leases	Limited retrospective
Post-employment benefits – Defined benefit plans	Retrospective
Presentation of items of other comprehensive income	Retrospective
Revenue from contracts with customers	Retrospective

Effective dates for the new requirements and early adoption

The IASB is requesting feedback on two broad approaches for the effective dates of the projects within the RV's scope: (1) a single date approach (all the new IFRSs would become effective on the same date) or (2) a sequential approach (a separate effective date for each new IFRS). The IASB asks stakeholders for input on the two alternatives, including the perceived advantages and disadvantages of each. The IASB is also requesting feedback on whether early adoption should be permitted for some or all of the new IFRSs.

International convergence considerations

Many of the projects on the IASB's agenda are joint projects with the FASB. The RV includes a specific question on whether the IASB and FASB should require the same effective dates and transition methods for their joint projects.

Considerations for first-time adopters of IFRSs

Some stakeholders have expressed concern about the potential for first-time adopters of IFRSs having to make two significant changes to their accounting policies in a short period of time. There are two suggested approaches in the RV to address this concern: (1) to allow first-time adopters to adopt the new and revised IFRSs early, and (2) to allow first-time adopters to defer adoption of some or all of the new and revised IFRSs by a set period of time. The IASB is seeking input on which of these approaches, if any, should be used to address the concerns of first time adopters.

Observation

The accounting and operational implications of adopting many of the new IFRSs may be broad. The new IFRSs would potentially affect a variety of departments throughout organisations, including accounting and finance, sales, information technology, legal and treasury. Among other things, entities may need to (1) adapt their information technology systems, (2) evaluate the existing terms of their contracts and agreements, (3) assess accounting policies to ensure consistent application in areas in which significant judgement is required, and (4) consider the impact on financial ratios and metrics. Because many of these projects, if finalised, would cause significant changes to financial reporting and operations, we encourage stakeholders to consider carefully the questions in the RV and give the IASB meaningful feedback.

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