

IFRS in Focus

IASB issues Amendments to IFRS on Removal of Fixed Dates for First-time Adopters

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The Bottom Line

- The amendments provide relief to first-time adopters of IFRSs by:
 - replacing the date of prospective application of the derecognition of financial assets and liabilities of '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 retrospectively from an earlier date; and
 - relieving first-time adopters from recalculating 'day 1' gains and losses on transactions occurring before the date of transition to IFRSs.
- The amendments are effective for annual periods beginning on or after 1 July 2011. Earlier application is permitted.

The amendments

On 20 December 2010, the International Accounting Standards Board (IASB) published amendments to IFRS 1 *Removal of Fixed Dates for First-Time Adopters* (the "amendments"), providing some relief to first-time adopters of IFRSs.

The transitional provisions of other Standards do not generally apply to first-time adopters of IFRSs as they are subject to the particular requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. However, in respect of two issues (derecognition of financial assets and liabilities and 'day 1' gains and losses) the provisions in IFRS 1 were drafted to mirror the transitional provisions of IAS 39 – requiring prospective application for transactions occurring after the fixed date of 1 January 2004. This specific date related to the timing of development of IAS 39, but as time passed it began to appear less relevant.

The amendments are as follows:

- Paragraph B2 of IFRS 1 is amended by replacing '1 January 2004' with 'the date of transition to IFRSs'.
- Paragraph D20 of IFRS 1 is amended to permit prospective application to transactions entered into 'on or after the date of transition to IFRSs', as opposed to the fixed dates of '25 October 2002' or '1 January 2004'.

For more information please see the following websites:

www.iasplus.com

www.deloitte.co.uk

With these amendments, the IASB recognised 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 and that the cost of reconstructing transactions which occurred several years ago would most likely outweigh the benefit to be achieved in doing so.

Observation

A first-time adopter of IFRSs can still apply the derecognition requirements in IAS 39 retrospectively from an earlier date, provided that the information needed to apply IAS 39 to financial assets and financial liabilities derecognised as a result of transactions prior to the first-time adopter's date of transition was obtained at the time of initially accounting for those transactions.

Effective date

The amendments are effective for annual periods beginning on or after 1 July 2011. Earlier application is permitted.

Key contacts

IFRS global office

Global Managing Director, IFRS Clients and Markets

Joel Osnoos

ifsglobalofficeuk@deloitte.co.uk

Global Managing Director, IFRS Technical

Veronica Poole

ifsglobalofficeuk@deloitte.co.uk

Global IFRS Communications

Randall Sogoloff

ifsglobalofficeuk@deloitte.co.uk

IFRS centres of excellence

Americas

Canada

Robert Lefrancois

iasplus@deloitte.ca

LATCO

Fermin del Valle

iasplus-LATCO@deloitte.com

United States

Robert Uhl

iasplusamericas@deloitte.com

Asia-Pacific

Australia

Bruce Porter

iasplus@deloitte.com.au

China

Stephen Taylor

iasplus@deloitte.com.hk

Japan

Shinya Iwasaki

iasplus-tokyo@tohmatu.co.jp

Singapore

Shariq Barmaky

iasplus-sg@deloitte.com

Europe-Africa

Belgium

Laurent Boxus

BEIFRSBelgium@deloitte.com

Denmark

Jan Peter Larsen

dk_iasplus@deloitte.dk

France

Laurence Rivat

iasplus@deloitte.fr

Germany

Andreas Barckow

iasplus@deloitte.de

Luxembourg

Eddy Termaten

luriasplus@deloitte.lu

Netherlands

Ralph ter Hoeven

iasplus@deloitte.nl

Russia

Michael Raikhman

iasplus@deloitte.ru

South Africa

Graeme Berry

iasplus@deloitte.co.za

Spain

Cleber Custodio

iasplus@deloitte.es

United Kingdom

Elizabeth Chrispin

iasplus@deloitte.co.uk

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