AASB Exposure Draft **ED 215**

August 2011

Mandatory Effective Date of IFRS 9

[proposed amendment to AASB 9 (December 2009) and AASB 9 (December 2010)]

Comments to the AASB by 7 October 2011

Australian Government

Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 7 October 2011. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 21 October 2011. Comments should be addressed to:

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

Respondents to the IASB are asked to send their comments electronically through the 'Open to Comment' page on the IASB website (www.ifrs.org).

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

This AASB Exposure Draft is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this AASB Exposure Draft are available by contacting:

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AASB REQUEST FOR COMMENTS

In light of the Australian Accounting Standards Board's (AASB's) policy of incorporating International Financial Reporting Standards (IFRSs) into Australian Accounting Standards, the AASB is inviting comments on:

(a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and

(b) the 'AASB Specific Matters for Comment' listed below.

Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents supplement their opinions with detailed comments, whether supportive or critical, on the major issues. The AASB regards both critical and supportive comments as essential to a balanced review and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

Due Date for Comments to the AASB

Comments should be submitted to the AASB by 7 October 2011. This will enable the AASB to consider those comments in the process of formulating its own comments to the IASB. Constituents are also strongly encouraged to send their response to the IASB.

Reduced Disclosure Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

No specific Tier 2 proposals

The AASB considers that, if the proposals in this Exposure Draft were to proceed, they would not affect Tier 2 disclosure requirements and, therefore, there is no need for specific Tier 2 proposals.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. whether, overall, the proposals would result in financial statements that would be useful to users;

2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

   (a) not-for-profit entities; and

   (b) public sector entities;

3. whether there are any implications for GAAP/GFS harmonisation;

4. whether the proposals are in the best interests of the Australian economy; and

5. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

August 2011

Exposure Draft ED/2011/3

Mandatory Effective Date of IFRS 9

Comments to be received by 21 October 2011

IFRS™

Exposure Draft

Mandatory Effective Date of IFRS 9

(proposed amendment to IFRS 9 (November 2009) and IFRS 9 (October 2010))

Comments to be received by 21 October 2011

ED/2011/3

This exposure draft *Mandatory Effective Date of IFRS 9* is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form as an amendment to IFRS 9. Comments on the exposure draft and the Basis for Conclusions should be submitted in writing so as to be received by **21 October 2011.** Respondents are asked to send their comments electronically to the IFRS Foundation website (www.ifrs.org), using the 'Comment on a proposal' page.

All responses will be put on the public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence.

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APPROVAL BY THE BOARD OF *MANDATORY EFFECTIVE DATE OF IFRS 9*

BASIS FOR CONCLUSIONS

Introduction

IN1 The International Accounting Standards Board (IASB) has published this exposure draft of proposed amendments to IFRS 9 *Financial Instruments* (issued November 2009) and IFRS 9 *Financial Instruments* (issued October 2010)—referred to as IFRS 9 (2009) and IFRS 9 (2010) in this document respectively, or as IFRS 9 collectively—to propose changing the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015 rather than being required to apply them for annual periods beginning on or after 1 January 2013. Early application of both would continue to be permitted.

IN2 The Board has undertaken the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* in several phases. The first phase of that project addressed the classification and measurement of financial instruments and resulted in the issue of IFRS 9 (2009) and IFRS 9 (2010). IFRS 9 (2009) addressed only financial assets. IFRS 9 (2010) amended the 2009 version to address financial liabilities as well as financial assets. Entities that elect to apply IFRS 9 (2009) before its effective date are not subsequently required to also apply IFRS 9 (2010) before its effective date. Consequently, although the 2010 version superseded the 2009 version, the 2009 version continues to apply.

IN3 The Board has developed the proposals in this exposure draft because of the extension of the Board's time line for completion of the remaining phases of the project to replace IAS 39 beyond June 2011. The Board's intention, stated in the Basis for Conclusions of IFRS 9[*], has been to allow entities to apply the guidance from all phases of the project to replace IAS 39 at the same time. The Board has developed the proposals having considered constituents' views since the publication of IFRS 9 (2009) and IFRS 9 (2010), including responses to the *Request for Views on Effective Dates and Transition Methods* published in October 2010, and comments made during outreach on the project to replace IAS 39.

Next steps

IN4 The Board will consider the comments it receives on the proposals and will decide whether to proceed with an amendment to IFRS 9 (2009) and IFRS 9 (2010).

* Paragraphs BC92 and BC93 of IFRS 9 (2009) and BC7.3 and BC7.4 of IFRS 9 (2010)

Invitation to comment

The Board invites comments on the proposals in this exposure draft, particularly on the questions set out below. Comments are most helpful if they:

(a) comment on the questions as stated;

(b) indicate the specific paragraph or group of paragraphs to which they relate;

(c) contain a clear rationale; and

(d) include any alternative the Board should consider, if applicable.

In this exposure draft, the Board is not requesting comments on matters in IFRS 9 (2009) or IFRS 9 (2010) not addressed in the exposure draft.

Comments should be submitted in writing so as to be received no later than 21 October 2011.

Effective Date

Question 1:

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

Question 2:

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

[Draft] Amendments to IFRS 9 *Financial Instruments* (November 2009) and IFRS 9 *Financial Instruments* (October 2010)

Paragraph 8.1.1 of IFRS 9 (2009) is amended (deleted text is struck through and new text is underlined).

8.1 Effective date

8.1.1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 201~~3~~5. Earlier application is permitted. If an entity applies this IFRS in its financial statements for a period beginning before 1 January 201~~3~~5, it shall disclose that fact and at the same time apply the amendments in Appendix C.

Paragraphs 7.1.1 and 7.3.2 of IFRS 9 (2010) are amended (deleted text is struck through and new text is underlined).

7.1 Effective date

7.1.1 An entity shall apply this IFRS for annual periods beginning on or after 1 January 201~~3~~5. Earlier application is permitted. However, if an entity elects to apply this IFRS early and has not already applied IFRS 9 issued in 2009, it must apply all of the requirements in this IFRS at the same time (but see also paragraph 7.3.2). If an entity applies this IFRS in its financial statements for a period beginning before 1 January 201~~3~~5, it shall disclose that fact and at the same time apply the amendments in Appendix C.

7.3 Withdrawal of IFRIC 9 and IFRS 9 (2009)

7.3.2 This IFRS supersedes IFRS 9 issued in 2009. However, for annual periods beginning before 1 January 201~~3~~5, an entity may elect to apply IFRS 9 issued in 2009 instead of applying this IFRS.

Approval by the Board of *Mandatory Effective Date of IFRS 9* published in August 2011

The exposure draft *Mandatory Effective Date of IFRS 9* was approved for publication by all fifteen members of the International Accounting Standards Board.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Jan Engström	
Patrick Finnegan	
Amaro Luiz de Oliveira Gomes	
Prabhakar Kalavacherla	
Elke König	
Patricia McConnell	
Takatsugu Ochi	
Paul Pacter	
Darrel Scott	
John T Smith	
Wei-Guo Zhang	

Basis for Conclusions on proposed amendments to IFRS 9 *Financial Instruments* (November 2009) and IFRS 9 *Financial Instruments* (October 2010)

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

BC1 IFRS 9 was issued with a mandatory effective date of 1 January 2013. At the time of selecting the mandatory effective date the Board noted that it would consider delaying the effective date of IFRS 9, if:

(a) the impairment phase of the project to replace IAS 39 made such a delay necessary; or

(b) the new standard on insurance contracts had a mandatory effective date later than 2013, to avoid an insurer having to face two rounds of changes in a short period.[*]

BC2 In order to enable an appropriate period for implementation before the mandatory application date of the new requirements, the impairment and hedge accounting phases of the project to replace IAS 39 will not be mandatory for periods beginning before 1 January 2013. In addition, any new requirements for the accounting for insurance contracts will not have a mandatory effective date as early as 1 January 2013.

BC3 The Board confirmed the importance of allowing entities to apply the requirements of all of the phases of the project to replace IAS 39 at the same time. They also confirmed that the date of initial application of any new requirements for the accounting for insurance contracts needs to be considered. As a result of these considerations, the Board proposed that the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010) should be deferred to annual periods beginning on or after 1 January 2015. The Board noted that they did not want to discourage entities from applying IFRS 9 and stressed that early application of IFRS 9 would still be permitted.

BC4 IFRS 9 provides limited relief from restating comparatives.[†] It states that an entity that adopts the IFRS for reporting periods beginning before 1 January 2012 need not restate prior periods. The Board's view in the Basis for Conclusions[§] to IFRS 9 was that waiving the requirement to restate comparatives strikes a balance between the conceptually

* Paragraphs BC92 and BC93 of IFRS 9 (2009) and BC7.3 and BC7.4 of IFRS 9 (2010)

† Paragraphs 8.2.12 of IFRS 9 (2009) and 7.2.14 of IFRS 9 (2010)

§ Paragraphs BC107 of IFRS 9 (2009) and BC7.21 of IFRS 9 (2010) preferable method of full retrospective application (as stated in IAS 8) and the practicability of adopting the new classification model within a short time frame. However, the Board noted that these practicability considerations would be less applicable for entities that adopted outside a short time frame, and therefore restated comparative information was required if an entity adopts IFRS 9 for reporting periods beginning on or after 1 January 2012. The relief was provided to enable entities to apply IFRS 9 soon after it was issued, hence its limited term. The Board noted that some respondents have requested that the relief from providing comparatives should be extended, particularly in view of the requirement to continue to apply IAS 39 to financial instruments that are derecognised prior to the date of initial application of IFRS 9. However, the Board's rationale for its decision on comparative relief when issuing IFRS 9 has not been affected by changes in circumstances (ie unlike the mandatory effective date). Therefore, the Board proposes not to change the requirement in IFRS 9 for comparatives to be presented by entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012.