

IAS Plus Update.

Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Background

On 28 January 2010, the International Accounting Standards Board (IASB) issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, entitled *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*. This narrow amendment was exposed in November 2009 with a shortened 30-day comment period.

The IASB issued Amendments to IFRS 7 *Financial Instruments: Disclosures* entitled *Improving Disclosures about Financial Instruments* ('the IFRS 7 Amendments') in March 2009. These amendments expanded the disclosures required, for each class of financial instruments, in respect of fair value measurements recognised in the statement of financial position, introduced a three-level fair value hierarchy and clarified the scope of items to be included in the maturity analyses required under IFRS 7¹. The transitional provisions within the IFRS 7 Amendments provide relief in the first year of application from providing comparative information for the disclosures required by the IFRS 7 Amendments for current IFRS preparers. The Board did not amend IFRS 1 to accommodate the relief at that time.

Under the IFRS 1 Amendment, first-time adopters will receive the same relief from providing comparative period disclosures required by the IFRS 7 Amendments as the current IFRS preparers. Consistent with their Basis for Conclusions on the IFRS 7 Amendments, the Board

reasoned that to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, first-time adopters should be permitted to use the same transitional provisions as current IFRS preparers, i.e. relief from providing comparative information for the disclosures required by the IFRS 7 Amendments.

In addition, the Board clarified the exemption from providing comparative information required by the IFRS 7 Amendments (for both existing IFRS preparers and first-time adopters). According to the clarification, an entity need not provide comparative information for the disclosures required by the IFRS 7 Amendments for any annual comparative periods ending before 31 December 2009, any interim periods within an annual comparative period ending before 31 December 2009, for any statement of financial position presented within these periods including any statement of financial position as at the beginning of the earliest comparative period, if the statement of financial position is as at a date before 31 December 2009. This clarification provides relief to reporting entities presenting more than one period of comparative information and opening statements of financial position in those cases when an entity is required to present three statements of financial position in accordance with IAS 1 or IFRS 1.

The amendment to IFRS 1 is effective for annual periods beginning on or after 1 July 2010 with earlier application permitted.

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¹ For details refer to March 2009 edition of the IAS Plus Newsletter: IFRS 7 Amended to Improve Disclosures about Financial Instruments

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