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IFRS Global office
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IFRS in Focus

IASB defers the mandatory effective date of IFRS 9 and adds disclosure requirements

Contents

The Bottom Line

- The amendments defer the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with earlier application permitted.
- The requirement to restate prior periods on initial application of IFRS 9 is eliminated.
- The amendments introduce new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

The amendments

On 16 December 2011, the International Accounting Standards Board ('IASB' or the 'Board') issued *Mandatory Effective Date of IFRS 9 and Transition Disclosures* ('the amendments'), deferring the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 *Financial Instruments* to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application.

The Board is deferring the mandatory effective date of IFRS 9 as a result of recent changes in the expected timing of completion of the remaining phases of the financial instruments project (see Appendix A below for the next expected project milestones). The Board intends to allow entities to apply all phases of the financial instruments project concurrently and is also aware of the need to consider the effective date of the standard on insurance contracts which is currently being developed.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Observation
At its 15 November 2011 meeting, the IASB tentatively decided to consider making changes to the classification and measurement requirements in IFRS 9. The Board intends to address potential application issues in IFRS 9 and consider the interaction between IFRS 9 and the tentative decisions made on the insurance project. Additionally, the IASB indicated that they will consider the US Financial Accounting Standards Board's (FASB) model on the classification and measurement of financial instruments. It is uncertain whether a further deferral of the mandatory effective date of IFRS 9 will be necessary as a result.

Transition to IFRS 9

The amendments modify the requirements for transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9. These requirements now differ depending on the entity's date of adoption.

An entity that adopts IFRS 9 for reporting periods:

- beginning before 1 January 2012 is not required to restate prior periods and are not required to provide the modified disclosures described below;
- beginning from 1 January 2012 until 31 December 2012 must elect either to provide the modified disclosures or to restate prior periods;
- beginning 1 January 2013 or thereafter shall provide the modified disclosures but need not restate prior periods.

Observation
The Board previously provided limited relief from the restatement of comparative periods for those entities that early adopted IFRS 9(2009) and IFRS 9(2010) for reporting periods beginning before 1 January 2012 due to considerations of the practicality of adopting the new model shortly after the Standards' issuance.

During the recent discussions of the proposed amendments, some constituents raised concerns about the cost of applying IFRS 9 retrospectively. The Board decided that permitting the provision of disclosures rather than restatement would provide the information necessary for investors to understand the effect of the transition from IAS 39 to IFRS 9, whilst reducing the burden on preparers that would result from restatement of comparative financial statements.

Modified disclosures

The amendments modify IFRS 7 *Financial Instruments: Disclosures* to add the following requirements in the reporting period containing the date of initial application of IFRS 9:

- an entity is required to disclose changes in the classifications of financial assets and financial liabilities, showing separately changes in carrying amounts on the basis of their measurement categories in accordance with IAS 39 and changes to carrying amounts arising from a change in measurement attribute on the transition to IFRS 9; and

- for financial assets and financial liabilities reclassified so that they are measured at amortised cost, an entity must disclose:

  – the fair value of the financial assets or financial liabilities at the end of the reporting period;

  – the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified;

  – the effective interest rate determined on the date of reclassification; and

  – the interest income or expense recognised.

In addition, if an entity treats the fair value of a financial asset or financial liability as its amortised cost at the date of initial application of IFRS 9, the effective interest rate determined on the date of reclassification and the interest income or expense recognised would be disclosed for each reporting period following reclassification until derecognition of the asset or liability.

These disclosures requirements are in addition to the general requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and are intended to allow users of financial statements to reconcile the measurement categories and line items in the statement of financial position in accordance with IAS 39 to those in accordance with IFRS 9.

Appendix A

IASB work plan

The latest timing for the next milestone in the remaining phases of the financial instruments and insurance contracts projects is as follows:

Project	Next expected project milestone
Financial instruments	
Impairment	Revised exposure draft in the first half of 2012
General hedge accounting	Review draft in the fourth quarter of 2011
Macro hedge accounting	Exposure draft in the first half of 2012
Asset and liability offsetting	Final standard in the fourth quarter of 2011
Insurance contracts	Revised exposure draft in the first half of 2012

Key contacts

IFRS global office
Global Managing Director, IFRS Clients and Markets
Joel Osnoss
ifrsglobalofficeuk@deloitte.co.uk

Global Managing Director, IFRS Technical
Veronica Poole
ifrsglobalofficeuk@deloitte.co.uk

Global IFRS Communications
Randall Sogoloff
ifrsglobalofficeuk@deloitte.co.uk

IFRS centres of excellence

Americas		
Canada	Karen Higgins	iasplus@deloitte.ca
LATCO	Fermin del Valle	iasplus-LATCO@deloitte.com
United States	Robert Uhl	iasplusamericas@deloitte.com
Asia-Pacific		
Australia	Anna Crawford	iasplus@deloitte.com.au
China	Stephen Taylor	iasplus@deloitte.com.hk
Japan	Shinya Iwasaki	iasplus-tokyo@tohmatsu.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	luiasplus@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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