

MANDATORY EFFECTIVE DATE OF IFRS 9 AND TRANSITION DISCLOSURES

IFRS ALERT 2012/02

JANUARY 2012



On 16 December 2011, the IASB issued *Mandatory Effective Date of IFRS 9 and Transition Disclosures*. The Document amends IFRS 9 *Financial Instruments* as issued in November 2009 (IFRS 9 (2009)) and in October 2010 (IFRS 9 (2010)) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7).

The amendments defer the effective of IFRS 9 from periods beginning on or after 1 January 2013 to periods beginning on or after 1 January 2015. Early application of IFRS 9, both as issued in 2009 and 2010, continues to be permitted.

The amendments also modify the relief from restating prior periods. Entities that initially apply IFRS 9 in periods beginning:

- a) Before 1 January 2012 need not restate prior periods and are not required to provide transitional disclosures (as described below).
- b) On or after 1 January 2012 and before 1 January 2013 can choose either to provide transitional disclosures or to restate prior periods.
- c) On or after 1 January 2013 are required to provide transitional disclosures. Prior periods do not need to be restated.

The amendments to IFRS 7 require additional disclosures on transition from IAS 39 to IFRS 9. The new transitional disclosures (IFRS 7.44S–44W) include, but are not limited to:

- Changes in the classifications of financial assets and financial liabilities, showing separately:
 - a) the changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (ie not resulting from a change in measurement attribute on transition to IFRS 9); and
 - b) the changes in the carrying amounts arising from a change in measurement attribute, such as from amortised cost to fair value, on transition to IFRS 9.
- The following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost as a result of the transition to IFRS 9:
 - a) The fair value of the financial assets or financial liabilities at the end of the reporting period.
 - b) The fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.
 - c) The effective interest rate determined on the date of reclassification.
 - d) The interest income or expense recognised.

Implementation guidance has been added to IFRS 7, which illustrates how the quantitative disclosures might be made.

STATUS

Final

EFFECTIVE DATE

Annual periods beginning on or after 1 January 2015 (early adoption permitted)

ACCOUNTING IMPACT

Mandatory effective date of IFRS 9 is deferred to 1 January 2015.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BVBA, BDO International Limited and/or BDO member firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2012 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdointernational.com