

# Proposed financial instrument disclosure exemptions for first-time adopters

At its November meeting, the IASB was advised that the transition provisions within the amendments to IFRS 7 *Financial Instruments: Disclosure*, as issued in March 2009, only provide relief to current IFRS preparers. Relief is given from providing comparative information for the disclosures required by the amendment in the first year of application. However, a first-time adopter applying the provisions of IFRS 1 *First-time Adoption of International Reporting Financial Standards* does not receive the same relief from the requirement to provide comparative information.

In response, on 26 November 2009, the IASB published a proposal to amend IFRS 1 which, if implemented, would extend the relief to first-time adopters.

Although the effective date of amendments to IFRSs is usually 6 to 18 months after the standard is issued, in this case, the IASB (or the Board) believed that the urgent need for enhanced disclosures about financial instruments necessitated the earlier application of the amendments to IFRS 7. But, as a concession, the Board permitted entities to omit comparative information in the first year of application of those amendments. The Board's decision was prompted by the timing of the amendments and the likely use of hindsight to determine the comparative information.

However, the same justification for relief from full retrospective application applies equally to first-time adopters. The Board has, therefore, proposed to amend IFRS 1 to provide relief from the requirement to provide the comparative period disclosures required by IFRS 7 to the extent that the first IFRS annual reporting period starts earlier than 1 January 2010.

Somewhat confusingly, the amendment states that the relief would be available for annual periods starting on or after 1 July 2010. However, early adoption would be permitted, minimising the likelihood of problems arising.

## Business impact

The proposal to amend IFRS 1 provides welcome relief from the full disclosure burden for first-time adopters who plan to start using IFRS in the near future.

Comments are requested by 29 December 2009.

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