

IASB



International Accounting Standards Board

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Request for Views

on

Effective Dates and Transition Methods

Respondents are asked to send their comments electronically to the IASB website (www.ifrs.org), using the 'Comment on a proposal' page, so as to be received no later than 31 January 2011.

October 2010

Request for Views

Effective Dates and Transition Methods

19 October 2010

Comments to be received by 31 January 2011

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Introduction

1. The International Accounting Standards Board (IASB) has published this Request for Views to gather views from interested parties about the time and effort that will be involved in adapting to the several new International Financial Reporting Standards (IFRSs) it expects to issue next year and about when those IFRSs should become effective. The IASB will use that information to develop an implementation plan for those new IFRSs that helps interested parties to manage the pace and cost of change. The IASB seeks comments on this Request for Views by **31 January 2011**.
2. Some of the new IFRSs that are the subject of this Request for Views are being developed jointly by the IASB and the US Financial Accounting Standards Board (FASB). The FASB has published a paper inviting comments on the same issues raised in this Request for Views.
3. The IASB is asking for information about both new IFRSs and more targeted improvements to existing IFRSs for which implementation is expected to be straightforward. Gathering information about all of these new and improved IFRSs will be helpful to the IASB in broadly managing the changes. The following table lists the projects that are the subject of this Request for Views.

Project	Status
Fair value measurement	Exposure drafts published May 2009 and June 2010
Financial instruments (IFRS 9)	Phase 1 (Classification and measurement) will be completed in October 2010 ¹ . Phase 2 (Impairment Methodology) and Phase 3 (Hedging) are under development. The Phase 2 exposure draft was published in November 2009, and the Phase 3 exposure draft will be published in Q4 2010.
Revenue from contracts with customers	Exposure draft published June 2010
Insurance contracts	Exposure draft published July 2010
Leases	Exposure draft published August 2010
Post-employment benefits – Defined benefit plans – Proposed amendments to IAS 19	Exposure draft published April 2010
Presentation of items other comprehensive income – Proposed amendments to IAS 1	Exposure draft published May 2010

¹ The first part of phase 1 of IFRS 9, specifying the requirements for financial assets, was issued in November 2009. The second part of phase 1 of IFRS 9, specifying the requirements for financial liabilities, will be issued in October 2010.

4. The IASB plans to issue, in December 2010, IFRSs on *Consolidation* and *Joint Arrangements*. These new IFRSs will include transition requirements and effective dates based on the IASB's assessment of them on a stand-alone basis. This Request for Views, however, includes consideration of these new IFRSs so that stakeholders' views on their interaction with the other proposed new IFRSs can be understood. The IASB has also said that it would reconsider the effective date of IFRS 9 as part of its finalisation of the proposed IFRS *Insurance Contracts*. The IASB will use the information it receives from this consultation to determine whether it should amend the effective dates of *Consolidation*, *Joint Arrangements* and phase 1 of IFRS 9. The responses to this Request for Views will also help the IASB when it considers the effective dates and transition methods for its other projects, such as *Financial Statement Presentation* and *Financial Instruments with the Characteristics of Equity*. Exposure drafts for these two projects are scheduled to be published in 2011 and the IASB will consider the views received from this consultation when it sets the effective dates.
5. The revised convergence work plan issued by the IASB in June 2010 includes several new IFRSs (including financial instruments, revenue recognition and leases) and other targeted improvements to existing requirements. All who have an interest in the financial reporting system will need to adapt to those new requirements and will need to plan for and manage the change. The IASB recognises that the effort and cost of adapting will vary (those that prepare financial statements will need to make different kinds of changes from those that use financial information) and, for some, the effort and cost of adapting is likely to differ for each new IFRS.
6. The IASB is finalising these new IFRSs during a period of regulatory change and continuing economic uncertainty for many entities. Additionally, the standard-setting structure in the United States is undergoing review: the US Securities and Exchange Commission is evaluating whether and how to incorporate IFRSs into the US reporting system.
7. Given these and other factors, the IASB recognises the need to help interested parties to manage the pace and cost of changes to financial reporting. The IASB and FASB have already taken some steps in that direction. In their revised convergence work plan, the boards gave priority to the major projects to permit a sharper focus on the areas they believe are most in need of improvement and phased the publication of exposure drafts and related consultations to support broad-based and effective consultation.

8. The boards recognise that consideration should also be given to the implementation requirements and timetable for their new standards. Accordingly, they are asking all stakeholders (including preparers of financial statements, auditors, users of financial statements, standard-setters, market regulators and others) to give their views about:
- (a) the expected time and effort involved in properly adapting to the new financial reporting requirements ; and
 - (b) the implementation timetable and sequence of adoption that facilitates cost-effective management of the changes.
9. The environments in which the new IFRSs will be applied differ in some respects from the US environment. For example, many countries are adopting IFRSs over the next few years and the IASB needs to give appropriate consideration to those first-time adopters. In the US, the FASB needs to give consideration to the needs of private entities and the users of their financial statements that also are affected by the new requirements. As a result, the FASB's discussion paper and the IASB's Request for Views each include questions that relate to its own environment.

Request for Views

10. The Request for Views first asks respondents for background information that provides a context in which to understand their views. Additional questions then follow, focused on four broad issues:
- Preparing for transition to the new requirements
 - The implementation approach and timetable (effective dates for the new requirements and early adoption)
 - International convergence considerations
 - Considerations for first-time adopters of IFRSs.

The Board invites comments on all aspects of this Request for Views and in particular on the questions set out below. Respondents need not comment on all of the questions. Comments are most helpful if they:

- (a) respond to the questions as stated;
- (b) indicate the specific paragraph or paragraphs to which the comments relate;
- (c) contain a clear rationale; and
- (d) describe, if applicable, any alternatives that the Board should consider.

Respondents are asked to send their comments electronically to the IASB website (www.ifrs.org), using the 'Comment on a proposal' page.

Background Information

Q1. Please describe the entity (or the individual) responding to this Request for Views. For example:

- (a) Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setters). Please also say whether you primarily prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.**
- (b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant measure), and whether you have securities registered on a securities exchange.**
- (c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.**
- (d) If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer/standard-setter), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialise in, if any.**
- (e) Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).**

Preparing for transition to the new requirements

15. All those with an interest in the financial reporting system will need to prepare for transition to the new financial reporting requirements. The IASB seeks to understand, for all types of stakeholders, the nature of the preparation and implementation efforts that will be required and the amount of time needed for a proper transition, as those factors have a direct bearing on when the requirements should become effective (see below).

16. The transition method refers to the way that an entity accounts for the initial change from the old to the new financial reporting requirements. Choices about the method of transition directly affect the time, effort and cost of adapting to the new requirements.
17. Many investors and other users of financial statements prefer entities to apply new requirements retrospectively to all periods presented in order to facilitate year-on-year comparison of results with a minimum of cost to the investor/user. In other words, entities would implement the new requirements as if they had always been required, re-presenting comparative information on the new basis of reporting. Retrospective application is the default approach required by IFRSs; exceptions are made in some circumstances. Many preparers of financial statements have explained that retrospective application can sometimes be costly and in some cases is impracticable (such as when the information needed for prior periods is not available).
18. In making decisions about transition methods, the IASB strives to balance the benefits of inter-period comparability with the cost and practicability of retrospective application. In balancing those benefits and costs, the IASB may decide:
- (a) to limit the extent to which entities need to revise previously issued financial information (the ‘limited retrospective method’).
 - (b) to require the new IFRSs to apply only to transactions and events after a particular effective date (the ‘prospective method’).
18. The following table summarises the IASB’s tentative decisions about transition methods; these decisions were made separately for each exposure draft. (The proposed transition method provisions of each project are included for reference in the Appendix). In each exposure draft the IASB has invited views on the proposed transition method.

Project	Transition Method
Consolidation	Limited retrospective
Fair value measurement	Prospective
Financial instruments (IFRS 9)	Retrospective ²
Insurance contracts	Limited retrospective
Joint arrangements	Limited retrospective
Leases	Limited retrospective
Post-employment benefits – Defined benefit plans	Retrospective
Presentation of items of other comprehensive income	Retrospective
Revenue from contracts with customers	Retrospective

²

The exposure draft of Phase 3 of IFRS 9 is yet to be published. Phases 1 and 2 have adopted a retrospective transition method.

19. The proposed transition method differs from project to project because the IASB based its decisions on the facts and circumstances of each project evaluated on a stand-alone basis. An important element of this Request for Views is to gather views about those individual project-level decisions in the context of an overall plan for implementation of the new requirements taken as a whole. For example, the IASB seeks to learn whether financial statements during the period of change would be easier to understand, or whether the overall cost of implementation might be reduced, if it were to change its proposed transition method for one or more IFRSs (perhaps by requiring a single method for all of them).
20. One way to ease the application of the retrospective method is to delay the effective date, thereby enabling entities to accumulate cost-effectively the data needed to produce comparative information. Questions about managing the cost of implementation through the implementation timetable (effective dates) are raised below.

Q2. Focusing only on those projects included in the table in paragraph 18 above:

- (a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?
- (b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Q3. Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Q4. Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

Effective dates for the new requirements and early adoption

21. In this section, the IASB seeks information about both the broad approach to implementing the new IFRSs and the timetable for adoption.

22. The IASB seeks input on the advantages and disadvantages of two broad approaches to setting the effective dates of the new IFRSs that are the subject of this Request for Views. Those two approaches are as follows:
- (a) A single date approach—all of the new IFRSs would become effective at the same date, following an appropriate implementation period.
 - (b) A sequential approach—each new IFRS, or an appropriate group of new IFRSs, would become effective at different dates spanning a number of years.
24. Question 5 asks for views on grouping and sequencing the implementation of IFRSs in the context of a mandatory adoption date. Question 6 asks for further views in the context of early adoption.
- Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:**
- (a) **Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).**
 - (b) **Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?**
 - (c) **Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.**
 - (d) **Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.**
25. The IASB often permits early adoption of new requirements. Some of the potential benefits of permitting early adoption include earlier reporting of improved information and, for

reporting entities, the ability to reduce implementation costs by timing the adoption of new IFRSs to coincide with other business changes. The primary disadvantage in permitting early adoption is reduced comparability across entities, which disadvantages users and market regulators. Some jurisdictions might decide to require all entities applying or adopting IFRSs in their territory to adopt some or all of the new IFRSs at the same date, to increase comparability within the territory.

- Q6. Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?**

International convergence considerations

26. The goal of joint projects is to improve the quality of financial reporting and enhance the comparability of financial information by issuing standards that eliminate (or reduce) differences between IFRSs and US GAAP. Requiring the same effective date and transition methods for comparable IFRSs and US GAAP standards would further enhance comparability. It might also affect implementation costs (for example, a common effective date might simplify implementation for multinational entities and make it easier for investors and other users to make comparisons between US and international entities).

- Q7. Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?**

Considerations for first-time adopters of IFRSs

27. Adoption of IFRSs is a significant change for an entity. A number of jurisdictions are adopting IFRSs over the next few years. Some stakeholders have called for a 'stable platform' of IFRSs and raised concerns over first-time adopters being required to make two significant changes to their accounting policies in quick succession—once from the adoption of IFRSs and then from the implementation of the new and revised IFRSs. Two approaches have been suggested:

- (a) Allow first-time adopters to adopt the new and revised IFRSs early, even if existing preparers are restricted in their ability to adopt early (see question 6 above).
- (b) Allow first-time adopters to defer adoption of some or all of the new and revised IFRSs by a set period of time, for example, two years.

Q8. Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

Proposed Transition Provisions

This appendix contains extracts from each of the exposure drafts, within the scope of this Request for Views, of the proposed transition provisions. The effective date and transition paragraphs included below also include those from phase 1 of IFRS 9 (Classification and measurement) issued in November 2009. The transition guidance included below for Consolidation and Joint Arrangements are extracts from, respectively, the Staff Draft (published September 2010) and IASB Update (March 2010 and May 2010), as these reflect more recent IASB discussions than the exposure drafts for these projects.

Consolidation (extract from Staff Draft, published September 2010)

Transition

- C1 A reporting entity shall apply this IFRS retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraphs C2 and C3.
- C2 When application of the requirements of this IFRS for the first time results in an investor consolidating an investee that was not consolidated in accordance with IAS 27 and SIC-12, an investor shall measure the assets, liabilities and non-controlling interests in that previously unconsolidated investee on the date of initial application as if that investee had been consolidated (and thus applied acquisition accounting) from the date when the investor obtained control of that investee on the basis of the requirements of this IFRS. If this is impracticable (as defined in IAS 8) the investor shall apply the requirements of IFRS 3. In this case the deemed acquisition date shall be the beginning of the earliest period for which application of the requirements in IFRS 3 are practicable. The earliest period may be the current period.
- C3 When application of the requirements of this IFRS for the first time results in an investor no longer consolidating an investee that was consolidated in accordance with IAS 27 and SIC-12, an investor shall measure its retained interest in the investee on the date of initial application, at the amount at which it would have been measured if the requirements of this IFRS had been effective when it became involved with, or lost control of, the investee. If measurement of the retained interest is impracticable (as defined in IAS 8), the investor shall apply the requirements in this IFRS for accounting for a loss of control at the start of the reporting period when first applying this IFRS.

Adoption prior to adopting IFRS 9

- C4 If an entity adopts this IFRS but is not yet applying IFRS 9, any reference to IFRS 9 shall be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*.

Withdrawal of SIC-12

- C5 This IFRS supersedes SIC-12 *Consolidation—Special Purpose Entities*.

Fair value measurement (exposure draft published May 2009)

Effective date and transition

- 63 This [draft] IFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied.
- 64 The disclosure requirements of this [draft] IFRS need not be applied in comparative information provided for periods before initial application of the [draft] IFRS.

IFRS 9 Financial Instruments (Phase 1 of IFRS issued November 2009)

- 8.2.1 An entity shall apply this IFRS retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraphs 8.2.4–8.2.13. This IFRS shall not be applied to financial assets that have already been derecognised at the date of initial application.
- 8.2.2 For the purposes of the transition provisions in paragraphs 8.2.1 and 8.2.3–8.2.13, the date of initial application is the date when an entity first applies the requirements of this IFRS. The date of initial application may be:
- any date between the issue of this IFRS and 31 December 2010, for entities initially applying this IFRS before 1 January 2011; or
 - the beginning of the first reporting period in which the entity adopts this IFRS, for entities initially applying this IFRS on or after 1 January 2011.
- 8.2.3 If the date of initial application is not at the beginning of a reporting period, the entity shall disclose that fact and the reasons for using that date of initial application.
- 8.2.4 At the date of initial application, an entity shall assess whether a financial asset meets the condition in paragraph 4.2(a) on the basis of the facts and circumstances that exist at the date of initial application. The resulting classification shall be applied retrospectively irrespective of the entity's business model in prior reporting periods.
- 8.2.5 If an entity measures a hybrid contract at fair value in accordance with paragraph 4.4 or paragraph 4.5 but the fair value of the hybrid contract had not been determined in comparative reporting periods, the fair value of the hybrid contract in the comparative reporting periods shall be the sum of the fair values of the components (ie the non-derivative host and the embedded derivative) at the end of each comparative reporting period.
- 8.2.6 At the date of initial application, an entity shall recognise any difference between the fair value of the entire hybrid contract at the date of initial application and the sum of the fair values of the components of the hybrid contract at the date of initial application:
- in the opening retained earnings of the reporting period of initial application if the entity initially applies this IFRS at the beginning of a reporting period; or
 - in profit or loss if the entity initially applies this IFRS during a reporting period.
- 8.2.7 At the date of initial application, an entity may designate:
- a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5; or
 - an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.4.4.
- Such designation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.
- 8.2.8 At the date of initial application, an entity:
- shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if that financial asset does not meet the condition in paragraph 4.5.
 - may revoke its previous designation of a financial asset as measured at fair value through profit or loss if that financial asset meets the condition in paragraph 4.5.
- Such revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.
- 8.2.9 At the date of initial application, an entity shall apply paragraph 103M of IAS 39 to determine when it:
- may designate a *financial liability* as measured at fair value through profit or loss; and
 - shall or may revoke its previous designation of a financial liability as measured at fair value through profit or loss.
- Such revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.

- 8.2.10 If it is impracticable (as defined in IAS 8) for an entity to apply retrospectively the *effective interest method* or the impairment requirements in paragraphs 58–65 and AG84–AG93 of IAS 39, the entity shall treat the fair value of the financial asset at the end of each comparative period as its amortised cost. In those circumstances, the fair value of the financial asset at the date of initial application shall be treated as the new amortised cost of that financial asset at the date of initial application of this IFRS.
- 8.2.11 If an entity previously accounted for an investment in an unquoted equity instrument (or a derivative that is linked to and must be settled by delivery of such an unquoted equity instrument) at cost in accordance with IAS 39, it shall measure that instrument at fair value at the date of initial application. Any difference between the previous carrying amount and fair value shall be recognised in the opening retained earnings of the reporting period that includes the date of initial application.
- 8.2.12 Notwithstanding the requirement in paragraph 8.2.1, an entity that adopts this IFRS for reporting periods beginning before 1 January 2012 need not restate prior periods. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.
- 8.2.13 If an entity prepares interim financial reports in accordance with IAS 34 *Interim Financial Reporting* the entity need not apply the requirements in this IFRS to interim periods prior to the date of initial application if it is impracticable (as defined in IAS 8).

Financial Instruments: Amortised Cost and Impairment (exposure draft published November 2009)

Transition

- 24 For the purposes of the transitional provisions in paragraphs 25–29, the date of initial application is the beginning of the annual period for which an entity first applies the requirements in this [draft] IFRS.
- 25 For financial instruments measured at amortised cost that were initially recognised before the date of initial application of this [draft] IFRS the objective is to approximate the effective interest rate that would have been determined in accordance with this [draft] IFRS if it had applied on initial recognition of the financial instrument. This is accomplished by applying an effective interest rate transition adjustment to the effective interest rate previously determined in accordance with IAS 39.
- 26 **In determining the effective interest rate transition adjustment an entity shall use all available historical data and supplement them as needed with information for similar financial instruments for which the effective interest rate is determined in accordance with this [draft] IFRS (ie financial instruments initially recognised around the date of initial application).**
- 27 **An entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if this [draft] IFRS had always been applied but use as the effective interest rate the rate previously determined in accordance with IAS 39 adjusted for the effective interest rate transition adjustment.**

Disclosure

- 28 In explaining the effect of the initial application of this [draft] IFRS in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* an entity shall provide a qualitative analysis of:
- (a) the effect on profit or loss that results from the difference between the effective interest rate determined in accordance with this [draft] IFRS (including the transition requirements in paragraphs 24–27) and the rate used in accordance with the entity's previous accounting policy; and

- (b) how that effect (item (a) above) relates to the amount of the transition adjustment to the amortised cost of financial assets.
- 29 In applying paragraph 19, an entity need not disclose information about periods before the earliest prior period presented.

Insurance Contracts (exposure draft published July 2010)

Effective date and transition

- 100 At the beginning of the earliest period presented, an insurer shall, with a corresponding adjustment to retained earnings:
- (a) measure each portfolio of insurance contracts at the present value of the fulfilment cash flows. It follows that for insurance contracts to which these transitional provisions are applied, the measurement, both at transition and subsequently, does not include a residual margin.
 - (b) derecognise any existing balances of deferred acquisition costs.
 - (c) derecognise any intangible assets arising from insurance contracts assumed in previously recognised business combinations. That adjustment does not affect intangible assets, such as customer relationships and customer lists, which relate to possible future contracts.

Disclosure

- 101 In applying paragraph 92(e)(iii), an insurer need not disclose previously unpublished information about claims development that occurred earlier than five years before the end of the first financial year in which it first applies this [draft] IFRS. Furthermore, if it is impracticable when an insurer first applies this [draft] IFRS to prepare information about claims development that occurred before the beginning of the earliest period for which the insurer presents full comparative information that complies with this [draft] IFRS, it shall disclose that fact.

Redesignation of financial assets

- 102 At the beginning of the earliest period presented, when an insurer first applies this [draft] IFRS, it is permitted, but not required, to redesignate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an inconsistency in measurement or recognition. The reclassification is a change in accounting policy and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* applies. The insurer shall recognise the cumulative effect of that redesignation as an adjustment to opening retained earnings of the earliest period presented and remove any related balances from accumulated other comprehensive income.

Joint Arrangements (extract from IASB Update, March and May 2010)

The Board tentatively decided that Jointly Controlled Entities (JCEs) will transition from proportionate consolidation to the equity method, by aggregating at their respective carrying values the proportionate consolidated assets and liabilities into a single line item. The investment will need to be tested for impairment in accordance to IAS 36 *Impairment of Assets* at the date at which the standard is applied, and at the corresponding comparative periods.

The Board tentatively decided that the transitional provisions for Jointly Controlled Entities (JCEs) from the equity method to the accounting for share of assets and liabilities will consist in the derecognition of the investment, and the recognition of the shares of assets and liabilities at their carrying values based on the entity's interests determined in accordance with the contractual arrangement. Any difference between the carrying amount of the investment and the carrying net amount of the individual assets and liabilities will be recognised in retained earnings.

The Board additionally tentatively decided that an entity shall provide a reconciliation between the investment derecognised and the breakdown of the shares of assets and liabilities recognised, together with any balance recognised in retained earnings.

The Board also discussed transitional provisions for first-time adopters. The Board tentatively decided that the main difference between the transitional provisions for first-time adopters and for those entities reporting under IFRS will be:

- a first-time adopter will need to convert its investment in a jointly controlled entity to an IFRS basis; and that
- in the case of transitioning from proportionate consolidation to the equity method, the resulting investment will have to be tested for impairment in accordance with IAS 36 *Impairment of Assets* regardless of whether there is any existing indication that the investment might be impaired.

Leases (exposure draft published August 2010)

Transition

- 88 For the purposes of the transition provisions in paragraphs 88–96, the date of initial application is the beginning of the first comparative period presented in the first financial statements in which the entity applies this [draft] IFRS. An entity shall recognise and measure all outstanding contracts within the scope of the [draft] IFRS as of the date of initial application using a simplified retrospective approach as described in paragraphs 90–96.
- 89 An entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had been applied from the beginning of the earliest period presented.

Lessees

- 90 Unless paragraphs 91–93 apply, at the date of initial application, a lessee shall:
- (a) recognise a liability to make lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on the date of initial application.
 - (b) recognise a right-of-use asset for each outstanding lease, measured at the amount of the related liability to make lease payments, subject to any adjustments required to reflect impairment.
- 91 When lease payments are uneven over the lease term, a lessee shall adjust the right-of-use asset recognised at the date of initial application by the amount of any recognised prepaid or accrued lease payments.
- 92 For leases that were classified in accordance with IAS 17 *Leases* as finance leases and do not have options, contingent rentals, term option penalties or residual value guarantees, the carrying amount at the date of initial application of the right-of-use asset and the liability to make lease payments shall be the carrying amount of the lease asset and liability under that standard.
- 93 For each short-term lease that the lessee accounts for in accordance with paragraph 64, at the date of initial application a lessee shall recognise a liability to make lease payments measured at the undiscounted amount of the remaining lease payments and a right-of-use asset at the amount of the liability recognised.

Lessors: performance obligation approach

- 94 At the date of initial application, a lessor shall:
- (a) recognise a right to receive lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the rate charged in the lease

determined at the date of inception of the lease, subject to any adjustments required to reflect impairment.

- (b) recognise a lease liability for each outstanding lease, measured at the amount of the related right to receive lease payments.
- (c) reinstate previously derecognised underlying assets at depreciated cost, determined as if the asset had never been derecognised, subject to any adjustments required to reflect impairment and revaluation.

Lessors: derecognition approach

95 At the date of initial application, a lessor shall:

- (a) recognise a right to receive lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the rate charged in the lease determined at the date of inception of the lease, subject to any adjustments required to reflect impairment.
- (b) recognise a residual asset at fair value determined at the date of initial application.

Disclosure

96 An entity shall provide the transition disclosures required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, without the disclosure of adjusted basic and diluted earnings per share.

Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1 (exposure draft published May 2010)

139G *Presentation of Items of Other Comprehensive Income* (amendments to IAS 1), issued in [date], amended the terminology used throughout IFRSs. In addition it amended paragraphs 10, 82, 83 and 91, added paragraphs 81A, 82A and 82B, and deleted paragraphs 12, 81 and 84. An entity shall apply those [draft] amendments for annual periods beginning on or after [date to be inserted after exposure]. Earlier application is permitted.

Revenue from Contracts with Customers (exposure draft published June 2010)

Effective date and transition

85 An entity shall apply this [draft] IFRS retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.