

# Technical Accounting Alert

## Application of new pronouncements issued after the reporting period

### Introduction

The purpose of this alert is to assist in determining whether, if a new IFRS (which for this purpose includes amendments to IFRSs and IASs and also new Interpretations) is issued after the end of a reporting period but before the date of authorisation for issue of the financial statements, it is available for early application in that reporting period.

### Relevant standards

References are made to standards issued by the International Accounting Standards Board. The Australian equivalent to each standard included in this alert is shown below:

International Standard reference	Australian equivalent standard
IAS 1 Presentation of financial statements	AASB 101 Presentation of financial statements
IAS 8 Accounting policies, changes in accounting estimates and errors	AASB 108 Accounting policies, changes in accounting estimates and errors

### Overview

In our view an entity may apply a new IFRS even if it is issued after the end of a reporting period, provided that the new IFRS permits early application.

### Discussion

Most (but not all) new IFRSs permit early application (ie application in advance of the specified effective date). This has led to questions over whether new IFRSs may be applied in a reporting period if they are issued after the end of that period. This question is not addressed directly in IFRS.

For example:

- IAS 1.17 states that 'in virtually all circumstances, an entity achieves a fair presentation by compliance with applicable IFRSs'. However, it is not clear whether this reference to 'applicable IFRSs' is to IFRSs in existence at the reporting date or at the date of approval of the financial statements.
- IAS 8 makes various references to initial application of a Standard or Interpretation (see for example IAS 8.14(a), and IAS 8.30), but does not address whether initial application is possible for pronouncements issued after the period end.

In the absence of specific guidance, we believe it is appropriate to permit entities to apply new IFRSs that permit early application if they are published before the date of approval of the

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financial statements. We believe that new IFRSs will result in improvements to financial reporting in comparison to previous requirements. We consider that entities should be permitted to make improvements to their accounting policies at the earliest opportunity.

Specific early application and transition requirements in each new IFRS sometimes include limitations or prohibitions on early application. Such requirements take precedence over the general guidance in this TA Alert if there is any conflict.

**Will entities want to do this?**

Entities will not typically wish to amend their accounting policies after the period-end date. However, in some cases new IFRSs permit or require changes that entities would prefer to apply as soon as possible.

**Example**

An entity prepares financial statements to 31 December each year. The entity is preparing its financial statements for the year ended 31 December 2009. The 2009 financial statements will be approved by the board of directors in March 2010.

In February 2010, the IASB publishes amendments to an IFRS. Early application of the amendments is by amended IFRS. Application of these amendments will require the entity to change one of its accounting policies.

Is the entity permitted to adopt the amendments and change its accounting policies in its 2009 financial statements?

**Analysis**

Yes - in our view the entity is permitted to apply the amended IFRS in preparing its 2009 financial statements.

**FURTHER INFORMATION**

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at [NAS@grantthornton.com.au](mailto:NAS@grantthornton.com.au)