

Technical Accounting Alert

Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)

Introduction

In March 2009, the IASB issued *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)*. The aims of those amendments (the March 2009 amendments) were to explain more clearly how entities determine the fair value of their financial instruments (through use of a 'fair value hierarchy') and to improve the disclosure of liquidity risk.

The March 2009 amendments provided that in the first year of application, an entity did not need to provide comparative information for the disclosures required by the amendments. A corresponding change was not made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* however.

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
IFRS 1 First-time Adoption of International Financial Reporting Standards	AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
IFRS 7 Financial Instruments: Disclosures	AASB 7 Financial Instruments: Disclosures

Overview - The Amendment to IFRS 1

On 28 January 2010, the IASB published *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)*. The Amendment to IFRS 1 enables first-time adopters to benefit from the same relief from comparatives available to those already using IFRSs when applying *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* for the first time.

In order to effect this change, IFRS 1 has been amended to enable a first-time adopter to apply the transition provisions in IFRS 7.44G relating to the disclosures introduced by the March 2009 amendments, and IFRS 7.44G has itself been amended to read:

"Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, amended paragraphs An entity shall apply those

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amendments for annual periods beginning on or after 1 January 2009. An entity need not provide the disclosures required by the amendments for:

- (a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009, or
- (b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009."

In terms of an existing IFRS preparer, this change has no impact on the exemption from providing comparative information in the first year of application of the March 2009 amendments. For a first-time adopter, however, it has the effect of restricting the exemption so that a first-time adopter is exempt from providing the comparative information only when the comparative period ends before 31 December 2009.

Effective date

The Amendment to IFRS 1 is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

Grant Thornton comment

We agree with the introduction of the Amendment to IFRS 1, which provides transitional relief for first-time adopters consistent with the transition provisions available to existing IFRS preparers.

Further information

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