

IAS 8: IFRSs Issued but not yet Effective

Excerpt, IFRS Discussion Group Report on Meeting – July 19, 2012

Canadian entities that prepare financial statements in accordance with IFRSs as issued by the IASB and in accordance with Canadian GAAP (i.e., Part I of the CICA Handbook – Accounting) need to:

- decide whether to apply any new or amended IFRSs before the mandatory effective date, when that is permitted; and
- determine what disclosures are required under paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* about IFRSs issued but not yet effective and not yet applied by the entity.

A time lag occurs between the issuance of a new or amended IFRS by the IASB, its approval by the AcSB and its publication in the Handbook. For example, the amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures* on offsetting of financial instruments were issued in December 2011 by the IASB, approved by the AcSB in March 2012, and published in the Handbook in May 2012.

An entity that issued its annual financial statements at the end of February 2012 may have questioned whether to disclose these amendments as issued but not yet effective and not yet applied or whether it can apply the amendments early and still state compliance with Canadian GAAP.

In May 2012, the IASB issued *Annual Improvements 2009–2011 Cycle*, which clarifies a number of IFRSs. All amendments are required to be applied to annual periods beginning on or after January 1, 2013 and all permit earlier application. The *Annual Improvements 2009–2011 Cycle* was approved by the AcSB in June 2012 and will be issued in the Handbook in August 2012.

The issue considered by the Group was at what point do new or amended IFRSs become part of Canadian GAAP. Specifically, if an entity prepares financial statements in accordance with Part I of the Handbook, when should the entity disclose information about a new or amended IFRS not yet effective and not yet adopted under paragraph 30 of IAS 8, and when can this entity choose to early adopt a new or amended IFRS that permits earlier application but is not yet effective?

View A – When the IASB has issued the new or amended IFRS

View B – When the AcSB has approved the new or amended IFRS

View C – When the AcSB has issued the new or amended IFRS in the Handbook

The Group's Discussion

Several Group members noted that they had not previously considered this issue but thought that a new or amended IFRS was eligible for early application once the IASB issued the new or amended IFRS based on the existing language in the Introduction to Part I of the Handbook. Group members observed that most do not choose to apply a new or amended IFRS early, perhaps with the exception of narrow scope amendments such as annual improvements.

Gord Fowler, Chair of the AcSB, clarified that a new or amended IFRS becomes part of Canadian GAAP only after the AcSB has issued the new or amended IFRS in the Handbook in both official languages (i.e., View C). Mr. Fowler noted that the time lag between the IASB and the AcSB issuing a new or amended IFRS is relatively short and any jurisdiction that endorses IFRSs experiences such a delay. In addition, under paragraph 3.2(1) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, a reporting issuer needs to be in compliance with both Canadian GAAP and IFRSs as issued by IASB.

Some Group members noted that, read literally, paragraph 30 of IAS 8 requires disclosure of new or amended IFRSs issued by the IASB but not yet applied, regardless of whether the AcSB has incorporated the changes into the Handbook. However, by the time an entity must file its first set of financial statements following the IASB's issuance of a new or amended standard, that standard would often have been incorporated into the Handbook. When that is not the case, some may consider that the existing disclosure requirement in paragraph 30 of IAS 8 that is within the Handbook does not extend to new requirements that are not yet in the Handbook.

However, to comply with paragraph 3.2(1) of National Instrument 52-107 and paragraph 16 of IAS 1, an entity would need to provide the disclosures set out in paragraph 30 of IAS 8 and would generally be able to do so.

In light of this information, Group members observed that entities can comply with both IFRSs as issued by the IASB and Canadian GAAP by:

- voluntarily providing the disclosures under paragraph 30 of IAS 8 for a new or amended IFRS issued by the IASB that has not been incorporated into the Handbook; and
- choosing to wait to apply a new or amended IFRS until it is incorporated into the authorized (i.e., electronic) version of the Handbook.

If a reporting issuer wishes to apply a new or amended IFRS before it is included in the Handbook, the issuer could apply for exemptive relief from the Canadian Securities Administrators.

The Group recommended that the AcSB should consider including guidance in the Handbook to clarify this issue.