

# IFRS Briefing Sheet

*Reclassification of Financial Assets Effective Date and Transition (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)*

December 2008, **Issue 113**

This IFRS Briefing Sheet summarises the International Accounting Standards Board's (IASB or Board) *Reclassification of Financial Assets- Effective Date and Transition (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)*, which was published on 27 November 2008.

## **Background and Executive Summary**

The IASB has published changes to the recently-issued amendments to IAS 39 to clarify that reclassifications made on or after 1 November 2008 take effect from the date of reclassification.

As previously reported in Briefing Issue 108, on 13 October 2008 the IASB issued *Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)*, which permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to reclassify from the available-

for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

On 27 November 2008 the IASB issued *Reclassification of Financial Assets – Effective Date and Transition* to clarify the effective date and transition requirements of the earlier amendments. The most recent amendments are consistent with a statement made in the IASB Update published on 24 October 2008. Prior to the most recent amendment, paragraph 103G of IAS 39 stated that any reclassification made "in periods beginning" on or after 1 November 2008 shall take effect only from the date when the reclassification is made; the most recent amendments delete the words "in periods beginning."

Accordingly, the transitional requirements are as follows:

- the amendments are applicable on or after 1 July 2008 and no reclassification shall be applied retrospectively before 1 July 2008
- any reclassification made on or after 1 November 2008 shall take effect only from the date when the reclassification is made and hence may not be applied retrospectively.

**KPMG's update on International Financial Reporting Standards (IFRSs)**

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