

27 September 2011

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Email: CommentLetters@iasb.org

Dear Sir/Madam

SAICA SUBMISSION ON THE EXPOSURE DRAFT ON *MANDATORY EFFECTIVE DATE OF IFRS 9*

In response to your request for comments on the International Accounting Standards Board's (IASB's) Exposure draft on *Mandatory Effective Date of International Financial Reporting Standards 9 (IFRS 9)*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA). Please note that SAICA is not only a professional body, but also secretariat for the Accounting Practices Board (APB), the official standard-setting body in South Africa. The SAICA comment letter results from deliberations of the Accounting Practices Committee (APC), which is the technical advisory body to the APB.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

Sue Ludolph
Project Director – Financial Reporting

cc: Moses Kgosana (Chairman of the Accounting Practices Board)
Prof Alex Watson (Chairman of the Accounting Practices Committee)

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GENERAL COMMENTS

We concur with the Board's decision to amend the effective date of IFRS 9 – *Financial Instruments* (IFRS 9) from 1 January 2013 to 1 January 2015. We further agree that the exemption for the restatement of comparative financial information should not be extended beyond that currently permitted by IFRS 9.

SPECIFIC COMMENTS

Question 1

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We note that the Board stated in BC7.2 of IFRS 9 (2010) that respondents had previously indicated to the IASB that it would be helpful if the Board were to permit all phases of the project to replace International Accounting Standards 39 (IAS 39) – *Financial Instruments: Recognition and Measurement* (IAS 39) to be adopted at the same time, and that it would also be helpful if the Board aligned the effective dates of IFRS 9 with that of its insurance contracts project. We further note that the Board stated that it would consider delaying the effective date of IFRS 9 if the impairment phase of the project to replace IAS 39 made such a delay necessary.

We agree with the Board's proposal to amend the IFRS 9's effective date from 1 January 2013 to 1 January 2015 noting that:

- the IASB's current work plan states that its exposure draft on impairment will be re-exposed for comment during Q4:2011 - early 2012;
- the accounting for insurance contracts will be re-exposed during Q4:2011 - early 2012;
- the final requirements for general hedge accounting will be balloted during Q4:2011;
- an exposure draft on macro hedge accounting will be issued during Q4:2012;
- such a proposal is consistent with the feedback that the IASB has received from its constituents¹; and
- the IFRS Advisory Council also supported an effective date of no earlier than 1 January 2015.

Further supporting the need to defer the effective date of IFRS 9 is the European Financial Reporting Advisory Group's (EFRAG's) recent statement that it will only look to endorse IFRS 9 once the final components of IFRS 9, being the requirements for impairment and hedge accounting, are finalised. The deferral of IFRS 9's effective date would eliminate the potential need for European entities of having to comply with IAS 39 and preparing IFRS 9 data to meet consolidation requirements for entities in other jurisdictions that are required to comply with IFRS 9.

¹ As noted in the IASB's staff paper 3B for the IASB's meeting of 1-2 March 2011 regarding a summary of the feedback received on the IASB's 'Request for Views – Effective Dates and Transition Methods' (RFI) that was published in October 2010.

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Our agreement with the Board's proposal is on the assumption that IFRS 9's requirements for impairment and hedge accounting (general and macro) are both finalised, together with the Board's project on the accounting for insurance contracts, by no later than 31 December 2012. This will provide preparers of financial statements with one clear financial year prior to the preparation of comparative financial information in order to comply with the requirements of IFRS 9.

We recommend that the Board re-consider IFRS 9's effective date should any of the Board's projects stated above be finalised after 31 December 2012, and further recommend that IFRS 9's effective date be aligned with the effective date of the final insurance standard.

Question 2

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We agree that IFRS 9 should continue to require comparative financial information to be prepared for entities that adopt IFRS 9 on or after 1 January 2012 on the basis that IFRS 9's effective date is amended to 1 January 2015, and that the impairment and hedge accounting requirements of IFRS 9 are finalised prior to 31 December 2012.

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