Companies (Accounting Standards) (Amendment) Regulations 2005

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No. S 124

COMPANIES ACT
(CHAPTER 50)

COMPANIES (ACCOUNTING STANDARDS) (AMENDMENT) REGULATIONS 2005

In exercise of the powers conferred by section 200A(1) of the Companies Act, the Accounting Standards Committee (known as the Council on Corporate Disclosure and Governance), with the approval of the Minister for Finance, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Companies (Accounting Standards) (Amendment) Regulations 2005 and shall come into operation on 16th March 2005.

Amendment of Third Schedule

2. The Third Schedule to the Companies (Accounting Standards) Regulations (Rg 6) (referred to in these Regulations as the principal Regulations) is amended —

(*a*) by deleting paragraph (i) in the third column of the item relating to FRS 27 and substituting the following paragraph:

> "(i) Delete the following words in paragraphs 10 (*d*) and 41 of IAS 27:
>
> > "that comply with International Financial Reporting Standards";".

(*b*) by inserting, immediately after the words "(March 2004)" in the second column of the item relating to FRS 39, the words "(Amendment December 2004)";

(*c*) by deleting paragraphs (i), (ii) and (iii) in the third column of the item relating to FRS 39 and substituting the following paragraphs:

"

(i) Delete paragraphs 103 to 110 of IAS 39 and substitute the following paragraphs: "**103.** An entity shall apply this Standard (including the amendments issued in September 2004) for annual periods beginning on or after 1 January 2005. Earlier application is permitted. An entity shall not apply this Standard (including the amendments issued in March 2005) for annual periods beginning before 1 January 2005 unless it also applies FRS 32 (issued in 2004). If an entity applies this Standard for a period beginning before 1 January 2005, it shall disclose that fact.".
"**Early Adoption** **103A.** An entity that has adopted FRS 39 (issued 2003) before its effective date of 1 January 2005 shall apply the transitional provisions set out in paragraphs 104 to 108, except for paragraphs 106A and 106B.". "**104.** This Standard shall be applied retrospectively except as specified in paragraphs 105, 106, 107, 107A and 108 (excluding paragraphs 106A and 106B). The opening balance of retained earnings for the earliest prior period presented and all other comparative amounts shall be adjusted as if this Standard had always been in use unless restating the information would be impracticable. If restatement is impracticable, the entity shall

disclose that fact and indicate the extent to which the information was restated.”.

“**105.** When this Standard is first applied, an entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or available for sale despite the requirement in paragraph 9 to make such designation upon initial recognition. For any such financial asset designated as available for sale, the entity shall recognise all cumulative changes in fair value in a separate component of equity until subsequent derecognition or impairment, when the entity shall transfer that cumulative gain or loss to profit or loss. For any financial instrument designated as at fair value through profit or loss or available for sale, the entity shall:

(*a*) restate the financial asset or financial liability using the new designation in the comparative financial statements; and

(*b*) disclose the fair value of the financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.”.

“**106.** An entity shall not adjust the carrying amount of non-financial assets and non-financial liabilities to exclude gains and losses related to cash flow hedges that were included in the carrying amount before the beginning of the financial year in which this Standard is first applied. At the beginning of the financial period in which this Standard is first applied, any amount recognised directly in equity for a hedge of a firm commitment that under this Standard is accounted for as a fair value hedge shall be reclassified as an asset or liability, except for a hedge of foreign currency risk that continues to be treated as a cash flow hedge.”.

“First-time Adoption

106A. When this Standard is first applied, an entity shall apply the transitional provisions set out in paragraphs 106B to 108. Early adoption shall be restricted to annual periods beginning on or after 1 January 2003.”.

“**106B.** Retrospective application is not permitted (except as permitted by paragraph 108). The transition to this Standard is as follows:

(*a*) recognition, derecognition, measurement and hedge accounting policies followed in financial statements for periods prior to the effective date of this Standard shall not be reversed and, therefore, those financial statements shall not be restated;

(*b*) for those transactions entered into before the beginning of the financial year in which this Standard is initially applied that the entity did previously designate as hedges, the recognition, derecognition and measurement provisions of this Standard shall be applied prospectively. Therefore, if the previously designated hedge does not meet the conditions for an effective hedge set out in paragraph 88 and the hedging instrument is still held, hedge accounting shall no longer be appropriate starting with the beginning of the financial year in which this Standard is initially applied. Accounting in prior financial years shall not be retrospectively changed to conform to the requirements of this Standard. Paragraphs 91 and 101 explain how to discontinue hedge accounting;

(*c*) at the beginning of the financial year in which this Standard is initially applied, an entity shall recognise all derivatives in its balance sheet as either assets or liabilities and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably). Because all derivatives, other than those that are designated hedging instruments, are considered held for trading, the difference between previous carrying amount (which may have been zero) and fair value of derivatives shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument);

(*d*) at the beginning of the financial year in which this Standard is initially applied, an entity shall apply the criteria in paragraphs 43-54 to identify those financial assets and liabilities that shall be measured at fair value and those that shall be measured at amortised cost, and it shall remeasure those assets as appropriate. An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or available for sale despite the requirement in paragraph 9 to make such designation upon initial recognition. For any such financial asset designated as available for sale, the entity shall recognise all cumulative changes in fair value in a separate component of equity until subsequent derecognition or impairment, when the entity shall transfer that cumulative gain or loss to profit or loss. Any adjustment of the previous carrying amount shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which this Standard is initially applied;".

"(*e*) at the beginning of the financial year in which this Standard is initially applied, any balance sheet positions in fair value hedges of existing assets and liabilities shall be accounted for by adjusting their carrying amounts to reflect the fair value of the hedging instrument;

(*f*) if an entity's hedge accounting policies prior to initial application of this Standard had included deferral, as assets and liabilities, of gains or losses on cash flow hedges, at the beginning of the financial year in which this Standard is initially applied, those deferred gains and losses shall be reclassified as a separate component of equity to the extent that the transactions meet the criteria in paragraph 88 and, thereafter, accounted for as set out in paragraphs 97-100; and

(*g*) transactions entered into before the beginning of the financial year in which this Standard is initially applied shall not be retrospectively designated as