HMRC - CFM21506 - International Financial Reporting Standards: History Of IAS 32 And IAS 39

Origins of IAS 32 and IAS 39

The original version of IAS 32 was issued in 1995. It underwent limited revisions in 1998 and 2000.

IAS 39 was originally issued in March 1998, and was subject to revision in 2000. It was only mandatory for periods beginning on or after 1 January 2001. IAS 39 was by far the most difficult standard the International Accounting Standards Board (IASB) had produced, and for this reason in 2000 extensive implementation guidance was published in the form of questions and answers.

In 2002, as part of its ‘improvements project’, the IASB published an Exposure Draft of amendments to both IAS 32 and IAS 39 and revised standards were issued in December 2003, together with application and implementation guidance.

The IASB made further amendments to IAS 39 during 2004, 2005 and 2008, and to IAS 32 in 2005 and 2008. As a result of the amendments to IAS 32 in August 2005, all disclosures relating to financial instruments were relocated to IFRS 7.

Since 2003, IAS 32, IAS 39, and their accompanying documents, have also been amended by other IFRSs and IFRICs. The same applies to IFRS 7 since 2005.

References in this guidance to the standards are to the December 2003 revision unless otherwise stated.

EU adoption and UK implementation

The EU voted to adopt IAS 39 in October 2004, but in an amended form. The amendment made by the EU was not to adopt two areas of the IASB standard (known as ‘carve outs’):

Entities could not avail themselves of the option of measuring non-derivative financial liabilities (other than those held for trading) at fair value (see CFM21720);

The requirements of IAS 39 with respect to ‘macro hedging’ (CFM27180) were relaxed.

IAS 32 was adopted by the EU one month after its adoption of IAS 39.

In November 2005, following the June 2005 amendment to IAS 39 on the fair value option (see CFM21540) the EU rescinded the first carve out above and adopted the relevant IAS 39 provisions without qualification; the second carve out remains.

Developments to IAS 39 since the December 2003 revision

March 2004, Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk - see CFM27180.

December 2004, Transition and Initial Recognition of Financial Assets and Financial Liabilities.

April 2005, Cash Flow Hedge Accounting of Forecast Intragroup Transactions - see CFM27040.

June 2005, The Fair Value Option - see CFM21540. This is the only amendment endorsed by the EU.

August 2005 Financial Guarantee Contracts (also amends IFRS 4) - see CFM21720.

July 2008 Eligible hedged items

October 2008 Reclassficatiion of Financial Assets (amendments to IAS 39 and IFRS 7) see CFM21600 (nb. the amendment was subsequently revised in November 2008 to clarify the effective date and transition).

IFRS 9

IAS 39 is in the process of being replaced by IFRS 9. In 2014 the International Accounting Standards Board (IASB) published the final version of IFRS 9, subject to endorsement by the EU. This is expected to be mandatory from 1 January 2018.

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