

Chapter 7 Financial Instruments

10.1.2.149 The accounting standards on which the 2009 SORP is based are converged standards: there are expected to be no issues arising from financial instruments on transition to the Code. The transitional provisions contained in paragraphs 103 to 108c of IAS 39 shall not be used. The 2007 SORP adopted FRS 26 Financial Instruments: Recognition and Measurement; FRS 25 Financial Instruments: Presentation and the predecessor of FRS 29 Financial Instruments: Disclosures in the 2007 SORP. These UK standards are converged with the international standards and it would be inappropriate to make use of the international standards transitional provisions on adopting international standards in the 2010 Code. Where they continue to be relevant the transitional provisions of the UK standards adopted by the 2007 SORP remain. In particular, recognition and derecognition decisions prior to 1 April 2006 need not be reconsidered.

IAS 39 includes a number of transitional provisions for entities adopting the standard for the first time. The Code does not permit local authorities to take advantage of these provisions. This is because the SORP previously adopted FRS 26, which is almost identical to IAS 39. As such, authorities have effectively already adopted IAS 39, and it is therefore not appropriate to take advantage of provisions intended to be used by first time adopters of the standard. The transitional arrangements in FRS 26, which did apply to local authorities when the SORP adopted FRS 26, are the same as those in IAS 39.

Under the SORP, the transitional provisions meant that recognition and derecognition decisions prior to 1 April 2006 need not be reconsidered. The Code confirms that this provision continues to apply.

As a result, no transition requirements will arise in respect of financial instruments.