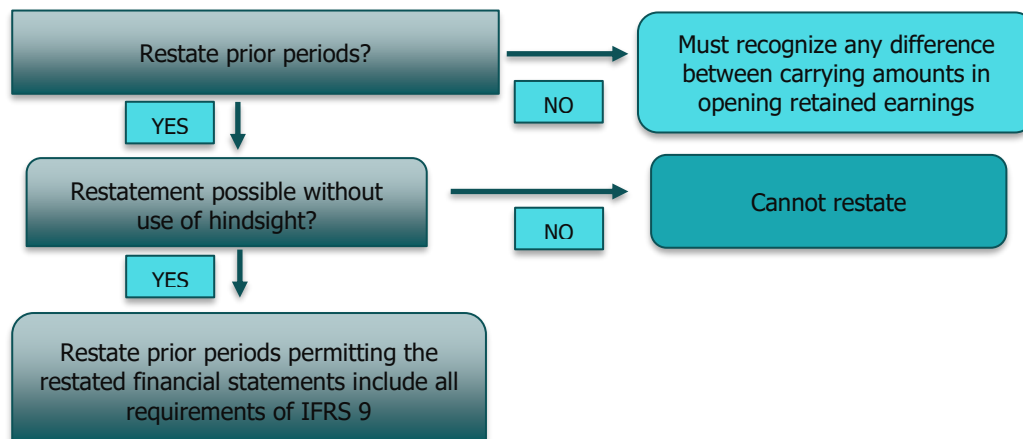


The International Accounting Standards Board (IASB) have introduced a new accounting standard IFRS 9: *Financial Instruments* to replace IAS 39: *Financial Instruments Recognition and Measurement*. The standard is effective for annual periods beginning on or after 1 January 2018. The following are the principles behind the restatement of financial statements after adopting IFRS 9.

IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to hedge accounting; however, entities may choose to restate.

The following decision tree outlines the IFRS 9 requirements related to restatement and required disclosures on transition:



- If an entity elects not to restate comparative periods, then it is important to remember that the quantification of adjustments is still necessary in order to determine the transition adjustment in opening retained earnings or other components of equity, as appropriate.

- If comparative periods are not restated, the difference between the previous carrying amounts and the new carrying amounts at the Date of Initial Adoption is recorded in opening retained earnings or other components of equity, as appropriate, of the annual period that includes the Date of Initial Adoption (DIA).
- If an entity restates comparative periods, then it will also need to apply, IAS 1, Presentation of Financial Statements. IAS 1 requires a third balance sheet to be presented when an accounting policy is applied retrospectively and there is a material effect as a result of the change. As an example, if an entity restated comparative periods and the DIA is November 1, 2017, the following balance sheets may be required:
 - October 31, 2018
 - October 31, 2017
 - November 1, 2016
- The needs and expectations of shareholders and other financial statement users should be considered in arriving at the decision. Without restatement, users may find it difficult to analyze the entity's financial statements results; however, given that not all of the standard's principles are applied retrospectively and IAS 39 continues to be applied for financial assets derecognized prior to DIA, results will not be comparable even if restated.
- An entity could consider providing pro forma comparative results to enhance comparability. If an entity decides to restate comparative periods, the use of hindsight is prohibited. Regardless of whether an entity chooses to restate prior periods, there are transitional financial statement disclosures that are required; however, these do differ depending on the approach taken.