



IFRS AT A GLANCE

IFRS 1 *First-Time Adoption of IFRSs*



IFRS 1 *First-time Adoption of IFRSs*

SCOPE

- ▶ IFRS 1 does not apply to entities already reporting under IFRSs
- ▶ IFRS 1 applies to the first set of financial statements that contain an explicit and unreserved statement of compliance with IFRSs
- ▶ IFRS 1 applies to any interim financial statements for a period covered by those first financial statements that are prepared under IFRSs.

GENERAL REQUIREMENTS

- ▶ Select IFRS accounting policies using either:
 - IFRSs that are currently effective; or
 - One or more IFRSs that are not yet effective, if those new IFRS permit early adoption.
- ▶ Recognise/derecognise assets and liabilities where necessary so as to comply with IFRSs
- ▶ Reclassify items that the entity recognised under previous accounting framework as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRS
- ▶ Apply IFRSs in measuring all recognised assets and liabilities.





IFRS 1 *First-time Adoption of IFRSs*

RECOGNITION AND MEASUREMENT

OPTIONAL EXEMPTIONS

IFRS 1 does not permit these to be applied by analogy to other items

An entity may elect to use one or more of the following exemptions, which provide specific relief, on adoption of IFRSs:

- ▶ Business combinations
- ▶ Share-based payment transactions
- ▶ Insurance contracts
- ▶ Fair value or revaluation as deemed cost
- ▶ Use of revalued amount as deemed cost for 'event driven fair values' between transition date and date of the first IFRSs reporting period
- ▶ Deemed cost for assets used in operations subject to rate regulation
- ▶ Leases
- ▶ Cumulative translation differences
- ▶ Investments in subsidiaries, joint ventures and associates
- ▶ Assets and liabilities of subsidiaries, associates and joint ventures
- ▶ Compound financial instruments
- ▶ Designation of previously recognised financial instruments
- ▶ Fair value measurement of financial assets/liabilities at initial recognition
- ▶ Decommissioning liabilities included in the cost of property, plant and equipment
- ▶ Financial assets or intangible assets accounted for in accordance with IFRIC 12 Service Concession Arrangements
- ▶ Borrowing costs
- ▶ Extinguishing financial liabilities with equity instruments accounted for in accordance with IFRIC 19 -Extinguishing Financial Liabilities with Equity Instruments
- ▶ Joint arrangements
- ▶ Severe hyperinflation
- ▶ Government loans
- ▶ Stripping costs in the production phase of a surface mine in accordance with IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

MANDATORY EXCEPTIONS

IFRS 1 prohibits retrospective application in relation to the following:

- ▶ Estimates
- ▶ Derecognition of financial assets and financial liabilities
- ▶ Hedge accounting
- ▶ Non-controlling interests.

ACCOUNTING POLICIES

- ▶ Use the same accounting policies in the opening IFRS statement of financial position and throughout all periods presented in the first IFRS financial statements
- ▶ Those accounting policies have to comply with each IFRS effective at the end of the first IFRS reporting period.

Changes in accounting policies during first year of IFRS

If, between the date of an entity's interim financial report (prepared in accordance with IAS 34 Interim Financial Reporting) and the issue of its first annual IFRS financial statements, and entity changes accounting policies and/or adopts exemptions:

- ▶ The requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply
- ▶ The reconciliation between IFRSs and previous GAAP has to be updated.

REPEAT APPLICATION OF IFRS 1

An entity that has applied IFRSs in a previous reporting period, but whose most recent previous annual financial statements do not contain an explicit and unreserved statement of compliance with IFRSs, must either apply IFRS 1 or else apply IFRSs retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

OPENING IFRS STATEMENT OF FINANCIAL POSITION

- ▶ An opening IFRS Statement of Financial Position is prepared at the date of transition
- ▶ All IFRSs are applied consistently across all reporting periods in the entity's first set of IFRS compliant financial statements (i.e. both the comparatives and the current reporting period)
- ▶ If a standard is not yet mandatory but permits early application, an entity is permitted, but not required, to apply that Standard in its first IFRS set of financial statements.

PRESENTATION AND DISCLOSURE

An entity's first set of financial statements are required to present at least three statements of financial position and two statements each of statements of comprehensive income, income statements (if presented), statements of cash flows and statements of changes in equity, related notes and in relation to the adoption of IFRSs, the following:












- ▶ A reconciliation of equity reported under previous accounting framework to equity under IFRSs:
 - At the date of transition to IFRSs
 - At the end of the latest period presented in the entity's most recent annual financial statements under previous accounting framework.
- ▶ A reconciliation of total comprehensive income reported under previous accounting framework to total comprehensive income under IFRSs for the entity's most recent annual financial statements under previous accounting framework
- ▶ Interim financial reports:
 - In addition to the reconciliations above, the entity is also required to provide:
 - A reconciliation of equity reported under its previous accounting framework to equity under IFRSs at the end of the comparable interim period, and
 - A reconciliation of total comprehensive income reported under its previous accounting framework to total comprehensive income under IFRSs for the comparative interim period, and
 - Explanations of the transition from its previous accounting framework to IFRS.
- ▶ Any errors made under the previous accounting framework must be separately distinguished
- ▶ Additional disclosure requirements are set out in IFRS 1.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.



EUROPE

Anne Catherine Farlay	 France	annecatherine.farlay@bdo.fr
Jens Freiberg	 Germany	jens.freiberg@bdo.de
Teresa Morahan	 Ireland	tmorahan@bdo.ie
Ehud Greenberg	 Israel	ehudg@bdo.co.il
Stefano Bianchi	 Italy	stefano.bianchi@bdo.it
Roald Beumer	 Netherlands	roald.beumer@bdo.nl
Reidar Jensen	 Norway	reidar.jensen@bdo.no
Leonid Sidelkovskiy	 Russia	L.Sidelkovskiy@bdo.ru
David Cabaleiro	 Spain	david.cabaleiro@bdo.es
René Füglistner	 Switzerland	rene.fueglistner@bdo.ch
Moses Serfaty	 United Kingdom	moses.serfaty@bdo.co.uk




SUB SAHARAN AFRICA



Theunis Schoeman	 South Africa	tschoeman@bdo.co.za
------------------	--	--

NORTH AMERICA & CARIBBEAN







Armand Capisciolto	 Canada	acapisciolto@bdo.ca
Wendy Hambleton	 USA	whambleton@bdo.com


LATIN AMERICA

Marcello Canetti	 Argentina	mcanetti@bdoargentina.com
Victor Ramirez	 Colombia	vramirez@bdo.com.co
Ernesto Bartesaghi	 Uruguay	ebartesaghi@bdo.com.uy

Arshad Gadit	 Bahrain	arshad.gadit@bdo.bh
Antoine Gholam	 Lebanon	agholam@bdo-lb.com

ASIA PACIFIC

Aletta Boshoff	 Australia	aletta.boshoff@bdo.com.au
Hu Jian Fei	 China	hu.jianfei@bdo.com.cn
Fanny Hsiang	 Hong Kong	fannyhsiang@bdo.com.hk
Pradeep Suresh	 India	pradeepsuresh@bdo.in
Khoon Yeow Tan	 Malaysia	tanky@bdo.my
Ng Kian Hui	 Singapore	kianhui@bdo.com.sg



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BV, BDO International Limited and/or BDO member firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium with its statutory seat in Zaventem.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BV, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2021 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdo.global