IFRS 1:
First Time Adoption of International Financial Reporting Standards

By:

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Scope

- An entity shall apply the IFRS in:

1. its **first financial statements** under IFRS;
2. in **<u>each</u> interim financial report**, if any, presented in accordance with IAS 34 interim financial reporting (related to one part of the exercise covered by its first financial statements under IFRS)

First Time Adopter

- The first financial statements according to IFRS:

1. are the **first annual financial statements;**
2. in which **an entity adopts IFRS**,
3. through **explicit and unreserved statement;**
4. **contained in such financial statements**, as to the compliance with IFRS;

IFRS 1 does not apply to enterprises who already apply IAS/ IFRS;

Whether First Time Adopter??

- An entity has submitted its most recent previous financial statements:

1. under national requirements that are not consistent in all respects with IFRS;
2. in accordance with IFRS in all respects, except that such financial statements do not contain a statement, explicit and unreserved compliance with IFRS;
3. with an explicit statement of compliance with IFRS some, but not all;
4. according to national requirements that are not consistent with IFRS, but applying some IFRS accounting for individual items for which there is no national legislation;
5. under national requirements, providing a reconciliation of some of the figures with the same magnitude as determined by IFRS;

Whether First Time Adopter??

- An enterprise:

1. has prepared financial statements under IFRS for internal use only, without making them available to owners of the entity or other external users;
2. has prepared a package of information according to IFRS, for use in the consolidation, which does not constitute a complete set of financial statements, as defined in IAS 1 on Presentation of Financial Statements;
3. did not submit financial statements in prior periods.

Whether First Time Adopter??

- An enterprise:

1. abandons the submission of financial statements according to national requirements, if presented earlier along with another set of financial statements containing a statement, explicit and unreserved compliance with IFRS;
2. introduced in the previous year financial statements containing a statement, explicit and unreserved compliance with IFRS, even if the auditors expressed their opinion with caveats in the audit report on such financial statements

IFRS 1 Dates

- **Transition Date;**
- **Convergence Date;** and
- **Reporting Date**

Example: For the F.Y. ending March 31st, 2012,

- Transition Date is **April 1st, 2010**;
- Convergence Date is **April 1st, 2011**; and
- Reporting Date is **March 31st, 2012**

Recognition and Measurement

- Subject to IFRS-1's **exemptions** and **exceptions**, an entity in its opening balance sheet IFRS (i.e. **Retrospective Application**):

1. **recognize all assets and liabilities** whose recognition is required by IFRS;
2. **will not recognize such items** as assets or liabilities if **IFRS not permit** such recognition;
3. **reclassify** the assets, liabilities and net worth of components recognized under previous GAAP;
4. **applies IFRS to evaluate all assets and liabilities** recognized.

Exemptions

- These are **OPTIONAL.** The various exemptions are:

1. business combinations;
2. fair value or revaluation as deemed cost;
3. employee benefits;
4. cumulative translation differences;
5. compound financial instruments;
6. assets and liabilities of subsidiaries, associates and joint ventures;
7. designation of previously recognized financial instruments;
8. transactions involving share-based payment;
9. insurance contracts;
10. Leases;
11. the fair value of financial assets or financial liabilities on the initial recognition;
12. decommissioning liabilities included in the cost of tangible assets

Exceptions

- These are **MANDATORY.** The various exceptions are:

1. Derecognition of financial assets and financial liabilities;
2. Hedge accounting;
3. Accounting estimates;
4. Assets classified as assets held for sale and discontinued operations

For explanatory details refer book on

“Accounting Standards and IFRS”

Published by Bharat Law House Private Limited

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(www.bharatlaws.com)