



The Institute of Chartered Accountants of India

(A statutory body established under an Act of Parliament)

IFRS 1: First time Adoption of International Financial Reporting Standards

Organised by

**Young Members Empowerment
Committee**

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IFRS 1 Applicability

- In first IFRS financial statements
 - First annual financial statements in which an entity adopts International Financial Reporting Standards by an explicit and unreserved statement of compliance with IFRSs
- Each interim financial report presented for part of the period covered by its first IFRS financial statements

IFRS 1 Applicability

- Entity presented its most recent previous financial statement in accordance with national requirements
- Explicit and unreserved statement of compliance with International Financial Reporting Standards
- Made available to public

Issues

- White Ltd. applied IFRS by making an explicit and unreserved statement of compliance with IFRS in 2005 in Singapore. Later Singapore Stock Exchange agreed that Indian GAAP would suffice. Hence, it stopped publishing IFRS financial statements. In 2011, White Ltd. gets its shares listed in London Stock Exchange which mandates IFRS financial statements. Whether White Ltd. can apply IFRS 1 again?

Opening IFRS SFP

- Prepare and present an opening IFRS SFP at the date of transition to IFRSs
- Same accounting policies in its opening IFRS Statement of Financial Position and throughout all periods presented in its first IFRS financial statements
- Shall comply with each IFRS effective at the end of the first IFRS reporting period
- Changes to be recognised in retained earnings
- IAS 8 not applicable

Components of Financial Statements under IFRS 1

- 3 Statement of Financial Position
 - Opening SFP at transition date
 - SFP at the end of the first IFRS reporting period
 - Comparative amounts for the previous year
- 2 Statement of Comprehensive Income
 - Previous year and Current year
- 2 Statement of Cash Flows
 - Previous year and Current year
- 2 Statement of Changes in Equity
- Notes for current year and previous year

Components of Financial Statements under Ind AS 1

- If comparative information as per Ind AS is not provided
 - 2 BS including one SOCIE
 - 1 SPL
 - 1 SCF
 - Notes for one year
 - Reclassified previous year's financial statements as per previous GAAP

Components of Financial Statements under Ind AS 1

- If comparative information as per Ind AS is provided
 - 4 BS including two SOCIE
 - 2 SPL
 - 2 SCF
 - Notes for two years
 - Reclassified previous year's financial statements as per previous GAAP

Issues

- White Ltd. wants to publish its first IFRS / Ind AS financial statements on 31 March 2016. What would be its date of adoption under Ind AS and under IFRS?
- White Ltd. wants to publish its first Ind AS financial statements on 31 March 2016. Specify the components of financial statements that White Ltd. is required to prepare and present if it does not present comparative information and if it presents comparative information

Solution

- White Ltd. would prepare and present the following if it does not prepare and present comparative information:
 - Two BS including one SOCIE (1 April 2015 and 31 March 2016)
 - One SPL for the period ending on 31 March 2016
 - One SCF for the period ending on 31 March 2016
 - Related Notes

Solution

- White Ltd. would prepare and present the following if it does prepare and present comparative information:
 - Four BS including Two SOCIE (1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016)
 - Two SPL for the periods ending on 31 March 2012 and 31 March 2011
 - Two SCF for the period ending on 31 March 2012 and 31 March 2011
 - Related Notes

Impact Analysis

- Explain how the transition from previous GAAP to Ind AS affected its reported Balance Sheet, Financial Performance and Cash Flows
- Where an entity does not present financial statements for previous periods, its first Ind AS financial statements shall disclose that fact

Reconciliations

- Reconciliation of equity under Ind AS with equity under previous GAAP on the date of transition to Ind AS
- Significant difference between previous GAAP and Ind AS in respect of TCI where comparative information is not given
- Disclosures relating to impairment losses recognised or reversed

Reconciliations

- Reconciliation of equity as at the beginning of the comparative financial year for which an entity presents financial information under Ind ASs to equity reported in accordance with previous GAAP
- Reconciliation of equity in accordance with Ind AS as at the end of the comparative period to equity reported under previous GAAP
- Reconciliation of TCI in accordance with Ind AS compiled on a memorandum basis to Profit or Loss in accordance with previous GAAP for the comparative period

Other Disclosures

- Fair value of financial assets and financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements

What does Adoption of IFRS mean

- Recognise all assets and liabilities whose recognition is required by IFRSs
- Not recognise items as assets or liabilities if IFRSs do not permit such recognition
- Reclassify items recognised as per previous GAAP in accordance with IFRSs
- Apply IFRSs in measuring all assets and liabilities

Exceptions

- Exceptions to retrospective application
 - Consistent use of estimates made under previous GAAP
 - Derecognition of FA and FL
 - Hedge Accounting
 - Non-Controlling Interests
 - Applicable only if IFRS 3 not applied retrospectively
 - Government loans

Derecognition of FA / FL

- White Ltd. securitised its receivables and sold the interest cash flow strip to Black Ltd. while retaining the risk of default. As a reward to retaining the risk, White Ltd. retained the right of collection and retaining the amount collected for 3 months before transferring the amount collected to Black Ltd. White Ltd.'s consultant have recommended that the receivables need to be recognised again in view of the principle stated in Para 10 of IFRS 1. Comment.

Hedge Accounting

- Measure all derivatives at Fair Value
- Eliminate all deferred losses and gains
- Not reflect a hedging relationship that does not qualify for hedge accounting
- Apply IFRS 9 to discontinue hedge accounting
- Transactions entered into before the date of transition to IFRSs not to be retrospectively designated as hedges

Non-Controlling Interests

- Apply following requirement from the date of transition to International Financial Reporting Standards
 - Attributing TCI to NCI even if it results in having a deficit balance
 - Changes in ownership that do not result in loss of control
 - Change in ownership that result in loss of control

Government Loans

- Classify as equity or liability
- Apply IFRS 9 and IAS 20 after the date of transition to IFRS
 - Can apply before if the information required has been obtained at the time of recognition of loan
- Not recognise the benefit of the govt. loan at below market rate of interest as govt. grant
- Use previous GAAP carrying amount if the measurement basis is not consistent with IFRS

Exemptions

- Business Combinations
- Share-based Payments
- Insurance Contracts
- Deemed Cost
- Leases
- Employee Benefits
- Translation Differences
 - Take all previous cumulative difference as zero
- Subsidiaries, Associates and Joint Ventures
- Compound Financial Instruments
- Designation of recognised FI
- Decommissioning Liabilities
- Service Concession Arrangements
- Transfer of Assets to Customer
 - Prospective
- Extinguishing Financial Assets with Equity
 - Prospective
- Non-Current Assets Held for Sale
 - Prospective

Business Combinations

- Need not apply IFRS 3
 - Can apply from a date as chosen by the entity
 - If chosen, to be applied to all subsequent business combinations
 - No change in classification
 - Recognise all assets and liabilities as required by IFRSs other than
 - FA and FL derecognised under previous GAAP
 - Assets and liabilities that do not qualify for recognition under IFRSs in separate SFP of acquiree

Share-based Payments

- Not apply IFRS 2 to equity settled SBP transactions that vested before the transition date
- Apply IFRS 2 to equity settled SBP transactions only if fair value determined as per IFRS 2 is disclosed publicly
- Not apply IFRS 2 to cash settled SBP transactions settled before the date of transition to IFRS

Insurance Contracts

- Apply IFRS 4 to insurance contracts from transition date
- Option to reclassify some or all financial assets at FVTPL

Deemed Cost

- PPE, IA and IP
 - FV at the date of transition
 - If fair value is used as deemed cost, for each line item in the opening BS disclose:
 - Aggregate of fair values
 - Aggregate adjustment to carrying amounts reported under previous GAAP
 - Revaluation under Previous GAAP
 - FV at the date of an event
 - Carrying amount as per previous GAAP after considering AROs under Ind AS
 - Separate disclosure of the fact of the exemption availed

Deemed Cost

- E&EA and RRA
 - Carrying amount as per previous GAAP
- Disclose the fact of exemption and the basis on which carrying amounts determined under previous GAAP were allocated

Leases

- Classification based on the facts and circumstances on date of transition
- Determination of whether an arrangement contains a lease based on the facts and circumstances on date of transition
 - Determination at any other date is also acceptable

Subsidiaries, Associates and JVs

- In SFS
 - Cost in accordance with IAS 27; or
 - Deemed cost
 - Fair value in SFS or
 - Previous GAAP carrying amount
 - Selection available for each investment
- Subsidiary becomes a 1st time adopter after its parent
 - Measure at the amount included in the parent's CFS; or
 - Measure at the amount required by this IFRS
- Parent becomes 1st time adopter later than its subsidiary, associate or joint venture
 - Measure the assets & liabilities of subsidiary, associate or joint venture at the amount stated in financial statements of the subsidiary, associate or joint venture respectively

Subsidiaries, Associates and Joint Ventures

- Disclosures for deemed cost
 - Aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;
 - Aggregate deemed cost of those investments for which deemed cost is fair value; and
 - Aggregate adjustment to the carrying amounts reported under previous GAAP

Compound Financial Instruments

- Do not separate liability and equity components of a compound financial instrument if the liability component is no longer outstanding as at the transition date

Designation of previously recognised Financial Instruments

- FA / FL, meeting the criteria specified in IFRS 9, can be designated as at FVTPL
- Disclose fair value of financial assets and financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements

Decommissioning Liabilities

- Measure liability at transition date
- Estimate the amount that would have been included in the cost of the asset by discounting the liability to that date using best estimate of historical risk-adjusted discount rates that would have applied over the intervening period
- Calculate accumulated depreciation on the amount included in the cost of the asset

Decommissioning Liabilities

- Exemption availed for oil and gas assets
 - Measure decommissioning liabilities at the date of transition to IFRS in accordance with IAS 37
 - Recognise directly in retained earnings

Service Concession Arrangements

- Recognise FA and IA that existed at the date of transition
- Use the previous carrying amounts as at that date; and
- Test for impairment at the commencement of the current period.

Joint Arrangements

- Transitional provisions of IFRS 11 at the date of transition to IFRS
- PCM to Equity Method
 - Test for impairment in accordance with IAS 36
 - Recognise resulting impairment loss in retained earnings

QUESTIONS



THANK YOU

