IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

FACT SHEET

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This fact sheet is based on existing requirements as at 31 December 2015 and does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard unless otherwise stated.

IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IFRS 1 has been amended and reissued to accommodate first-time adoption requirements resulting from new or amended IFRS and is applicable for annual reporting periods commencing on or after 1 July 2009.

OBJECTIVE

The objective of IFRS 1 is to ensure that an entity's first International Financial Reporting Standards financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

i. is transparent for users and comparable over all periods presented;

ii. provides a suitable starting point for accounting in accordance with International Financial Reporting Standards; and

iii. can be generated at a cost that does not exceed the benefits.

SCOPE

An entity applies IFRS 1 in:

a. its first International Financial Reporting Standards financial statements; and

b. each interim financial report, if any, that it presents in accordance with IAS 34 Interim Financial Reporting for part of the period covered by its first International Financial Reporting Standards financial statements.

RECOGNITION AND MEASUREMENT

An entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRS, by an explicit and unreserved statement that the financial statements comply with IFRSs. The entity must apply the version of each IFRS operative at reporting date or may early adopt a standard that is not yet operative. Excluding the mandatory exceptions and optional exemptions noted below, these standards must be applied retrospectively, including comparative information, as if the requirements of the standards had always applied.

Opening IFRS statement of financial position

An entity shall prepare and present an opening IFRS statement of financial position at the date of transition to IFRS. This is the starting point for its accounting in accordance with IFRS.

Accounting policies

An entity shall use the same accounting policies in its IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements.

Subject to the specific exceptions and exemptions, in this opening statement of financial position the entity shall:

- recognise all assets and liabilities whose recognition is required by IFRSs
- not recognise items as assets or liabilities where recognition is not permitted under IFRSs
- reclassify items recognised under previous generally accepted accounting principles (GAAP) as assets, liabilities or equity components, but are different type of assets, liabilities or equity components in accordance with IFRS
- apply IFRSs in measuring all recognised assets and liabilities
- all adjustments shall be recognised directly in the retained profits or another category of equity at the date of transition to IFRSs

Mandatory exceptions to the retrospective application of IFRSs

Estimates

Estimates under IFRSs at the date of transition to IFRSs shall be consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Some required estimates were not required under previous GAAP but are required under IFRSs. For consistency, estimates need to reflect conditions that existed at the date of transition to IFRSs. In particular, estimates involving market prices, interest rates or foreign exchange rates need to reflect market conditions at the date of transition.

Information received after the date of transition to IFRSs about estimates recognised under previous GAAP shall treat the receipt of information as non-adjusting events after the reporting period under IAS 10 *Events After the Reporting Period.*

Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition to IFRS. Derecognised financial assets or financial liabilities (non-derivatives) under IFRSs shall not be applied retrospectively unless the information needed for derecognition as a result of past transactions was obtained at the time of initially accounting for those transactions. The first-time adopter shall not recognise previously derecognised financial assets under previous GAAP, unless they qualify for recognition resulting from a later transaction or event.

Hedge accounting

At the date of transition, an entity shall:

i. measure all derivatives at fair value; and

ii. eliminate all deferred losses and gains arising on derivatives that were reported under previous GAAP as if they were assets or liabilities

A hedging relationship of a type that does not qualify for hedge accounting under IAS 39 shall not be reflected in an entity's opening IFRS statement of financial position. However, if an entity designated a net position as a hedged item under previous GAAP, it may designate an individual item within that net position as a hedged item under IFRSs, provided that it does so no later than the date of transition to IFRS.

Transactions (previously designated as hedge under GAAP) entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges, unless they meet the conditions for hedge accounting in accordance with IAS 39. Such transactions shall apply IAS 39 to discontinue hedge accounting.

Non-controlling interests (NCI)

The following requirements of IFRS 10 *Consolidated Financial Statements* are applied prospectively from the date of transition to IFRS:

a. the requirements in paragraph B94 regarding attribution of total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance;

b. the requirements in paragraphs 23 and B93 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and

c. the requirements in paragraphs B 97 – B99 for accounting for a loss of control over a subsidiary and the related requirements of paragraph 8A of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Optional exceptions from other IFRSs

An entity may elect to use the following exemptions to retrospective application. A first-time adopter may elect the following:

i. not to apply IFRS 3 *Business Combinations to past business combinations* (i.e. before the date of transition)

ii. use existing fair value or revaluation as deemed cost in relation to property, plant and equipment, investment property or an intangible asset

iii. use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

iv. use of deemed cost for oil and gas assets

v. use of deemed cost for operations subject to rate regulation

vi. use of deemed cost after severe hyperinflation

vii. if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, there are additional requirements in addition to the requirements of IAS 34

viii. not to comply with the IAS 21 *The Effects of Changes in Foreign Exchange Rates* requirements with respect to cumulative translation differences existing at the date of transition to IFRS.

ix. need not split the equity and liability portions of a compound financial instrument under IAS 32 *Financial Instruments: Presentation* if the liability component is no longer outstanding at the date of transition to IFRSs

x. if a subsidiary, associate or joint venture becomes a first-time adopter later than its parent, the measurement of the assets and liabilities shall be at either the carrying amounts in the parent's consolidated financial statements based on the parent's date of transition to IFRSs or at the carrying amounts required by the standards at the subsidiary's, associate's or joint venture's date of transition

xi. to designate any financial asset or financial liability at fair value through profit or loss, or as available for sale as IAS 39 permits upon initial recognition, subject to exceptions in specific circumstances

xii. encouraged but not required to apply IFRS 2 *Share-based Payment* to equity instruments granted on or before 7 November 2002 or granted after that date and vested before the later of date of transition and 1 January 2005, and encouraged to apply IFRS 2 to liabilities from any share-based payment transactions settled before the date of transition and 1 January 2005

xiii. may apply the transitional provisions in IFRS 4 *Insurance Contracts*

xiv. need not retrospectively apply IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* for liabilities that occurred before the date of transition to IFRSs

xv. may apply the transitional provisions in IFRIC 4 *Determining whether an Arrangement contains a Lease*; therefore a first-time adopter may determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

xvi. notwithstanding the requirements of IFRS 1, an entity may apply the requirements in paragraph AG76(a) of AASB 139 prospectively to transactions entered into on or after the date of transition to IFRSs.

xvii. may apply the transitional provisions in IFRIC 12 *Service Concession Arrangements*

xviii. may apply the transitional provisions set out in paragraph 28 of IAS 23 *Borrowing Costs*

xix. may apply the transitional provisions set out in IFRIC 18 *Transfers of Assets from Customers*

xx. may apply the transitional provisions of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

xxi. may apply the transitional provisions in IFRS 11 J*oint Arrangements* with some exceptions

xxii. may apply the transitional provisions set out in paragraphs A1 to A4 of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

xxiii. may apply the transitional provisions in paragraphs 44G and 44m of AASB 7 *Financial Instruments: Disclosure*

xxiv. may apply the transitional provisions in paragraph 173(b) of IAS 19 *Employee Benefits*

DISCLOSURES

Explanations of how the transition from previous GAAP to IFRS affected its reported financial position, financial performance and cash flows are required, Appendix 1 includes a detailed a checklist to assist with the specific IFRS 1 disclosure requirements.

DEFINITIONS

Date of transition to IFRSs	The beginning of the earliest period for which an entity presents full comparative information under IFRSs in its first IFRS financial statement.
Deemed cost	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.
First IFRS financial statements	The first annual financial statements in which an entity adopts IFRSs, by an explicit and unreserved statement of compliance with IFRSs.
First IFRS reporting period	The latest reporting period covered by an entity's first IFRS financial statements.
First-time adopter	An entity that presents its first IFRS financial statements.
International Financial Reporting Standards (IFRSs)	Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise: a. International Financial Reporting Standards; b. International Accounting Standards; c. IFRIC Interpretations; and d. SIC Interpretations.
Opening IFRS statement of financial position	The entity's statement of financial position at the date of transition to IFRSs.
Previous GAAP	The basis of accounting that a first-time adopter used immediately before adopting IFRSs.

AUSTRALIAN SPECIFIC REQUIREMENTS

The Australian equivalent standard is AASB 1 *First-time Adoption of Australian Accounting Standards* and is applicable for annual reporting periods commencing on or after 1 July 2009.

REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

a. Tier 1: Australian Accounting Standards; and

b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

When developing AASB 1053, the AASB concluded that the Australian Government and state, territory and local governments should be subject to Tier 1 requirements. The AASB also decided that General Government Sectors of the Australian Government and state and territory governments should continue to apply AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, without the reduction in disclosures provided by Tier 2. Other public sector entities are able to apply Tier 2 reporting requirements.

The requirements that do not apply to RDR entities are identified in Appendix 1 by shading of the relevant text. Additional disclosure requirements that are applicable to RDR entities only are included in a separate table in Appendix 1.

APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the "Yes / No / N/A" column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for "No" answers.

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 1.21	Does the entity include at least the following in its first IFRS financial statements • three statements of financial position • two statements of profit or loss and other comprehensive income • two separate statements of profit or loss (if presented) • two statements of cash flows • two statements of changes in equity • related notes, including comparative information for all statements presented?		
IFRS 1.22	If the entity's financial statements contain historical summaries or comparative information in accordance with previous GAAP, has the entity: a. labelled the previous GAAP information prominently as not being prepared in accordance with IFRSs; and b. disclosed the nature of the main adjustments that would make it comply with IFRSs. An entity need not quantify those adjustments?		
IFRS 1.23	Has the entity explained how the transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows?		
IFRS 1.23A	If the entity applied IFRS in a previous period, as described in paragraph 4A, has the entity disclosed: a. the reason it stopped applying IFRSs; and b. the reason it is resuming the application of IFRSs?		
IFRS 1.23B	If an entity, in accordance with paragraph 4A, does not elect to apply IFRS 1, the entity shall explain the reasons for electing to apply IFRSs as if it had never stopped applying IFRSs.		

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 1.24	Has the entity's first IFRS financial statements disclosed: a. reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with IFRS for both of the following dates: i. the date of transition to IFRS and ii. the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP; b. a reconciliation to its total comprehensive income in accordance with IFRS for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP; and c. If the entity recognised or reversed any impairment losses for the first time in preparing its opening IFRS statement of financial position, the disclosures that IAS 36 *Impairment of Assets* would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to IFRS?		
IFRS 1.25	If an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.		
IFRS 1.26	If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.		
IFRS 1.27A	If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).		
IFRS1.28	If an entity did not present financial statements for previous periods, its first IFRS financial statements shall disclose that fact.		
IFRS 1.29	The entity shall disclose the fair value of financial assets or financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements.		

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 1.30	If an entity uses fair value in its opening IFRS statement of financial position as *deemed* cost for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs D5 and D7), the entity's first IFRS financial statements shall disclose, for each line item in the opening IFRS statement of financial position: a. the aggregate of those fair values; and b. the aggregate adjustment to the carrying amounts reported under previous GAAP.		
IFRS 1.31	If an entity uses a deemed cost in its opening IFRS statement of financial position for an investment in a subsidiary, joint venture or associate in its separate financial statements (see paragraph D15), the entity's first IFRS separate financial statements shall disclose: a. the aggregate deemed cost of those investments for which *deemed cost* is their previous GAAP carrying amount; b. the aggregate deemed cost of those investments for which deemed cost is fair value; and c. the aggregate adjustment to the carrying amounts reported under previous GAAP.		
IFRS 1.31A	If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.		
IFRS 1.31B	If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.		
IFRS 1.31C	If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening IFRS statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first IFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics: a. a reliable general price index is not available to all entities with transactions and balances in the currency; and b. exchangeability between the currency and a relatively stable foreign currency does not exist.		

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 1.32	To comply with paragraph 23, if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of IAS 34: a. each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include: i. a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and ii. a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP. b. in addition to the reconciliations required by (a), an entity's first interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations. c. if an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).		
IFRS 1.33	If a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.		

ADDITIONAL DISCLOSURE REQUIREMENTS APPLICABLE TO RDR ENTITIES ONLY

CODE		YES / NO / N/A	EXPLANATION (*If required*)
AASB 1. RDR21.1	Has the entity included at least the following in its first Australian-Accounting-Standards-Reduced-Disclosure-Requirements financial statements: • two statements of financial position • two statements of profit or loss and other comprehensive income • two separate statements of profit or loss (if presented) • two statements of cash flows • two statements of changes in equity, and • related notes, including comparative information?		

OTHER MATTERS

LEGAL NOTICE

DISCLAIMER

LIMITATION OF LIABILITY

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