Project	**Annual Improvements Project** **IFRS 1 *First-time Adoption of International Financial Reporting Standards***
Topic	**Accounting for privatisation**

Objective

1. The Board received a request to clarify the accounting guidance for a continuing business restructured in connection with privatisation and subsequent initial public offering (IPO). During the past several years, different directors and Board members, including the IASB's International Office, received a number of similar inquiries from both entities under state ownership (SOEs) being restructured for privatisation and constituents from those jurisdictions.

2. This paper provides the background and the staff's recommendation. Because there are varying views about this issue, the Board may clarify its guidance either through an amendment to current IFRSs or refer the issue to the IFRIC.

Background

3. Often times, an SOE (or a part of it) is restructured in preparation for privatisation and subsequent IPO. When only a part of it is restructured for privatisation, a portion of its entire business is 'carved-out' for the restructuring. As a part of that restructuring, local laws may require a revaluation of the assets and liabilities to fair value to determine a fair price for existing owners and investors. Within a short period (typically not more than a year) after the revaluation date, a new company (Newco) is formed and the revalued

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

nonmonetary assets and liabilities are transferred into Newco. The Newco completes an IPO or other financing activities such as a private placement to conclude the privatisation process.

4. In some jurisdictions, the revaluation is of the assets, not of the business. Accordingly, goodwill and some intangible assets are not recognized as part of the revaluation, although the income approach (ie a discounted cash flow approach) may be used to calibrate the valuations of some assets. However, some previously unrecognised non-current assets, such as land use rights and prepaid leases, intellectual property rights, are part of the revaluation. Local laws require the Newco to treat the revalued amounts as deemed cost.

5. From the prospectuses of several recent cross-border listings of SOEs that were privatised, it appears that the ownership of the companies did not change significantly until completion of the IPO. However, the staff understands that some local Company Law requirements on revaluation presume that there will be changes in ownership interests when an SOE is restructured into a Newco, before the actual IPO takes place. For example, some restructured state-owned banks typically had founding strategic investors that are international banks, and therefore were to some extent privatised, before being dual-listed in cross-border IPOs. The subsequent IPOs resulted in ownership interests being much more diversified beyond the founding strategic investors. Similarly, some restructured state-owned oil and gas companies had BP, Shell, and Warren Buffet among their founding strategic investors before the actual IPOs.

6. Most of these newly restructured companies listed their shares in markets with listing rules that require three years of comparative financial statements in compliance with IFRS or IFRS-equivalent accounting standards. Those IPO prospectuses included Newcos' first set of IFRS financial statements. Moreover, because the business in the Newco is typically only part of its predecessor's entire business and that ‘carved-out’ business is transferred to Newco only upon restructuring for subsequent IPO, many of those prospectuses were presented on a ‘carved-out’ basis as further explained below.

7. To illustrate the critical dates, the staff assumed the following sequence throughout:

Presented in IPO prospectus					
Year 1	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
			(Q1)Revaluation		
Opening balance sheet	**End of year balance sheet**		**(Q4)Restructured/ Newco formed**	**IPO**	

8. As illustrated by the chart, Newco was legally formed during Year 3, after revaluation of the transferred business occurred earlier that year. Its first set of IFRS financial statements covering the period from Years 1 to 3 appears in its IPO prospectus in Year 4.[1] The financial statements presented in the two years before Newco's formation are its predecessor's financial statements regardless of whether the entire SOE or a carved-out portion of the SOE is being restructured for privatisation. However, the 'carved-out' basis of presenting the financial statements during those prior periods applies several assumptions, including 'as if' the restructuring occurred for the entire presentation period on a combined rather than consolidated basis.

9. As noted earlier, some local laws require that the restructured Newco must treat the revalued amount of the transferred assets as 'deemed cost' basis. However, in its first set of IFRS financial statements for the three-year period described above (from Years 1 to 3), the restructured Newco measures its non-current assets either on a historical cost or on revaluation basis. Some Newcos reluctantly adopted revaluation basis as its IFRS accounting policy because of

    (a) incomplete books and record to reconstruct the historical cost basis;

    (b) the desire to have the same opening balances with Newco's local books on its date of formation; or

[1] Sometimes the Newco formation occurred in Year 4 just before its IPO, after its revaluation occurred in Year 3. The discussion in this paper applies equally to such situations if the revaluation for the restructuring falls within Newco's first set of IFRS financial statements.

(c) the IPOs taking place before IFRS 1 was issued.

10. Consequently, Newco now incurs ongoing costs and efforts to keep two sets of books on different basis – one set to comply with IFRS (either on the historical cost basis or on the revaluation basis) and another set to comply with local laws (on revaluation as 'deemed cost' basis). The need to maintain dual sets of accounting books and records will persist for as long as the long-term assets revalued at the time of the initial restructuring remain on Newco's books. Those who reluctantly adopted the revaluation basis also incur substantive costs and efforts to perform periodic revaluation and view that as undue penalty.

11. As previously mentioned, during the past several years, different directors and Board members, including the IASB's International Office, received a number of similar inquiries from both SOEs restructured for privatisation and constituents from those jurisdictions. They requested clarification about how to apply the existing exemption in paragraph D8 of IFRS 1 that permits a first-time adopter to use an event-triggered revaluation basis as 'deemed cost' under IFRSs. Paragraph D8 mentions a privatisation or an IPO as examples of an event that could trigger such a revaluation.

12. The staff thinks the issues discussed in this paper are not specific to first-time adopters but are equally applicable to entities that have already made the transition to IFRSs. The staff analysed the issue in the following section first in the context of a firs-time adopter within the scope of IFRS 1 and then in the context of an existing IFRS preparer. Given the Background already provided, the analysis below discusses an entity that

    (a) **Scenario 1** – is about to undergo an IPO and its revaluation occurs at about the same time as the restructuring for privatisation and during the periods covered by its first IFRS financial statements.

    (b) **Scenario 2(a)** – has already been applying IFRSs and its restructuring took place many years ago in its first set of IFRS financial statements.

    (c) **Scenario 2(b)** - has already been applying IFRSs and not yet restructured for privatisation.

Staff analysis

Scenario 1 – First IFRS Financial Statements

13. There are two views that some regard as supporting a possible conclusion that a privatisation-triggered revaluation would qualify for 'deemed cost' under IFRS 1. These views are as follows:

    (a) **View A** – The revaluation date falls within the periods covered by Newco's first set of IFRS financial statements even though that period includes predecessor periods of the restructured or carved-out business.

    (b) **View B** – The date of transition is Year 3 when Newco is formed because Newco cannot adopt IFRS before it was legally formed.

View A

14. Some think that the revalued amounts Newco obtains in Year 3 should be considered "deemed cost" in the application of IFRS 1. They think that the situation is addressed by paragraph D8, which is one of four paragraphs under the heading "Fair value or revaluation as deemed cost."

15. However, the staff thinks that the exceptions currently provided in paragraphs D5-D8 of IFRS 1 do not apply in this situation. Paragraphs D5-D6, and, by extension, D7 make explicit reference to valuations on or before the date of transition to IFRS, which is defined as 'the beginning of the earliest period for which an entity presents full comparative information under IFRSs in its first IFRS financial statements.' In addition, paragraph 12 provides the context for all the exemptions: they relate to the opening IFRS statement of financial position (ie, at the date of transition to IFRS).

16. Therefore, in the chart in paragraph 7, the staff thinks the date of transition to IFRSs for **Scenario 1** is that of the Year 1 opening balance sheet. Paragraph D8 refers to a deemed cost established under previous GAAP. IFRS 1 does not discuss an event-driven revaluation after the date of transition to IFRSs. After an entity's accounting policies are determined on the date of transition in accordance with paragraph 7 of IFRS 1, accounting for transactions subsequent to that date applies IFRSs and is outside the scope of IFRS 1.

17. In the absence of a standard that requires or permits remeasurement, a reorganization or restructuring in which there is no change in ownership or control usually fails to provide justification for a change in the basis of measurement of assets and liabilities.

18. On the other hand, the staff also notes that IFRS 1 already acknowledges that several jurisdictions have had similar accounting revaluations for state-owned entities that were being privatized. The discussion in the basis for conclusions acknowledges that "Some revaluations under previous GAAP might be more relevant to users than original cost." [Paragraph BC 46] That may be true in this case, because many assets may have little or no cost even if Newco recognises them on a historical cost basis, owing to the fact that they were originally government property.

19. An event-driven revaluation is not an issue unique to first-time adoptors of IFRS. However, in the narrow scenario as described above, the staff has sympathy for such privatised SOEs because of

    (a) the Background,

    (b) the existing IFRS 1 exemption on deemed cost in accordance with previous GAAP from a privatisation-triggered revaluation, and

    (c) the ongoing undue costs and efforts incurred by large SOEs to maintain dual book-keeping for a pervasive one-off event.

20. The staff thinks that an SOE whose assets and liabilities are revalued contemporaneously with a privatisation and IPO is similar to a first-time adopter that established a deemed cost under previous GAAP. The similarity is also the same when such an SOE presents 'carved-out' financial statements because those financial statements related to a continuing business that was previously a portion of its predecessor's, was subsequently revalued by its predecessor and is now transferred to be held by Newco. The staff thinks that the Board should broaden the current exemption in paragraph D8 of IFRS 1 to cover such an SOE even though its revaluation was obtained during the period covered by its first set of IFRS financial statements and not prior to its date of transition to IFRS.

21. However, the staff notes that a combination of the existing wording of paragraph 19 of IFRS 1 and the definition of 'date of transition to IFRSs' does not currently permit this exemption.

22. Therefore, the staff recommends that the Board amend IFRS 1 to broaden the existing relief that permits an entity to use revaluation basis as deemed cost when the revaluation for a privatisation occurs *during* the period covered by the entity's first set of IFRS financial statements including its predecessor periods, even if the revaluation date is *after* the entity's **date of transition to IFRSs** and *before* its legal date of formation.

View B

23. Some think that a privatisation-triggered revaluation already qualifies for the 'deemed cost' exemption under IFRS 1 if the revaluation occurs before Newco's formation. They think that the date of transition is the date of Newco formation in Year 3 (as per the earlier chart) because Newco cannot adopt IFRS on a date before it legally existed. The information presented for the first two years is, in effect, pro forma, even if not labelled as such.

24. The staff understands that the current practice treats the beginning date of Year 1 as the date of transition to IFRSs (as analysed in View A) regardless of when the Newco set up. Taking a view that the date of Newco's formation in Year 3 is the date of transition to IFRSs is a significant change from practice.

25. Under View B, the revaluation date is prior to Newco's 'date of transition to IFRS'. Therefore, a privatisation-triggered revaluation before Newco's formation qualifies for 'deemed cost' under previous GAAP.

26. IFRS 1 also includes an exemption for an entity to use fair value on the date of transition as 'deemed cost'. For SOEs described here, the revaluation date is typically not the same as the date of formation (ie, the date of transition to IFRSs under View B). If local laws require Newco to be formed within a short period (perhaps not more than one year) after the revaluation for privatisation, and reappraised if significant changes occurred prior to its formation, the staff thinks the revalued amounts would approximate fair values as of the date of transition.

27. To clarify the accounting guidance under View B, the staff thinks that an IFRIC decision not to add this issue to its agenda would be sufficient. If the Board takes this view, however, the staff thinks a consequence would be that a future Newco formed in anticipation of new privatisation and IPO would be precluded from preparing IFRS financial statements during its predecessor period (see paragraphs 6-8). This would also be a significant change to current practice.

28. In addition, opponents of this view believe that when a Newco's date of formation is treated as its date of transition to IFRSs, it does not qualify as a first-time adopter of IFRSs. Arguably, Newco does not have historical transactions before its transition date to be converted from previous GAAP or reported under IFRSs. Consequently, some think that the initial accounting for Newco is outside the scope of IFRS 1.

Recommendation and Question 1
Based on the staff analysis above for **Scenario 1**, the staff recommends that the Board adopt View A and amend IFRS 1 to permit an entity to use the revaluation basis as deemed cost when the revaluation for a privatisation occurs *during* the period covered by its first set of IFRS financial statements, even if that revaluation date is *after* the entity's **date of transition to IFRSs** and *before* the entity's legal date of formation. Does the Board agree?

Comparative periods

29. The following analysis addresses possible comparative period presentation alternatives under View A, assuming that the Board agrees to broaden the exemption in paragraph D8 of IFRS 1 for an entity whose assets and liabilities are revalued between its date of transition and its date of legal formation upon restructuring, contemporaneously with privatisation and IPO.

30. Paragraphs D5-D7 of IFRS 1 already allow an entity to use either

    (a) the fair value at its date of transition to IFRSs or

    (b) previous gaap revaluation at, or before, its date of transition to IFRSs

of non-current assets as deemed cost at that date. Those non-current assets include property, plant and equipment, investment property and intangible assets. The IFRS 1 exemptions apply provided that the previous GAAP revaluation was broadly comparable to fair value or cost or depreciated cost adjusted to reflect changes such as a price index at the date of revaluation.

31. The staff notes that prior to Newco issuing its first set of IFRS financial statements, its predecessor company applied a previous GAAP other than IFRS. When the revaluation occurs during the period covered by Newco's first set of IFRS financial statements, ideally the revaluation date should be as close as possible to the beginning of the first set of IFRS financial statements, ie, the date of transition to IFRSs. Otherwise, the staff considers two alternatives for comparative period presentation:

    (a) Option A - establish the deemed cost on the date of transition to IFRSs using the revaluation amounts obtained in Year 3, adjusted to exclude any depreciation, amortisation or impairment between the date of transition to IFRSs and the date of that revaluation.

    (b) Option B - establish the deemed cost on the date of revaluation, present historical costs or previous GAAP amounts as permitted by IFRS 1 for the comparative periods prior to revaluation date.

32. Under Option A, the adjustments considered should result in the financial statements on the revaluation date reflecting balances that approximate the revaluation amounts obtained. However, the carrying amounts computed on the date of transition will neither be the revalued assets' historical costs nor their fair values on that date. To some extent, this option extends the presentation of predecessor periods 'as if' the restructuring occurred for the entire presentation period. It adjusts the opening financial positions on the date of transition, consistent with other exemptions in IFRS 1. It also continues to take the view that after an entity’s accounting policies are determined on the date of transition in accordance with paragraph 7 of IFRS 1, accounting for subsequent transactions follows IFRSs and is outside the scope of IFRS 1.

33. Under Option B, the exemption differs from other IFRS 1 exemptions that adjust the opening financial positions of the first-time adopter. However, it overcomes the difficulty under Option A, presenting carrying amounts on the date of transition that are supportable historical values of assets and are broadly consistent with requirements of IFRS 1 (paragraph IG8). This option is also simpler in implementation. Similar to the example illustrated in paragraph IG9 of IFRS 1, subsequent depreciation is based on that deemed cost and starts from the date of revaluation. On the date of revaluation in Year 3, the entity records a one-off adjustment to equity, the same as other adjustments from that restructuring. Users of the financial statements can identify the effects if there is a significant difference in depreciation between the periods before and after the revaluation.

34. The staff thinks that both alternatives have pros and cons and persuasive support exists for both. For implementation ease of the proposed amendment that is meant to be an exemption, the staff leans toward Option B.

Recommendation and Question 2
Based on the staff analysis in paragraphs 29-34 for **Scenario 1**, the staff recommends that the Board amend IFRS 1 to require a first-time adopter (a) to establish deemed cost on the date of revaluation, and (b) to present historical costs or previous GAAP amounts as permitted by IFRS 1 for the comparative periods prior to revaluation date. Does the Board agree?

35. Appendix B includes proposed drafting for requirements under the staff's recommended Option B. If the Board prefers Option A, Appendix A includes proposed drafting for those requirements.

Transition

36. Assuming that the Board agrees with the staff's first two recommendations in Questions 1 and 2 above, IAS 8 requires a retrospective transition by default. However, because the Board is broadening an existing exemption to a first-time adopter for an event-driven revaluation that occurred during its first set of IFRS

financial statements, the staff thinks that the retrospective application of the proposed amendment should not be mandated, but rather, permitted.

Recommendation and Question 3
Based on the reasons stated in paragraph 33, the staff recommends that the Board permits but not require a retrospective application of this proposed amendment to IFRS 1. Does the Board agree?

Scenario 2 – Existing IFRS preparer

37. As mentioned earlier, an event-driven revaluation is not an issue unique to first-time adopters of IFRS. Privatisation of various SOEs continues to occur since the existence of IASs, before IFRS 1 was issued in 2003. The staff notes that for most companies in **Scenario 2(a)**, ie., existing IFRS preparers whose restructuring for a privatisation occurred in the past and in its first set of IFRS financial statements, this issue is eliminated upon the adoption of this proposed amendment. Except for entities whose IPOs took place before IFRS 1 was issued, the proposed amendment permits most of such existing IFRS entities to retrospectively establish deemed cost based on the revaluation that occurred in the period covered by its first set of IFRS financial statements.

38. The issue remains for companies in **Scenario 2(b)** -- existing IFRS preparers yet to be restructured for privatisation and IPO. For example, SOEs in some jurisdictions already apply IFRS for a number of years, prior to obtaining any approvals to restructure for privatisation. Their event-driven revaluations will occur long after such entities already issued their first set of IFRS financial statements. Should such an entity that already reports under IFRS for many years be able to change its accounting policy to adopt the revalued amounts determined in Year 3 as deemed cost in its financial statements?

39. Because they are no longer first-time adopters, if approved as recommended, the proposed amendment to IFRS 1 will not provide a relief for those entities to use the revaluation basis as deemed cost at such time when they undergo privatisation and IPO shortly after revaluation.

40. Some of the staff thinks that in the longer term it would be preferable to consider whether to permit any entity applying IFRSs to use as deemed cost revaluations triggered by events such as a privatisation or IPO. That approach would eliminate the need for a specific exemption for revaluations that occur during the periods covered by an entity's first IFRS financial statements (but after the date of transition to IFRSs). However, developing such a solution could be time-consuming, as discussed below. Therefore, those staff accept that it is preferable to develop a short-term solution solely for first-time adopters at this time.

41. The issue here is about the accounting for the restructuring and the privatisation, rather than the accounting policy adopted when applying IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets.*

42. Accounting policies describe recurring items like depreciation, revenue recognition or the basis for measuring inventory. The term also includes unusual or industry-specific accounting policies. Accounting applied to something that can only happen once, such as the situation discussed in this paper, would not be discussed with other items in a company's note on significant accounting policies. Rather, it would more typically be described in a separate note for a significant event.

43. Paragraph 14 of IAS 8 specifies the conditions for a change in accounting policy. Considering that the revaluation as a part of a restructuring for a privatisation is a one-off event, some of the staff thinks that it would be unusual to characterise a change in accounting for such an event as a change in accounting policy. Those staff think that a change in the accounting for the reorganization is not in the intended scope of IAS 8. In contrast to the issue of using the revaluation basis as deemed cost in IFRS 1, the accounting for reorganisations is a broad topic and may vary depending on facts and circumstances. Opponents of that view think that the change in accounting for a one-off event like the revaluation as a part of a restructuring in anticipation of privatisation would be a change in accounting policy.

44. The staff does not think the Board should address how an existing IFRS preparer should account for a one-off restructuring for a privatisation or whether the revaluation in relation to that restructuring is a change in accounting policy.

45. If the Board wishes to consider at this time whether to permit any entity applying IFRSs to use as deemed cost revaluations triggered by events such as a privatisation or IPO, the staff thinks that at a minimum, it may require amendments to various standards, including IAS 16 *Property Plant and Equipment* and IAS 38 *Intangible Assets*, among others. In addition, in the context of an existing IFRS preparer who is not a first-time adopter, the staff thinks that the Board needs to address the potential scope and frequency permitted to use such 'event-driven' revaluations as deemed cost.

Recommendation and Question 4
Based on the staff analysis above for **Scenario 2**, the staff recommends that the Board not address how an existing IFRS preparer should account for a one-off restructuring for a privatisation or whether the revaluation in relation to that restructuring results in a change in accounting policy. Does the Board agree?

Recommendation and Question 5
Does the Board agree to include these proposals in the upcoming ED on *Improvements to IFRSs* to be published in August?

Appendix A Proposed draft amendments - Option A

Amendments to IFRS 1

Paragraph 39A is added.

39A Paragraph D8 was amended by *Improvements to IFRSs* issued in [Date]. An entity is permitted but not required to retrospectively apply that amendment for annual periods beginning on or after [Date]. If an entity applies that amendment for an earlier period, it shall disclose that fact.

Appendix D Exemptions from other IFRSs

Paragraph D8 is amended (new text is underlined and deleted text is struck through).

Fair value or revaluation as deemed cost

D8 A first-time adopter may have established a deemed cost under previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. <u>If that date is before the end of the first IFRS reporting period,</u> the first-time adopter [*] may use such event-driven fair value measurements as deemed cost at the date of that measurement. <u>If that date is after the first-time adopter's date of transition to IFRSs, the deemed cost at the date of transition to IFRSs is the event-driven fair value, adjusted to exclude any depreciation, amortisation or impairment between the date of transition to IFRSs and the date of that measurement.</u>

Amendments to Basis for Conclusions on IFRS 1

Paragraph BC46A is added.

Fair value or revaluation as deemed cost

BC46A As part of its Annual Improvements Project, the Board reconsidered the scope of paragraph D8 in 2009. At that time, paragraph D8 was applicable to events such as a privatisation or initial public offering (IPO) that occurred before the date of transition to IFRSs, but not if the event occurred later. The Board concluded that its reasons for granting the exemption in paragraph D8 were equally valid for such events that occurred after the date of transition to IFRSs but during the periods covered by the first IFRS financial statements. Therefore, the Board [proposes to amend] paragraph D8 to reflect that conclusion.

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[*] Note for readers of the exposure draft: IFRS 1 defines the first IFRS reporting period as the period covered by an entity's first IFRS financial statements.

Appendix B Proposed draft amendments - Option B

Amendments to IFRS 1

Paragraph 39A is added.

39A Paragraph D8 was amended by *Improvements to IFRSs* issued in [Date]. An entity is permitted but not required to retrospectively apply that amendment for annual periods beginning on or after [Date]. If an entity applies that amendment for an earlier period, it shall disclose that fact.

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Paragraph D8 is amended (new text is underlined and deleted text is struck through).

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Amendments to Basis for Conclusions on IFRS 1

Paragraph BC46A is added.

Fair value or revaluation as deemed cost

BC46A As part of its Annual Improvements Project, the Board reconsidered the scope of paragraph D8 in 2009. At that time, paragraph D8 was applicable to events such as a privatisation or initial public offering (IPO) that occurred before the date of transition to IFRSs, but not if the event occurred later. The Board concluded that its reasons for granting the exemption in paragraph D8 were equally valid for such events that occurred after the date of transition to IFRSs but during the periods covered by the first-time adopter's first IFRS financial statements. Therefore, the Board [proposes to amend] paragraph D8 to reflect that conclusion.

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[*] Note for readers of the exposure draft: IFRS 1 defines the first IFRS reporting period as the period covered by an entity's first IFRS financial statements.

Appendix C Extracted text from IFRS 1

Fair value or revaluation as deemed cost

D5 An entity may elect to measure an item of property, plant and equipment at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date.

D6 A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to IFRSs as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

(a) fair value; or

(b) cost or depreciated cost under IFRSs, adjusted to reflect, for example, changes in a general or specific price index.

D7 The elections in paragraphs D5 and D6 are also available for:

(a) investment property, if an entity elects to use the cost model in IAS 40 *Investment Property* and

(b) intangible assets that meet:

(i) the recognition criteria in IAS 38 *Intangible Assets* (including reliable measurement of original cost); and

(ii) the criteria in IAS 38 for revaluation (including the existence of an active market).

An entity shall not use these elections for other assets or for liabilities.

D8 A first-time adopter may have established a deemed cost under previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. It may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement.