



Project	Agenda decision
Topic	IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – Accounting for costs included in self-constructed assets on transition

Introduction

1. In March 2010, the Committee published a tentative agenda decision not to add to its agenda two requests concerning the application of IFRSs for an entity that capitalizes certain costs, including actuarial gains and losses, as part of self-constructed assets, in accordance with its previous GAAP accounting policies.
2. The request noted that on transition to IFRSs, the entity changes its accounting policy for actuarial gains and losses and determines that they should no longer be capitalised.
3. The requests ask whether the entity should adjust the carrying amount of self-constructed assets on transition to IFRSs and, if not, how the change in its actuarial gains and losses accounting policy should be reflected in the carrying amount of self-constructed assets in subsequent reporting periods.
4. The Committee concluded that the agenda criteria were not met, because the issue is not currently widespread, although it may impact certain entities in jurisdictions transitioning to IFRS, and that there are not significantly divergent interpretations (either emerging or already existing in practice).

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

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 IFRIC or 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.

Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

IASB Staff paper

5. One comment letter¹ was received. This comment letter agreed with the tentative agenda decision made by the Committee.
6. As a result, the staff does not recommend any changes to the tentative agenda decision.

Staff recommendation and proposed wording of the final agenda decision

1. The staff recommends that the Committee finalise its tentative agenda decision not to add the issue to its agenda. Does the Committee agree with the recommendation?
2. Appendix A includes the staff's proposed wording for the final agenda decision which is unchanged from the published tentative agenda decision. Does the Committee agree with proposed wording?

¹ Deloitte Touche Tohmatsu

Appendix A – Proposed wording for agenda decision

**IFRS 1 *First-time Adoption of International Financial Reporting Standards*
— Accounting for costs included in self-constructed assets on transition**

The Committee received two requests concerning the application of IFRSs for an entity that capitalises certain costs, including actuarial gains and losses, as part of self-constructed assets, in accordance with its previous GAAP accounting policies. On transition to IFRSs, the entity changes its accounting policy for actuarial gains and losses and determines that they should no longer be capitalised. The requests ask whether the entity should adjust the carrying amount of self-constructed assets on transition to IFRSs and, if not, how the change in its actuarial gains and losses accounting policy should be reflected in the carrying amount of self-constructed assets in subsequent reporting periods.

The Committee noted that paragraph 7 of IFRS 1 requires an entity to use 'the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements'.

The Committee concluded that the issue is not currently widespread, although it may impact certain entities in jurisdictions transitioning to IFRS, and that there are not significantly divergent interpretations (either emerging or already existing in practice). Therefore, the Committee [decided] not to add this issue to its agenda.