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Project **New items for initial consideration**

Topic **IFRS 1 *First-time Adoption of IFRSs*—Prospective application provisions for first-time adopters**

Purpose of this paper

1. In August 2011 the IASB (the Board) received a request to amend IFRS 1 to allow first-time adopters of IFRSs the same prospective application provisions in certain IFRSs as has been afforded to existing preparers of IFRS financial statements. The submitter notes that while some of the recent Annual Improvements to IFRSs required prospective application for existing IFRS preparers, no corresponding amendments were made to IFRS 1 for the benefit of first-time adopters.

2. The submitter suggests that similar transition guidance should be included in IFRS 1. The submitter requests that such amendments should be made as soon as possible to permit entities adopting IFRSs in 2011 to take advantage of any such amendments. The submission is reproduced in full in Appendix B to this paper with references to Appendices BA and BB.

3. The request was submitted to the Board, and we have made an initial assessment of the merits of the submission. This paper provides our analysis of that submission. We think that one issue in particular, relating to an amendment made to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* as part of Annual Improvements issued in April 2008, should be addressed as soon as possible. In recognition of the benefits of addressing this issue more quickly than would be possible through Annual

Improvements, we plan to take a proposal to the Board in September for a separate amendment to IFRS 1. However, before doing so, we wanted to ask the Committee for its views on our proposed amendments that we can relay to the Board and help inform the Board's discussion of the issue.

4. This paper:

   (a) provides background information on the issue;

   (b) includes the staff recommendation to amend IFRS 1 separately rather than including it in the annual improvements project; and

   (c) asks the Committee for their views and comments on the staff recommendation.

Background information

5. There are some occasions on which an amendment to an IFRS includes a provision that the amendment should be prospectively applied to transactions entered into after its effective date. One issue is whether it is desirable to revise IFRS 1 and add exemptions so that first-time adopters are eligible for the prospective application in parallel with entities that have been applying IFRSs before the amendment.

6. The particular example considered by this agenda paper is the prospective application in paragraph 10A of IAS 20, which was added as a result of annual improvements to IFRSs in May 2008. Prospective application of this paragraph is not available for first-time adopters. Paragraph 9 of IFRS 1 states:

   > The transitional provisions in other IFRSs apply to changes in accounting policies made by an entity that already uses IFRSs; they do not apply to a first-adopter's transition to IFRSs, except as specified in Appendices B-E.

7. Consequently, in order to allow first-time adopters to apply the amended IAS 20 on a prospective basis, IFRS 1 would need to have an additional exemption added to Appendix D.

Staff analysis

8. When IFRS 1 was drafted, the Board did not adopt a general policy of giving first-time adopters the same accounting options of prospective application that some IFRSs gave to entities that already apply IFRSs. The Board decided that it would consider such issues case by case. Paragraph BC14 of IFRS 1 explains [emphasis added]:

> **The Board will consider case by case when it issues a new IFRS whether a first-time adopter should apply that IFRS retrospectively or prospectively.** The Board expects that retrospective application will be appropriate in most cases, given its primary objective of comparability over time within a first-time adopter's first IFRS financial statements. However, if the Board concludes in a particular case that prospective application by a first-time adopter is justified, it will amend the IFRS on first-time adoption of IFRSs. As a result, IFRS 1 will contain all material on first-time adoption of IFRSs and other IFRSs will not refer to first-time adopters (except, when needed, in the Basis for Conclusions and consequential amendments).

9. However, the staff could not find any discussion about first-time adopters when the Board decided to make the prospective application provision for entities that already apply IFRSs for the 2008 amendment to IAS 20. It is therefore desirable to consider whether first-time adopters should apply paragraph 10A of IAS 20 retrospectively or prospectively. Paragraph 10A states [emphasis added]:

> The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments. **The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.** The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

10. Government loans with a below-market rate of interest have historically been measured at cost on initial recognition. Paragraph 10A (quoted above) requires them to be measured at fair value on initial recognition in accordance with IFRS 9 *Financial Instruments*. Retrospective application by first-time adopters will therefore require entities to determine the fair value of liabilities as at the date

the loan was originated. Many such loans have historically been measured at cost in accordance with previous GAAP. Paragraph 52 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that it is impracticable to estimate a fair value that is not based on an observable price or observable inputs retrospectively. In accordance with the paragraph 52 of IAS 8, we think that measuring the fair value of government loans with a below-market rate of interest at a past date is impracticable.

Other related issues

11. The submission also identified several other amendments to IFRSs over the last few years where existing preparers were required to apply the amendments prospectively, but where the submitter notes that the Board did not provide first-time adopters with similar transition requirements. These amendments are listed in appendix BB of the submission. We have undertaken a preliminary assessment of these other amendments and our initial conclusion is that none of these other amendments would require a first-time adopter to obtain fair value information from a date prior to the date of transition to IFRSs, with the exception of amendments relating to business combinations. However, we note that IFRS 1 already includes a general exemption for business combinations, that relieves a first-time adopter from the need to obtain fair value information from a date before the date of transition to IFRSs.

12. We therefore think that the issue considered in this paper relating to paragraph 10A of IAS 20 is the only one for which IFRS 1 should be amended.

Staff recommendation

13. We plan to propose to the Board that an amendment should be made to IFRS 1 to allow first-time adopters to apply paragraph 10A of IAS 20 prospectively, as was required for existing IFRS preparers, for the reasons set out in paragraph 10 of this paper. This proposed amendment is shown in Appendix A of this paper.

14. Although we think that this amendment would qualify for Annual Improvements, we recognise that such an amendment to IFRS 1 would not

become effective soon enough to benefit entities adopting IFRSs in 2011 if addressed in this way. We will therefore request the Board to make a separate amendment to IFRS 1.

15. However, we would like to ask the Committee for its views on our proposal, including our proposed wording, so that we can include the Committee's views in our presentation to the Board.

Question to the Interpretations Committee

Questions for the Committee
Question 1—Does the Committee agree with the staff proposal to recommend that first-time adopters should be permitted to apply paragraph 10A of IAS 20 prospectively? **Question 2**—Does the Committee agree with the proposed changes set out in appendix A?

Appendix A—Proposed changes

A1. The proposed amendment to IFRS 1 is presented below.

Amendment to IFRS 1 *First-time Adoption of IFRSs*

Paragraphs 39I and D1(r) are added and D1(p) and D1(q) are amended. A heading and paragraph D31 are added.

39I Amendments to IFRS 1, issued [Month, year] added paragraphs D1(r) and D31. An entity shall apply those paragraphs for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

D1(p) extinguishing financial liabilities with equity instruments (paragraph D25); ~~and~~

D1(q) severe hyperinflation (paragraphs D26–D30)~~.~~; and

D1(r) government loans (paragraph D31).

Government loans

D31 A first-time adopter may apply the prospective application provision set out in paragraph 43 of IAS 20, as revised in May 2008. In that paragraph, the reference to the effective date shall be interpreted as the date of transition to IFRSs.

A2. We propose adding the following paragraph to the Basis for Conclusions of IFRS 1:

Basis for Conclusions on proposed amendments to IFRS 1 *First-time Adoption of IFRSs*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Government loan

BC63K IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* (as revised in May 2008) contains a requirement that government loans with a below-market rate of interest be measured at fair value on initial recognition. When this requirement was included in IAS 20 in May 2008, the Board recognised that applying this requirement retrospectively may require entities to measure the fair value of loans at a past date. Accordingly the Board decided that this requirement in IAS 20 be applied prospectively to new loans. In August 2011 the application of this requirement by first-time adopters of IFRSs was brought to the Board's attention. The Board noted that the general requirement in IFRS 1 for first-time adopters to apply IFRSs retrospectively at the date of transition could require some entities to measure government loans with a below-market rate of interest at fair value from a past date. Accordingly the Board is proposing to add an exemption to IFRS 1 to permit first-time adopters of IFRSs to apply the requirements in paragraph 10A of IAS 20 to new loans entered into after the date of transition of IFRSs.

Appendix B – Request for amendment to IFRS 1

B1 The staff received the following request. All information has been copied without modification, except for details that would identify the submitter of the request and details that are subject to confidentiality.

Reasoning and Suggestion

Issue

1. There are some occasions on which amendment to an IFRS includes a provision that the amendment should be prospectively applied to transactions entered into after its effective date. On issue are:

   (a) whether that prospective application provision is meant to be available for first-time adopters as well, in the confines of the current IFRSs (including IFRS 1); and

   (b) whether it is desirable to revise IFRS 1 and add to exemptions so that first-time adopters are obviously eligible for the prospective application in parallel with entities that have been applying IFRSs before the amendment.

Illustration

2. For example, we encountered a question whether prospective application in paragraph 10A of IAS 20, which was added as a result of annual improvements to IFRSs in May 2008, is available for first-time adopters as well.

3. Before the improvements, effective was paragraph 37 of IAS 20, which stated:

   > Loans at nil or low interest rates are a form of government assistance, but the **benefit is not quantified by the imputation of interest**. [Emphasis added]

4. The above paragraph was deleted in Improvements to IFRSs in May 2008, but instead paragraph 10A was added into IAS 20, which states:

   > The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. **The benefit of the below-market rate of interest shall be measured as the difference between the**

> **initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.** The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate. [Emphasis added]

5. In turn, paragraph 43 makes paragraph 10A prospectively effective, ie applicable to government loans received in periods beginning on or after 1 January 2009 as follows:

> Paragraph 37 was deleted and paragraph 10A added by *Improvements to IFRSs* issued in May 2008. **An entity shall apply those amendments prospectively to government loans received in periods beginning on or after 1 January 2009.** Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. [Emphasis added]

Issue 1 Whether that prospective application provision is meant to be available for first-time adopters as well, in the confines of the current IFRSs

6. Some argue that first-time adopters after the year of 2009 are also subject to the prospective application, so that they should not apply paragraph 10A to government loans received before 1 January 2009. They make their arguments on the grounds that the prospective application is worded in one of the paragraphs setting out 'Effective date' as opposed to 'Transitional provisions' that should be denied to first-time adopters. Paragraph 9 of IFRS 1 states:

> The transitional provisions in other IFRSs apply to changes in accounting policies made by an entity that already uses IFRSs; they do not apply to a first-adopter's transition to IFRSs, except as specified in Appendices B-E.

7. However, some are concerned that the prospective application may be considered to be an in-substance transitional provision. They note that a prospective application provision does not determine when revised standards are to come into effect. Rather, they think that it only negates the otherwise required retrospective effect from a given effective date when an entity transfers to revised standards and therefore it is purported to be a transitional provision.

8. We are not sure whether the prospective application provision as set out in paragraph 10A of IAS 20 should be considered to be a transitional provision or not.

Issue 2 Whether it is desirable to revise IFRS 1 and add to exemptions so that first-time adopters are obviously eligible for the prospective application

in parallel with entities that have been applying IFRSs before the amendment.

Equitable treatment between existing IFRS prepares and first-time adopters

9. We note that BC5 of the amended IAS 20 insinuates that it is impractical to measure the fair value of loans at a past date by applying IAS 39 to loans retrospectively. Paragraph BC5 of IAS 20 states:

> Noting that applying IAS 39 to loans retrospectively may require entities to measure the fair value of loans at a past date, the Board decided that the amendment should be applied prospectively to new loans.

In our view, the same consideration should be given to first-time adopters and IFRS 1 should add to ‘exceptions to the retrospective application of other IFRSs’ so that first-time adopters equally apply the amended IAS 20 on a prospective basis.

Consistency with other IFRSs

10. Besides, it seems that first-time adopters are not as properly considered in the amendment to IAS 20 as they are in the 2007 revision to IAS 23 *Borrowing Costs*. Paragraph 27 of the revised IAS 23 sets out a prospective application provision by stating:

> When application of this Standard constitutes a change in accounting policy, an entity shall apply the Standard to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date. [Relating basis for conclusion is provided in paragraph BC15 of IAS 23]

11. This prospective application provision is also available for first-time adopters in accordance with paragraph D23 of Appendix D Exemptions from other IFRSs, which states:

> A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of IAS 23, as revised in 2007. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or **the date of transition to IFRSs**, whichever is later. [Relating basis for conclusion is provided in paragraph BC63E of IFRS 1]

12. We note that prospective application provisions in some other IFRSs entailed additions to exemptions for first-time adopters in IFRS 1 as the one in IAS 23 did. Those IFRSs are listed up in Appendix BA with related excerpts.

13. We do not know of any reason that first-time adopters should be differently treated when they apply the amended IAS 20 and the revised IAS 23 given that both IFRSs set out prospective application provisions for the reason of retrospective application being impracticable.

The IASB's intent

14. We note that the Exposure Draft of the 2008 annual improvements had not proposed prospective application as to any IFRSs in their coverage, not to mention IAS 20. By contrast, prospective application provisions were added into the final standards including IAS 20 and some other IFRSs.

15. To see why the change was made between the ED and the final standard, we looked into the agenda paper that had been put to the last discussion at the March 2008 IASB meeting before the amended IAS 20 was issued as part of Improvements to IFRSs in May 2008. There was no reference to or staff recommendation of prospective application in that paper but only the March 2008 IASB update included the following statement without explaining the reason:

> The Board also tentatively decided that the amendment should be applied prospectively to loans received after the effective date of the amendment.

16. We suppose that the IASB might have missed giving consideration to first-time adopters when they decided to make the prospective application provision. If it is true, we believe that the unintended consequences should be fixed by way of revising and adding to exemptions in IFRS 1.

17. Therefore, we believe that it is desirable to revise IFRS 1 and add to exemptions so that first-time adopters are obviously eligible for prospective application in parallel with entities that have been applying IFRSs before the amendment.

Other examples of the kind

18. We learned that this kind of issue is not limited to IAS 20, but concurrently arising in other IFRSs covered by the 2008 Improvements to IFRSs. Among them are:

(a) Paragraph 44C of IFRS 5;

(b) Paragraph 44D of IFRS 7;

(c) Paragraph 81E of IAS 16;

(d) Paragraph 45A of IAS 27;

(e) Paragraph 41C of IAS 28;

(f) Paragraph 58B of IAS 31;

(g) Paragraph 97D of IAS 32;

(h) Paragraph 85B of IAS 40; and

(i) Paragraph 60 of IAS 41.

19. On top of that, the 2009 Improvements to IFRSs may also generate the same issue with regard to:

(a) Paragraph 44E of IFRS 5;

(b) Paragraph 140E of IAS 36;

(c) Paragraph 130C and 130E of IAS 38;

(d) Paragraph 103K of IAS 39; and

(e) Paragraph 11 of IFRIC 9.

20. Those paragraphs are reproduced in Appendix BB.

Suggestion

21. With a view to removing ambiguity and inconsistency concerning prospective application provisions, we suggest that the following heading and paragraph should be added to Appendix D of IFRS 1 in reference to IAS 20:

> **Government loan**
>
> A first-time adopter may apply the prospective provision set out in paragraph 43 of IAS 20, as revised in May 2008. In that paragraph, the reference to the effective date shall be interpreted as 1 January 2009 or the date of transition to IFRSs, whichever is later.

22. We also believe that similar steps may be taken with regard to other IFRSs referred to in paragraphs 18 and 19.

Appendix BA. Examples of prospective application provisions of IFRSs aligned with exemptions into IFRS 1

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
IFRS 5	**Transitional provisions** 43 **The IFRS shall be applied prospectively to non-current assets** (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of the IFRS. An entity may apply the requirements of the IFRS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the IFRS, provided the valuations and other information needed to apply the IFRS were obtained at the time those criteria were originally met. **Effective date** 44C **Paragraphs 8A and 36A** were added by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning	**Transitional arrangements** BC78 Some respondents to ED 4 noted that there could be difficulties in obtaining the information necessary to apply the IFRS retrospectively. The Board agreed that hindsight might be involved in determining at what date assets or disposal groups met the criteria to be classified as held for sale and their fair value at that date. Problems might also arise in separating the results of operations that would have been classified as discontinued operations in prior periods and that had been derecognised in full before the effective date of the IFRS. BC79 **The Board therefore decided to require application of the IFRS prospectively** and allow retrospective application only when the necessary information had been obtained in the prior periods in question. BC79A The Board concluded that the effective date of the amendments in paragraphs **8A** and **36A** for presentation	B7 A first-time adopter shall apply the following requirements of IAS 27 (as amended in 2008) **prospectively from the date of transition to IFRSs**: … (c) the requirements in paragraphs **34-37** 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*. …	

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
	on or after 1 July 2009. Earlier application is permitted. However, an entity shall not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IAS 27 (as amended in January 2008). If an entity applies the amendments before 1 July 2009 it shall disclose that fact. **An entity shall apply the amendments prospectively from the date** at which it first applied IFRS 5, subject to the transitional provisions in paragraph 45 of IAS 27 (amended January 2008). 44D **Paragraphs 5A, 12A and 15A** were added and paragraph 8 was amended by IFRIC 17 *Distributions of Non-cash Assets to Owners* in November 2008. **Those amendments shall be applied prospectively to non-current assets** (or disposal groups) that are classified as held for distribution to owners in annual periods beginning on or after 1 July 2009. Retrospective application is not permitted. Earlier application is permitted. If an entity applies the amendments for a period beginning before 1 July 2009 it shall disclose that fact and also apply IFRS 3 *Business Combinations* (as revised in 2008), IAS 27 (as amended in January 2008) and IFRIC 17. 44E **Paragraph 5B** was added by	purposes should be 1 July 2009 to be consistent with the effective date of the amendments to IAS 27 (as amended in January 2008) for measurement purposes. Because paragraph 45(c) of IAS 27 provides an exception to retrospective application of the amendments relating to the loss of control of a subsidiary for measurement purposes, the Board required an entity to consider the applicable transitional provisions in IAS 27 when implementing the amendments in paragraphs 8A and 36A.		

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
	Improvements to IFRSs issued in April 2009. **An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.			
IAS 23	**Transitional provisions** 27 When application of this Standard constitutes a change in accounting policy, **an entity shall apply the Standard to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.** 28 However, an entity may designate any date before the effective date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date. **Effective date** 29 An entity shall apply the Standard for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the Standard	**Effective date and transition** BC15 Development of a qualifying asset may take a long time. Additionally, some assets currently in use may have undergone and completed their production or construction process many years ago. If the entity has been following the accounting policy of immediately recognising borrowing costs as an expense, the costs of gathering the information required to capitalise them retrospectively and to adjust the carrying amount of the asset may exceed the potential benefits. Hence, **the Board decided to require prospective application**, which was supported by respondents to the exposure draft. BC17 Therefore, an entity is permitted to apply the revised Standard from any designated date before the effective date. However, if an entity applies the Standard from such an earlier date, it should apply	**Borrowing costs** D23 **A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of IAS 23**, as revised in 2007. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or the date of transition to IFRSs, whichever is later.	**Borrowing costs** BC63E IAS 23 *Borrowing Costs* (as revised in 2007) contains transitional provisions because the Board acknowledged that if an entity has been following the accounting policy of immediately recognising borrowing costs as an expense and has not previously gathered the necessary information for capitalisation of borrowing costs, getting the information retrospectively may be costly. First-time adopters of IFRSs face problems similar to those facing entities that already apply IFRSs. Moreover, although first-time adopters have the option of using fair value as the deemed cost of an asset at the date of transition to IFRSs, this option is not applicable to all qualifying assets, such as inventories. Furthermore, the Board concluded that the existence of the deemed cost option is not sufficient to justify a more stringent requirement for the

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
	from a date before 1 January 2009, it shall disclose that fact. 29A Paragraph 6 was amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.	the Standard to all qualifying assets for which the commencement date for capitalisation is on or after that designated date.		application of IAS 23 for first-time adopters than for entities that already apply IFRSs. A more stringent requirement for the adoption of the capitalisation treatment could be justified when IFRS 1 was originally issued because capitalisation was then an option. The requirements for the application of mandatory capitalisation, on the other hand, should be the same for entities that already apply IFRSs and for first-time adopters. Therefore, **the Board decided to amend IFRS 1, allowing first-time adopters transitional provisions equivalent to those available to entities that already apply IFRSs in paragraphs 27 and 28 of IAS 23**, as revised in 2007.
IFRIC 4	**Effective date** 16 An entity shall apply this Interpretation for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies this Interpretation for a period beginning before 1 January 2006, it shall disclose that fact. 16A An entity shall apply the amendment in paragraph 4(b) for annual periods beginning on or after 1 January 2008. If an entity applies IFRIC 12 for an earlier period, the amendment shall be applied for	**Transition** BC50 However, the IFRIC was sympathetic to the practical difficulties raised by full retrospective application, in particular the difficulty of going back potentially many years and determining whether the criteria would have been satisfied at that time. **Although IAS 8 provides relief from fully retrospective application in cases where such treatment would be impracticable, the IFRIC decided that it should provide transitional relief for existing preparers**	**Leases** D9 **A first-time adopter** 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 IFRSs contains a lease on the basis of facts and circumstances existing at that date. D9A If a first-time adopter made the same determination of whether an arrangement	**Leases** BC63D IFRIC 4 *Determining whether an Arrangement contains a Lease* contains transitional provisions because the IFRIC acknowledged the practical difficulties raised by full retrospective application of the Interpretation, in particular the difficulty of going back potentially many years and making a meaningful assessment of whether the arrangement satisfied the criteria at that time. The Board decided to treat first-time adopters in the same way as

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
	that earlier period. **Transition** 17 IAS 8 specifies how an entity applies a change in accounting policy resulting from the initial application of an Interpretation. **An entity is not required to comply with those requirements when first applying this Interpretation. If an entity uses this exemption, it shall apply paragraphs 6–9 of the Interpretation to arrangements existing at the start of the earliest period for which comparative information under IFRSs is presented on the basis of facts and circumstances existing at the start of that period.**	**of IFRSs in the Interpretation itself.** The IFRIC emphasises that this relief does not alter the transition requirements of IAS 17 and therefore if an arrangement is determined to contain a lease an entity applies IAS 17 from the inception of the arrangement.	contained a lease in accordance with previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying IAS 17 *Leases* and IFRIC 4.	entities that already apply IFRSs.
IFRIC 12	**Effective date** 28 An entity shall apply this Interpretation for annual periods beginning on or after 1 January 2008. Earlier application is permitted. If an entity applies this Interpretation for a period beginning before 1 January 2008, it shall disclose that fact. 28A [Deleted] 28B IFRS 9, issued in October 2010,	**Transition (paragraphs 29 and 30)** BC72 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that an entity shall account for a change in accounting policy resulting from initial application of an Interpretation in accordance with any specific transitional provisions in that Interpretation. In the absence of any specific transitional provisions, the general requirements of IAS 8 apply. The general requirement in IAS 8 is that the changes should be accounted for	**Financial assets or intangible assets accounted for in accordance with IFRIC 12** D22 **A first-time adopter** may apply the **transitional provisions** in IFRIC 12.	

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
	amended paragraphs 23–25 and deleted paragraph 28A. An entity shall apply those amendments when it applies IFRS 9 as issued in October 2010. **Transition** 29 **Subject to paragraph 30**, changes in accounting policies are accounted for in accordance with IAS 8, ie **retrospectively.** 30 **If, for any particular service arrangement, it is impracticable for an operator to apply this Interpretation retrospectively at the start of the earliest period presented, it shall:** (a) recognise financial assets and intangible assets that existed at the start of the earliest period presented; (b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and (c) test financial and intangible assets recognised at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.	retrospectively, except to the extent that retrospective application would be impracticable. BC73 The IFRIC noted that there are two aspects to retrospective determination: reclassification and remeasurement. The IFRIC took the view that it will usually be practicable to determine retrospectively the appropriate classification of all amounts previously included in an operator's balance sheet, but that retrospective remeasurement of service arrangement assets might not always be practicable. BC74 The IFRIC noted that, when retrospective restatement is not practicable, IAS 8 requires prospective application from the earliest practicable date, which could be the start of the current period. Under prospective application, the operator could be applying different accounting models to similar transactions, which the IFRIC decided would be inappropriate. The IFRIC regarded it as important that the correct accounting model should be consistently applied. BC75 The Interpretation reflects these conclusions.		

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
		Amendments to IFRS 1 **BC76 The amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* are necessary to ensure that the transitional arrangements are available to both existing users and first-time adopters of IFRSs.** The IFRIC believes that the requirements will ensure that the balance sheet will exclude any items that would not qualify for recognition as assets and liabilities under IFRSs.		

	IFRSs		IFRS 1	
IFRSs	**Effective date / Transitional Provisions**	**Basis for Conclusions**	**Standards**	**Basis for Conclusions**
IFRIC18	**Effective date and transition** **22 An entity shall apply this Interpretation prospectively to transfers of assets from customers received on or after 1 July 2009**. Earlier application is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred. An entity shall disclose the date from which the Interpretation was applied.	**Transition** BC25 The IFRIC noted that applying the change in accounting policy retrospectively would require entities to establish a carrying amount for assets that had been transferred in the past. That carrying amount would be based on historical fair values. Those fair values may not be based on an observable price or observable inputs. **Therefore, the IFRIC concluded that retrospective application may be impracticable and that the Interpretation should require prospective application to transfers received after its effective date**. However, the IFRIC also concluded that earlier application should be permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred.	**Transfers of assets from customers** D24 **A first-time adopter may apply the transitional provisions set out in paragraph 22 of IFRIC 18 *Transfers of Assets from Customers***. In that paragraph, reference to the effective date shall be interpreted as 1 July 2009 or the date of transition to IFRSs, whichever is later. In addition, a first-time adopter may designate any date before the date of transition to IFRSs and apply IFRIC 18 to all transfers of assets from customers received on or after that date.	

Appendix BB. Examples of prospective application provisions of IFRSs not aligned with exemptions into IFRS 1

IFRS 5	**44C** Paragraphs 8A and 36A were added by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments **for annual periods beginning on or after 1 July 2009.** Earlier application is permitted. However, an entity shall not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IAS 27 (as amended in January 2008). If an entity applies the amendments before 1 July 2009 it shall disclose that fact. **An entity shall apply the amendments prospectively from the date at which it first applied IFRS 5, subject to the transitional provisions in paragraph 45 of IAS 27 (amended January 2008).**
	44E Paragraph 5B was added by *Improvements to IFRSs* issued in April 2009. **An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.
IFRS 7	**44D** Paragraph 3(a) was amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply that amendment **for annual periods beginning on or after 1 January 2009.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 1 of IAS 28, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 issued in May 2008. **An entity is permitted to apply the amendment prospectively.**
IAS 16	**81E** Paragraph 5 was amended by *Improvements to IFRSs* issued in May 2008. **An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2009.** Earlier application is permitted if an entity also applies the amendments to paragraphs 8, 9, 22, 48, 53, 53A, 53B, 54, 57 and 85B of IAS 40 at the same time. If an entity applies the amendment for an earlier period it shall disclose that fact.
IAS 27	**45A** Paragraph 38 was amended by *Improvements to IFRSs* issued in May 2008. **An entity shall apply that amendment for annual periods beginning on or after 1 January 2009, prospectively from the date at which it first applied IFRS 5.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.
IAS 28	**41C** Paragraphs 1 and 33 were amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments **for annual periods beginning on or after 1 January 2009.** Earlier

	application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 *Financial Instruments: Disclosures*, paragraph 1 of IAS 31 and paragraph 4 of IAS 32 *Financial Instruments: Presentation* issued in May 2008. **An entity is permitted to apply the amendments prospectively.**
IAS 31	**58B** Paragraph 1 was amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply that amendment **for annual periods beginning on or after 1 January 2009.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7 *Financial Instruments: Disclosures*, paragraph 1 of IAS 28 and paragraph 4 of IAS 32 *Financial Instruments: Presentation* issued in May 2008. **An entity is permitted to apply the amendment prospectively.**
IAS 32	**97D** Paragraph 4 was amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply that amendment **for annual periods beginning on or after 1 January 2009.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of IFRS 7, paragraph 1 of IAS 28 and paragraph 1 of IAS 31 issued in May 2008. **An entity is permitted to apply the amendment prospectively.**
IAS 36	**140E** *Improvements to IFRSs* issued in April 2009 amended paragraph 80(b). **An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.
IAS 38	**130C** IFRS 3 (as revised in 2008) amended paragraphs 12, 33–35, 68, 69, 94 and 130, deleted paragraphs 38 and 129 and added paragraph 115A. *Improvements to IFRSs* issued in April 2009 amended paragraphs 36 and 37. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Therefore, amounts recognised for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, it shall apply the amendments for that earlier period and disclose that fact..
	130E *Improvements to IFRSs* issued in April 2009 amended paragraphs 40 and 41. **An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009.** Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
IAS 39	**103K** *Improvements to IFRSs* issued in April 2009 amended

	paragraphs 2(g), 97 and 100. **An entity shall apply the amendments to those paragraphs prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.** Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.
IAS 40	**85B** Paragraphs 8, 9, 48, 53, 54 and 57 were amended, paragraph 22 was deleted and paragraphs 53A and 53B were added by *Improvements to IFRSs* issued in May 2008. **An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009.** An entity is permitted to apply the amendments to investment property under construction from any date before 1 January 2009 provided that the fair values of investment properties under construction were determined at those dates. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 5 and 81E of IAS 16 *Property, Plant and Equipment.*
IAS 41	**60** Paragraphs 5, 6, 17, 20 and 21 were amended and paragraph 14 deleted by *Improvements to IFRSs* issued in May 2008. **An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009.** Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
IFRIC 9	**11** Paragraph 5 was amended by *Improvements to IFRSs* issued in April 2009. **An entity shall apply that amendment prospectively for annual periods beginning on or after 1 July 2009.** If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it shall apply the amendment for that earlier period and disclose that fact.