STAFF PAPER

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IFRS Interpretations Committee Meeting

Project	**IAS 21 *The Effects of Changes in Foreign Exchange Rates***
Paper topic	Draft Interpretation—Foreign Currency Transactions and Advance Consideration

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[Draft] IFRIC Interpretation X

Foreign Currency Transactions and Advance Consideration

References

- *The Conceptual Framework for Financial Reporting*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Background

1. Paragraphs 21–22 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* require that a foreign currency transaction should be recorded, on initial recognition in the functional currency, by applying the spot exchange rate at the date of the transaction. The date of the transaction is the date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards (IFRS).

2. In circumstances in which an entity pays or receives some or all of the foreign currency consideration (or has an unconditional right to foreign currency consideration for which payment falls due, if earlier) in advance of the recognition of the related asset, expense or income, the entity generally recognises a non-monetary

asset or liability. This non-monetary asset represents an entity's right to receive goods or services (a 'prepayment asset') and the non-monetary liability represents an entity's obligation to transfer goods or services (a 'performance liability').[1]

3. The IFRS Interpretations Committee received a question about which exchange rate should be used to translate, on initial recognition, the asset, expense or income to which the non-monetary prepayment asset or non-monetary performance liability relates. That is, how to determine the date of transaction for the purposes of applying paragraphs 21–22 of IAS 21 in such circumstances.

Scope

4. This [draft] Interpretation applies to a foreign currency transaction in circumstances in which:

   (a) there is consideration that is denominated or priced in a foreign currency that gives rise to the recognition of a prepayment asset or a performance liability, in advance of the recognition of the related asset, expense or income (or part of it);

   (b) the prepayment asset or performance liability is non-monetary; and

   (c) after initial recognition of the non-monetary prepayment asset or non-monetary performance liability, that foreign currency amount is not remeasured on initial recognition of the related (part of) the asset, expense or income to reflect the fair value in the foreign currency of either the consideration or the related asset, expense or income.

5. An entity is not required to apply this [draft] Interpretation to:

   (a) insurance contracts (including reinsurance contracts) that it issues and reinsurance contracts that it holds; and

   (b) income taxes.

[1] IFRS 15 *Revenue from Contracts with Customers* uses the terminology 'contract liability' instead of 'performance liability'.

Issue

6. This [draft] Interpretation addresses how to determine the date of the transaction and thus the spot exchange rate used to translate the (part of the) asset, expense or income on initial recognition that relates to the recognition of a non-monetary prepayment asset or a non-monetary performance liability.

Consensus

7. The date of the transaction for the purposes of paragraphs 21–22 of IAS 21 is the earlier of:

   (a) the date of initial recognition of the non-monetary prepayment asset or the non-monetary performance liability; and

   (b) the date that the related asset, expense or income is recognised in the financial statements.

8. If the transaction is initially recognised in stages, there is more than one date of transaction. This may be the case, for example, if there:

   (a) are multiple payments or receipts in advance;

   (b) are multiple goods to be delivered at different times and/or services rendered over time; or

   (c) is a combination of multiple goods and/or services with some advance payments or receipts and some payments or receipts in arrears.

9. When there is more than one date of the transaction, each date of the transaction is used to determine the spot exchange rate that is applied to translate that part of the transaction. When that date of the transaction is the date of the initial recognition of a non-monetary prepayment asset or a non-monetary performance liability, the same exchange rate is used when recognising the (part of the) asset, expense or income to which the prepayment asset or performance liability relates.

10. The related (part of the) asset, expense or income is that which is recognised on the derecognition of the prepayment asset or the performance liability, as determined by IFRS.

Appendix A

Effective date and transition

A1. An entity shall apply this [draft] Interpretation retrospectively (except as permitted in paragraph A2) for annual periods beginning on or after [date]. Earlier application is permitted. If an entity applies this [draft] Interpretation for an earlier period, it shall disclose that fact.

A2. On initial application, an entity shall apply this [draft] Interpretation either:

(a) retrospectively to each prior reporting period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) prospectively to assets, expenses and income recognised from:

(i) the start of the reporting period in which an entity first applies the [draft] Interpretation; or

(ii) the start of a prior reporting period for which comparative information is presented in the financial statements of the reporting period in which an entity first applies the [draft] Interpretation.

Illustrative Examples on [draft] IFRIC Interpretation X
Foreign Currency Transactions and Advance Consideration

These examples accompany, but are not part of, [draft] IFRIC X.

A1. The objective of these examples is to illustrate how an entity should determine the date of the transaction and thus the exchange rate in circumstances in which an entity enters into a foreign currency transaction with some advance consideration.

Example 1—a single advance payment for the purchase of a single item of property, plant and equipment
Entity A enters into a non-cancellable contract with a supplier on 1 March 20X1 to purchase a machine for its business. Under the terms of the contract, Entity A pays the supplier a non-refundable fixed amount of FC1,000 on 1 April 20X1.[2] On 15 April 20X1, Entity A takes delivery of the machine. The transaction is first recorded in the financial statements by Entity A on 1 April 20X1 on payment of FC1,000, which establishes the date of the transaction for determining the spot exchange rate at which to translate the transaction. At this date Entity A recognises a non-monetary prepayment asset translated using the spot exchange rate at that date. The prepayment asset is a non-monetary item, being the right to receive a machine, and so is not subsequently retranslated in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. On 15 April 20X1, Entity A takes delivery of the machine. It derecognises the prepayment asset and recognises the machine as property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment* at the same carrying amount. This, on initial recognition of the machine, Entity A measures the cost of the machine by translating the machine's FC1,000 purchase price using the spot exchange rate at the date of the transaction, which is 1 April 20X1 (the date of the initial recognition of the prepayment asset).

[2] In these Illustrative Examples, foreign currency amounts are denominated in 'foreign currency units' (FC) and functional currency amounts are denominated in 'functional currency units' (CU).

Example 2—multiple receipts for revenue recognised at a single point in time
Entity B enters into a non-cancellable contract with a customer on 1 June 20X2 to deliver goods on 1 September 20X2. The total fixed contract price is an amount of FC100, of which FC40 is a non-refundable advance received on 1 August 20X2 and the balance is receivable on 30 September 20X2. On delivery of the goods the right to the remaining consideration is unconditional. On applying IFRS 15 *Revenue from Contracts with Customers*, Entity B determines that as the amount of consideration in the foreign currency is fixed, the variable consideration requirements in IFRS 15 do not apply. Hence it concludes that revenue is recognised at the date of delivery of the goods and the amount of the transaction price is not subsequently re-estimated. In accordance with IFRS 15, Entity B recognises a contract liability of FC40 on 1 August 20X2. This is translated into Entity B's functional currency using the spot exchange rate at that date. The contract liability is a non-monetary item and is not subsequently retranslated in accordance with IAS 21. The goods are transferred to the customer on 1 September 20X2 and, at this date, Entity B recognises revenue that is equivalent to FC100 in the income statement. This transaction has first qualified for recognition in the financial statements in two stages: (a) FC40 on 1 August 20X2 on receipt of the advance payment, leading to the recognition of the contract liability; and (b) FC60 on 1 September 20X2 on delivery of the goods, leading to the recognition of the revenue. Consequently, there are two dates of the transaction for the purposes of determining the spot exchange rate that is to be used to translate the revenue. FC40 of the revenue is translated using the spot exchange rate on 1 August 20X2 and FC60 of the revenue is translated using the spot exchange rate on 1 September 20X2.

Example 3—multiple payments for services recognised over a period of time
On 1 May 20X3, Entity C enters into a contract with a supplier for services to be received continuously for 6 months from 1 July 20X3. Under the terms of the contract, Entity C pays the supplier a non-refundable advance of FC300 on 15 June 20X3 for the services to be received in the period of July–September 20X3 and FC330 on 31 December 20X3 for the services received in the period October–December 20X3. Entity C recognises a non-monetary prepayment asset on 15 June 20X3 for the equivalent of FC300, which is translated into its functional currency using the spot exchange rate on 15 June 20X3. Entity C derecognises the prepayment asset and recognises an expense in the income statement over the period in which it receives the related services, ie from 1 July–30 September 20X3. For the purposes of translating the FC300 expense for this period, the date of the transaction is 15 June 20X3 and therefore Entity C recognises the expense for the period 1 July–30 September 20X3 using the spot exchange rate at 15 June 20X3. Entity C has not made an advance payment for services delivered from 1 October–31 December 20X3 and, therefore, first recognises this part of the transaction when it recognises the expense in the income statement. In principle, the dates of the transaction are each day in the period 1 October–31 December 20X3. However, if exchange rates do not fluctuate significantly Entity C may use rate that approximates the actual rates as permitted by paragraph 22 of IAS 21. If that is the case, Entity C may translate each month's FC110 expense (FC330 / 3) into its functional currency using the average spot exchange rate for each month (for example) for the period 1 October–31 December 20X3. As Entity C recognises the expense in the income statement over this period, it will recognise a corresponding liability in respect of its obligation to pay the supplier. Because the liability will be paid in in a fixed number of units of currency, it meets the definition of a monetary item in paragraph 8 of IAS 21. Thus it will be retranslated until the liability is settled on 31 December 20X3. The exchange differences will be recognised in profit or loss in the period in which they arise, in accordance with paragraph 28 of IAS 21.

Example 4—multiple payments for revenue recognised at multiple points in time

On 1 January 20X4, Entity D enters into a non-cancellable contract to sell two products to a customer. One is delivered on 1 March 20X4 and the second on 1 June 20X4. In accordance with the contract, the customer pays non-refundable fixed consideration of FC1,000, of which FC200 is received on 31 January 20X4 and the balance is received on 1 June 20X4. On delivery of the first good the entity has an unconditional right to FC250 of the remaining consideration. Applying IFRS 15, Entity D allocates FC450 to the first product and FC550 to the second product. On applying IFRS, Entity D determines that as the amount of consideration in the foreign currency is fixed, the variable consideration requirements in IFRS 15 do not apply. Hence it concludes that revenue is recognised at the date of delivery of the goods and the amount of the transaction price is not subsequently re-estimated.

For illustrative purposes, the spot exchange rates into the entity's functional currency (CU) are:

Date	Spot exchange rate FC:CU
31 January 20X4	1:1.5
1 March 20X4	1:1.7
1 June 20X4	1:1.9

The following journal entries illustrate how the entity would account for the foreign currency aspects of the contract:

(a) The entity receives cash of FC200 on 31 January 20X4 (cash is received in advance of the performance). This is translated into the entity's functional currency using the spot exchange rate at 31 January 20X4.

Dr Cash (FC200)	CU300	
Cr Contract liability (FC200)		CU300

(b) The contract liability is a non-monetary item and is not retranslated after initial recognition in accordance with IAS 21.

(c) The entity transfers goods with a transaction price of FC450 on 1 March 20X4. Consistent with Entity D's practice for similar transactions denominated in its functional currency, it derecognises its contract liability representing the FC200 advance consideration that it received and recognises FC200 of revenue translated at the spot exchange rate on the date of the transaction (31 January 20X4) for that portion of the transaction price. The entity recognises the remaining FC250 of revenue and the corresponding receivable for the unconditional right to consideration, both translated at the spot exchange rate at the date that the remaining FC250 of the transaction price is initially recognised, ie at 1 March 20X4.

Dr Contract liability (FC200)	CU300	
Dr Receivable (FC250)	CU425	
Cr Revenue (FC450)		CU725

(d) The receivable of FC250 is a monetary item. It is therefore retranslated at the end of each reporting period until the date of settlement (1 June 20X4), at which date it is equivalent to CU475. The exchange gain is recognised in profit or loss for the period:

Dr Receivable	CU50	
Cr Foreign exchange gain		CU50

(e) The entity transfers goods with a transaction price of FC550 and receives consideration of FC800 on 1 June 20X4. It recognises the FC550 of revenue using the spot exchange rate at the date that this part of the transaction is first recognised in the financial statements, ie on 1 June 20X4. The FC800 cash received is translated at the spot exchange rate on 1 June 20X4. FC250 of the consideration received settles the receivable of FC250 arising on the transfer of the first product.

Dr Cash (FC800)	CU1,520	
Cr Receivable (FC250)		CU475
Cr Revenue (FC550)		CU1,045

Basis for Conclusions on [draft] IFRIC Interpretation X[3]

Transactions Denominated in a Foreign Currency with Advance Consideration

This Basis for Conclusions accompanies, but is not part of, [draft] IFRIC X.

Introduction

BC1 This Basis for Conclusions summarises the IFRS Interpretations Committee's (the 'Interpretations Committee') considerations in reaching its consensus.

Background

BC2 The Interpretations Committee received a request about which exchange rate to use when reporting revenue transactions that are denominated in a foreign currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. In particular, the submission described a circumstance in which the customer paid for the goods or services by making a non-refundable payment in advance.

BC3 The Interpretations Committee noted that paragraphs 21–22 of IAS 21 require that a foreign currency transaction should be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The date of the transaction is the date on which the transaction first qualifies for recognition in accordance with IFRS.

BC4 The Interpretations Committee noted that their outreach indicated that:

(a) the issue affects a number of jurisdictions, particularly in the construction industry;

(b) there is diversity in practice between recognising revenue using the spot exchange rate at the date of the receipt of the non-refundable advance

[3] The Basis for Conclusions has yet to be updated for the amendments discussed in Agenda Paper 2. After this meeting, the staff will update the Basis for Conclusions to reflect the tentative decisions made by the Interpretations Committee at the meeting.

payment and the spot exchange rate at the date of the transfer of goods or services; and

(c) the diversity is expected to continue after the implementation of IFRS 15 *Revenue from Contracts with Customers*.

BC5 In response to the noted diversity in practice, the Interpretations Committee decided to develop an Interpretation of IAS 21.

Interaction with other Standards

BC6 The Interpretations Committee noted that the principle in paragraph 24 of IAS 21 implies that the measurement requirements of other Standards are applied to the foreign currency amounts and, separately, that those amounts are translated into the entity's functional currency in accordance with IAS 21. Consistently with this, other Standards, including IFRS 13 *Fair Value Measurement*, do not contain any explicit guidance in respect of the foreign exchange aspects of transactions or measurement.

BC7 The Interpretations Committee noted that IAS 21 refers to other Standards. To determine the date of the transaction, paragraph 22 of IAS 21 specifically requires an entity to refer to the recognition requirements of other Standards. Similarly, the exchange rate to use at the end of each subsequent reporting period for a non-monetary item depends upon the measurement basis (historical cost or fair value) of the carrying amount, as required by other Standards. However, having determined the date of initial recognition and the measurement basis in accordance with other Standards, IAS 21 is applied to determine which exchange rate should be used to translate those foreign currency items into an entity's functional currency.

BC8 The Interpretations Committee thinks that this provides a basis for interpreting IAS 21, without needing to interpret the recognition or measurement requirements of other Standards.

Scope

BC9 As an interpretation of IAS 21, the Interpretations Committee decided that the [draft] Interpretation should not be restricted to foreign currency revenue transactions, but should also apply to other foreign currency transactions that are similarly affected by the issue. This is because IAS 21 applies to all foreign currency transactions.

BC10 The Interpretations Committee noted that similar considerations arise when consideration denominated in a foreign currency is paid or received in advance in respect of other transactions. For example:

(a) purchases and sales of property, plant and equipment;

(d) purchases of intangible assets;

(e) purchases and sales of investment property;

(f) purchases of inventory;

(g) purchases of services;

(h) entering into lease contracts;

(i) on the receipt of some government grants; and

(j) prepayments of fees.

BC11 Although similar circumstances could arise in respect of insurance contracts and income taxes, the Interpretations Committee decided that the [draft] Interpretation need not apply to such transactions. This is to avoid any unintended consequences because:

(a) the foreign exchange implications of insurance contracts are being addressed as part of the International Accounting Standards Board's (IASB) project on Insurance Contracts; and

(b) of complexities in respect of income taxes due to the interplay with deferred tax.

BC12 The Interpretations Committee noted that the proposed Interpretation would not apply when the related (part of the) asset, expense or income is measured at fair value on initial recognition, such as (most) assets acquired and liabilities assumed in a business combination, goods received in a share-based payment transaction and financial instruments. This is because IAS 21 requires that when an item is measured at fair value and fair value is determined in a foreign currency, the foreign currency amount is translated using the spot exchange rate at that measurement date. The

Interpretations Committee also observed that because a financial instrument (and other transactions within the scope of IFRS 9 *Financial Instruments*) is treated as a single transaction from the inception of the contract (ie the financial instrument is initially recognised at the date the entity becomes a party to the contractual provisions of the instrument), the same issue does not arise in respect of such instruments.

BC13 Advance consideration may be denominated or priced in a foreign currency, but in a form other than cash. For example, an entity may receive equity shares or an item of inventory that is priced in a foreign currency in exchange for the provision of services. The Interpretations Committee observed that non-cash consideration is often recognised at fair value, for example, as required in IFRS 3 *Business Combinations*, IFRS 9, IFRS 10 *Consolidated Financial Statements* and IFRS 15. In such circumstances, if the related (asset, expense or income (or part of it) is measured on initial recognition on a basis that reflects the fair value of the non-cash consideration, and that fair value is determined in a foreign currency, the spot exchange rate at the date of fair value measurement is used to translate the item in accordance with IAS 21. However, if the item is not remeasured in the foreign currency after its initial recognition as a prepayment asset or a performance liability, or on recognition of the related asset, expense or income, the [draft] Interpretation is applicable.

BC14 An advance receipt or payment of consideration typically gives rise to a non-monetary performance liability or prepayment asset. However, the terms of the transaction could be such that the advance consideration is a monetary item instead of a non-monetary item. When the advance consideration gives rise to a monetary item, paragraphs 28–29 of IAS 21 require that an exchange difference is recognised in the income statement when there is a change in the exchange rate between the transaction date and the date of settlement of that asset or liability. Consequently, the issue about which exchange rate to use only arises when the advance consideration gives rise to the recognition of a non-monetary prepayment asset or of a non-monetary performance liability. Accordingly, the Interpretations Committee decided that the [draft] Interpretation should only deal with circumstances in which the advance consideration denominated or priced in a foreign currency gives rise to the recognition of a non-monetary item.

Consensus

BC15 Paragraph 22 of IAS 21 defines the date of the transaction for determining which exchange rate to use as 'the date that the transaction first qualifies for recognition in accordance with IFRSs'.

BC16 The Interpretations Committee observed that there are two ways of identifying 'the transaction' for the purposes of determining which exchange rate to use:

(a) the 'one-transaction' approach: entering into a contract, the receipt or payment of consideration and transferring the goods or services are all part of the same transaction. Thus, the date of the transaction is determined by the date on which the first element of the transaction qualifies for recognition in accordance with IFRS.

(b) the 'multi-transaction' approach: entering into a contract, the receipt or payment of consideration and transferring the goods or services are separate transactions, each of which will have its own date of the transaction when it first qualifies for recognition in accordance with IFRS.

BC17 The Interpretations Committee concluded that the one-transaction approach is a more appropriate interpretation of IAS 21 when the advance consideration gives rise to a non-monetary prepayment asset or performance liability because:

(a) it reflects that an entity is no longer exposed to foreign exchange risk in respect of the transaction once it has received or paid any advance consideration (ie after receipt, the entity can control whether or not to continue to hold the foreign currency consideration and be exposed to foreign exchange risk; and after an advance payment of foreign currency consideration, the entity is no longer exposed to foreign currency risk in respect of that purchase);

(a) the obligation to perform, reflected in the recognition of a performance liability, and the subsequent fulfilment of that obligation (which gives rise to income) are interdependent and are part of the same transaction;

(b) similarly, the right to future assets, goods or services, reflected in the recognition of a prepayment asset, and the subsequent fulfilment of those rights (which gives rise to the recognition of the asset or expense to which the prepayment relates) are inherently interdependent; and

(c) it is consistent with the treatment of performance liabilities and prepayment assets as non-monetary items because such items are not subsequently retranslated in accordance with IAS 21.

BC18 Furthermore, the Interpretations Committee concluded that for a transaction to ‘qualify for recognition in accordance with IFRSs’, the transaction must be recorded in the financial statements with a value. The Interpretations Committee observed that paragraph 4.46 of *The Conceptual Framework for Financial Reporting* notes that ‘in practice, obligations under contracts that are equally proportionately unperformed (for example, liabilities for inventory ordered but not yet received) are generally not recognised as liabilities in the financial statements’.

BC19 Consequently, the Interpretations Committee concluded that the earliest date on which the first element of the transaction is recognised in the financial statements with a value determines the date of the transaction, in accordance with paragraph 22 of IAS 21. If an entity recognises a non-monetary prepayment asset or a non-monetary performance liability, for example on the payment or receipt of advance consideration, that date of recognition of that prepayment asset or performance liability is the date of the transaction. However, if an entity does not recognise a prepayment asset or a performance liability because, for example, payment is in arrears, the date of the transaction is the date that the asset, expense or income is initially recognised.

Multiple payments for multiple goods or services recognised over time

BC20 The Interpretations Committee observed that if only part of the consideration is received or paid in advance, only part of the transaction has initially been recognised as a non-monetary prepayment asset or a non-monetary performance liability. Hence, the date of the transaction has been determined only for that part of the related asset, expense or income. If the remainder of the consideration is paid in arrears, the date of the transaction for the remaining portion of the related asset, expense or income will be the date(s) on which the remaining part(s) of the asset, expense or income is recognised in the financial statements. Consequently, the part of the related asset, expense or income that is recognised on fulfilment of the non-monetary prepayment asset or settlement of the non-monetary performance liability will be translated on initial recognition into the entity's functional currency using the spot exchange rate at the date of recognition of the prepayment or performance. The remaining part(s) of the asset, expense or income would be translated on initial recognition using the spot exchange rate at the date that part is recognised.

BC21 The Interpretations Committee thinks that this treatment reflects that an entity has no exchange risk in respect of the foreign currency amounts already paid or received but is still exposed to exchange risk in respect of the outstanding consideration. This treatment is also consistent with using the spot exchange rate at the date of recognition of the asset, expense or income when the payment or receipt of all the consideration is in arrears and the transaction is recognised over time, as the goods or services are transferred.

BC22 Consequently, the Interpretations Committee concluded that if the transaction is initially recognised in stages, the date of the transaction is also determined in stages.

BC23 For transactions that are recognised as assets, expenses or income at multiple points in time, or over time, it is necessary to determine which part of the asset, expense or income should be translated on initial recognition using the spot exchange rate on the date of recognition of the prepayment asset or performance liability. The Interpretations Committee noted that the prepayment asset or the performance liability is derecognised when the related (part of the) asset, expense or income is recognised, reflecting when the rights or obligations associated with the prepayment asset or performance liability are fulfilled. This pattern of derecognition and recognition determines the part of the related assets, income or expenses that is translated using the spot exchange rate on the date of the initial recognition of the non-monetary prepayment asset or non-monetary performance liability. This pattern is determined by IFRS, and is not affected by the denomination of the transaction in a foreign currency.

Transition

BC24 The Interpretations Committee observed that full retrospective application on transition to the [draft] Interpretation, in particular for foreign currency transactions involving purchases of assets, may be burdensome. Furthermore, entities may not have sufficient information to make a reliable restatement. Consequently, the Interpretations Committee decided that, on initial application, entities should have the option of relief from retrospectively restating all assets, expenses and income that were purchased or sold, incurred or earned before either the start of the current reporting period or the start of a prior reporting period which is presented in the first reporting period of application.

First-time adopters

BC25 The Interpretations Committee noted that if there are significant implications of the [draft] Interpretation for first-time adopters of IFRS, IFRS 1 *First-time adoption of International Financial Reporting Standards* already contains an election to measure an item of property, plant and equipment, investment property or intangible assets at fair value and uses that fair value as its deemed cost. The Interpretations Committee also observed that specific transition requirements in respect of the [draft] Interpretation are not needed for transactions recognised in the income statement. , This is because the consequence of applying the [draft] Interpretation to the IFRS amounts does not affect the net profit or loss for a period. Thus it will not affect the reconciliations of equity or total comprehensive income reported in accordance with a first-time adopter's previous GAAP to that reported in accordance with IFRS at the beginning of the earliest period for which the first-time adopter presents full comparative information under IFRS in its first IFRS financial statements. Consequently, the Interpretations Committee decided that no specific requirements or exemptions are needed for first-time adopters in respect of this [draft] Interpretation.