

**First-time Adoption of  
Financial Reporting Standards**

This Standard is applicable for annual reporting period beginning on  
1 January 2024.

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Financial Reporting Standard 101 *First-time Adoption of Financial Reporting Standards* (FRS 101) is set out in paragraphs 1–40 and Appendices A–E. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. FRS 101 should be read in the context of its objective, the *Preface to Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*. FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

# Financial Reporting Standard 101

## *First-time Adoption of Financial Reporting Standards*

### Objective

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- 1 The objective of this FRS is to ensure that an entity's *first FRS financial statements*, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:
- (a) is transparent for users and comparable over all periods presented;
  - (b) provides a suitable starting point for accounting in accordance with *Financial Reporting Standards (FRSs)*; and
  - (c) can be generated at a cost that does not exceed the benefits.

### Scope

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- 2 An entity shall apply this FRS in:
- (a) its first FRS financial statements; and
  - (b) each interim financial report, if any, that it presents in accordance with FRS 34 *Interim Financial Reporting* for part of the period covered by its first FRS financial statements.
- 3 An entity's first FRS financial statements are the first annual financial statements in which the entity adopts FRSs, by an explicit and unreserved statement in those financial statements of compliance with FRSs. Financial statements in accordance with FRSs are an entity's first FRS financial statements if, for example, the entity:
- (a) presented its most recent previous financial statements:
    - (i) in accordance with national requirements that are not consistent with FRSs in all respects;
    - (ii) in conformity with FRSs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with FRSs;
    - (iii) containing an explicit statement of compliance with some, but not all, FRSs;
    - (iv) in accordance with national requirements inconsistent with FRSs, using some individual FRSs to account for items for which national requirements did not exist; or
    - (v) in accordance with national requirements, with a reconciliation of some amounts to the amounts determined in accordance with FRSs;
  - (b) prepared financial statements in accordance with FRSs for internal use only, without making them available to the entity's owners or any other external users;
  - (c) prepared a reporting package in accordance with FRSs for consolidation purposes without preparing a complete set of financial statements as defined in FRS 1 *Presentation of Financial Statements* (as revised in 2008); or
  - (d) did not present financial statements for previous periods.

- 4 This FRS applies when an entity first adopts FRSs. It does not apply when, for example, an entity:
- (a) stops presenting financial statements in accordance with national requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with FRSs;
  - (b) presented financial statements in the previous year in accordance with national requirements and those financial statements contained an explicit and unreserved statement of compliance with FRSs; or
  - (c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with FRSs, even if the auditors qualified their audit report on those financial statements.
- 4A Notwithstanding the requirements in paragraphs 2 and 3, an entity that has applied FRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with FRSs, must either apply this FRS or else apply FRSs retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as if the entity had never stopped applying FRSs.
- 4B When an entity does not elect to apply this FRS in accordance with paragraph 4A, the entity shall nevertheless apply the disclosure requirements in paragraphs 23A–23B of FRS 101, in addition to the disclosure requirements in FRS 8.
- 5 This FRS does not apply to changes in accounting policies made by an entity that already applies FRSs. Such changes are the subject of:
- (a) requirements on changes in accounting policies in FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
  - (b) specific transitional requirements in other FRSs.

## **Recognition and measurement**

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### **Opening FRS statement of financial position**

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

### **Accounting policies**

- 7 **An entity shall use the same accounting policies in its opening FRS statement of financial position and throughout all periods presented in its first FRS financial statements. Those accounting policies shall comply with each FRS effective at the end of its first FRS reporting period, except as specified in paragraphs 13–19 and Appendices B–E.**
- 8 An entity shall not apply different versions of FRSs that were effective at earlier dates. An entity may apply a new FRS that is not yet mandatory if that FRS permits early application.

**Example: Consistent application of latest version of FRSs****Background**

The end of entity A's first FRS reporting period is 31 December 20X5. Entity A decides to present comparative information in those financial statements for one year only (see paragraph 21). Therefore, its date of transition to FRSs is the beginning of business on 1 January 20X4 (or, equivalently, close of business on 31 December 20X3). Entity A presented financial statements in accordance with its *previous GAAP* annually to 31 December each year up to, and including, 31 December 20X4.

**Application of requirements**

Entity A is required to apply the FRSs effective for periods ending on 31 December 20X5 in:

- (a) preparing and presenting its opening FRS statement of financial position at 1 January 20X4; and
- (b) preparing and presenting its statement of financial position for 31 December 20X5 (including comparative amounts for 20X4), statement of comprehensive income, statement of changes in equity and statement of cash flows for the year to 31 December 20X5 (including comparative amounts for 20X4) and disclosures (including comparative information for 20X4).

If a new FRS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that FRS in its first FRS financial statements.

- 9 The transitional provisions in other FRSs apply to changes in accounting policies made by an entity that already uses FRSs; they do not apply to a *first-time adopter's* transition to FRSs, except as specified in Appendices B–E.
- 10 Except as described in paragraphs 13–19 and Appendices B–E, an entity shall, in its opening FRS statement of financial position:
  - (a) recognise all assets and liabilities whose recognition is required by FRSs;
  - (b) not recognise items as assets or liabilities if FRSs do not permit such recognition;
  - (c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with FRSs; and
  - (d) apply FRSs in measuring all recognised assets and liabilities.
- 11 The accounting policies that an entity uses in its opening FRS statement of financial position may differ from those that it used for the same date using its previous GAAP. The resulting adjustments arise from events and transactions before the date of transition to FRSs. Therefore, an entity shall recognise those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to FRSs.
- 12 This FRS establishes two categories of exceptions to the principle that an entity's opening FRS statement of financial position shall comply with each FRS:
  - (a) paragraphs 14–17 and Appendix B prohibit retrospective application of some aspects of other FRSs.
  - (b) Appendices C–E grant exemptions from some requirements of other FRSs.

## Exceptions to the retrospective application of other FRSs

- 13 This FRS prohibits retrospective application of some aspects of other FRSs. These exceptions are set out in paragraphs 14–17 and Appendix B.

### Estimates

- 14 **An entity's estimates in accordance with FRSs at the date of transition to FRSs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.**
- 15 An entity may receive information after the date of transition to FRSs about estimates that it had made under previous GAAP. In accordance with paragraph 14, an entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with FRS 10 *Events after the Reporting Period*. For example, assume that an entity's date of transition to FRSs is 1 January 20X4 and new information on 15 July 20X4 requires the revision of an estimate made in accordance with previous GAAP at 31 December 20X3. The entity shall not reflect that new information in its opening FRS statement of financial position (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year ended 31 December 20X4.
- 16 An entity may need to make estimates in accordance with FRSs at the date of transition to FRSs that were not required at that date under previous GAAP. To achieve consistency with FRS 10, those estimates in accordance with FRSs shall reflect conditions that existed at the date of transition to FRSs. In particular, estimates at the date of transition to FRSs of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.
- 17 Paragraphs 14–16 apply to the opening FRS statement of financial position. They also apply to a comparative period presented in an entity's first FRS financial statements, in which case the references to the date of transition to FRSs are replaced by references to the end of that comparative period.

### Exemptions from other FRSs

- 18 An entity may elect to use one or more of the exemptions contained in Appendices C–E. An entity shall not apply these exemptions by analogy to other items.
- 19 [Deleted]

## Presentation and disclosure

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- 20 This FRS does not provide exemptions from the presentation and disclosure requirements in other FRSs.

### Comparative information

- 21 An entity's first FRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

## Non-FRS comparative information and historical summaries

- 22 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with FRSs. This FRS does not require such summaries to comply with the recognition and measurement requirements of FRSs. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by FRS 1. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:
- (a) label the previous GAAP information prominently as not being prepared in accordance with FRSs; and
  - (b) disclose the nature of the main adjustments that would make it comply with FRSs. An entity need not quantify those adjustments.

## Explanation of transition to FRSs

- 23 **An entity shall explain how the transition from previous GAAP to FRSs affected its reported financial position, financial performance and cash flows.**
- 23A An entity that has applied FRSs in a previous period, as described in paragraph 4A, shall disclose:
- (a) the reason it stopped applying FRSs; and
  - (b) the reason it is resuming the application of FRSs.
- 23B When an entity, in accordance with paragraph 4A, does not elect to apply FRS 101, the entity shall explain the reasons for electing to apply FRSs as if it had never stopped applying FRSs.

## Reconciliations

- 24 To comply with paragraph 23, an entity's first FRS financial statements shall include:
- (a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with FRSs for both of the following dates:
    - (i) the date of transition to FRSs; and
    - (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.
  - (b) a reconciliation to its total comprehensive income in accordance with FRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.
  - (c) if the entity recognised or reversed any impairment losses for the first time in preparing its opening FRS statement of financial position, the disclosures that FRS 36 *Impairment of Assets* would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to FRSs.
- 25 The reconciliations required by paragraph 24(a) and (b) shall give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If an entity presented a statement of cash flows under



its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.

- 26 If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.
- 27 FRS 8 does not apply to the changes in accounting policies an entity makes when it adopts FRSs or to changes in those policies until after it presents its first FRS financial statements. Therefore, FRS 8's requirements about changes in accounting policies do not apply in an entity's first FRS financial statements.
- 27A If during the period covered by its first FRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this FRS, it shall explain the changes between its first FRS interim financial report and its first FRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).
- 28 If an entity did not present financial statements for previous periods, its first FRS financial statements shall disclose that fact.

### **Designation of financial assets or financial liabilities**

- 29 An entity is permitted to designate a previously recognised financial asset as a financial asset measured at fair value through profit or loss in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets so designated at the date of designation and their classification and carrying amount in the previous financial statements.
- 29A An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.

### **Use of fair value as deemed cost**

- 30 If an entity uses fair value in its opening FRS statement of financial position as *deemed cost* for an item of property, plant and equipment, an investment property, an intangible asset or a right-of-use asset (see paragraphs D5 and D7), the entity's first FRS financial statements shall disclose, for each line item in the opening FRS statement of financial position:
- (a) the aggregate of those fair values; and
  - (b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

### **Use of deemed cost for investments in subsidiaries, joint ventures and associates**

- 31 Similarly, if an entity uses a deemed cost in its opening FRS statement of financial position for an investment in a subsidiary, joint venture or associate in its separate financial statements (see paragraph D15), the entity's first FRS separate financial statements shall disclose:
- (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;
  - (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and
  - (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

### **Use of deemed cost for oil and gas assets**

- 31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.

### **Use of deemed cost for operations subject to rate regulation**

- 31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.

### **Use of deemed cost after severe hyperinflation**

- 31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening FRS statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first FRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

### **Interim financial reports**

- 32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with FRS 34 for part of the period covered by its first FRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of FRS 34:

- (a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:
  - (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under FRSs at that date; and
  - (ii) a reconciliation to its total comprehensive income in accordance with FRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.
- (b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with FRS 34 for part of the period covered by its first FRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations.
- (c) If an entity changes its accounting policies or its use of the exemptions contained in this FRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).

- 33 FRS 34 requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, FRS 34 also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did

not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.

## Effective date

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- 34 An entity shall apply this FRS if its first FRS financial statements are for a period beginning on or after 1 July 2009. Earlier application is permitted.
- 35 An entity shall apply the amendments in paragraphs D1(n) and D23 for annual periods beginning on or after 1 July 2009. If an entity applies FRS 23 *Borrowing Costs* (as revised in 2007) for an earlier period, those amendments shall be applied for that earlier period.
- 36 FRS 103 *Business Combinations* (as revised in 2009) amended paragraphs 19, C1 and C4(f) and (g). If an entity applies FRS 103 (revised 2009) for an earlier period, the amendments shall also be applied for that earlier period.
- 37 FRS 27 *Consolidated and Separate Financial Statements* (as amended in 2009) amended paragraphs B1 and B7. If an entity applies FRS 27 (amended 2009) for an earlier period, the amendments shall be applied for that earlier period.
- 38 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to FRS 101 and FRS 27), issued in October 2008, added paragraphs 31, D1(g), D14 and D15. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the paragraphs for an earlier period, it shall disclose that fact.
- 39 Paragraph B7 was amended by *Improvements to FRSs* issued in October 2008. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies FRS 27 (amended 2009) for an earlier period, the amendments shall be applied for that earlier period.
- 39A *Additional Exemptions for First-time Adopters* (Amendments to FRS 101), issued in October 2009, added paragraphs 31A, D8A, D9A and D21A and amended paragraph D1(c), (d) and (l). An entity shall apply those amendments for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
- 39B [Not used]
- 39C INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments* added paragraph D25. An entity shall apply that amendment when it applies INT FRS 119.
- 39D [Deleted]
- 39E *Improvements to FRSs* issued in October 2010 added paragraphs 27A, 31B and D8B and amended paragraphs 27, 32, D1(c) and D8. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Entities that adopted FRSs in periods before the effective date of FRS 101 or applied FRS 101 in a previous period are permitted to apply the amendment to paragraph D8 retrospectively in the first annual period after the amendment is effective. An entity applying paragraph D8 retrospectively shall disclose that fact.
- 39F [Deleted]
- 39G [Not used]

- 39H *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to FRS 101), issued in March 2011, amended paragraphs B2, D1 and D20 and added paragraphs 31C and D26–D30. An entity shall apply those amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted.
- 39I FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, issued in September 2011, amended paragraphs 31, B7, C1, D1, D14 and D15 and added paragraph D31. An entity shall apply those amendments when it applies FRS 110 and FRS 111.
- 39J FRS 113 *Fair Value Measurement*, issued in September 2011, deleted paragraph 19, amended the definition of fair value in Appendix A and amended paragraphs D15 and D20. An entity shall apply those amendments when it applies FRS 113.
- 39K *Presentation of Items of Other Comprehensive Income* (Amendments to FRS 1), issued in September 2011, amended paragraph 21. An entity shall apply that amendment when it applies FRS 1 as amended in September 2011.
- 39L FRS 19 *Employee Benefits* (as amended in September 2011) amended paragraph D1 and deleted paragraphs D10 and D11. An entity shall apply those amendments when it applies FRS 19 (as amended in September 2011).
- 39M INT FRS 120 *Stripping Costs in the Production Phase of a Surface Mine* added paragraph D32 and amended paragraph D1. An entity shall apply that amendment when it applies INT FRS 120.
- 39N *Government Loans* (Amendments to FRS 101), issued in August 2012, added paragraphs B1(f) and B10–B12. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- 39O Paragraphs B10 and B11 refer to FRS 109. If an entity applies this FRS but does not yet apply FRS 109, the references in paragraphs B10 and B11 to FRS 109 shall be read as references to FRS 39 *Financial Instruments: Recognition and Measurement*.
- 39P *Improvements to FRSs*, issued in August 2012, added paragraphs 4A–4B and 23A–23B. An entity shall apply that amendment retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 39Q *Improvements to FRSs*, issued in August 2012, amended paragraph D23. An entity shall apply that amendment retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 39R *Improvements to FRSs*, issued in August 2012, amended paragraph 21. An entity shall apply that amendment retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 39S *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to FRS 110, FRS 111 and FRS 112), issued in September 2012, amended paragraph D31. An entity shall apply that amendment when it applies FRS 111 (as amended in September 2012).
- 39T *Investment Entities* (Amendments to FRS 110, FRS 112 and FRS 27), issued in January 2013, amended paragraphs D16, D17 and Appendix C. An entity shall apply those amendments for annual periods beginning on or after 1 January 2014. Earlier application of

*Investment Entities* is permitted. If an entity applies those amendments earlier it shall also apply all amendments included in *Investment Entities* at the same time.

- 39U [Not used]
- 39V FRS 114 *Regulatory Deferral Accounts*, issued in June 2014, amended paragraph D8B. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies FRS 114 for an earlier period, the amendment shall be applied for that earlier period.
- 39W *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to FRS 111), issued in October 2014, amended paragraph C5. An entity shall apply that amendment in annual periods beginning on or after 1 January 2016. If an entity applies related amendments to FRS 111 from *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to FRS 111) in an earlier period, the amendment to paragraph C5 shall be applied in that earlier period.
- 39X FRS 115 *Revenue from Contracts with Customers*, issued in November 2014, amended paragraph D1, deleted paragraph D24 and its related heading and added paragraphs D34–D35 and their related heading. An entity shall apply those amendments when it applies FRS 115.
- 39Y FRS 109 *Financial Instruments*, as issued in December 2014, amended paragraphs 29, B1–B6, D1, D14, D15, D19 and D20, and added paragraphs 29A, B8–B8G, B9, D19A–D19C, D33, E1 and E2<sup>1</sup>. An entity shall apply those amendments when it applies FRS 109.
- 39Z *Equity Method in Separate Financial Statements* (Amendments to FRS 27), issued in October 2014, amended paragraph D14 and added paragraph D15A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.
- 39AA [Deleted]
- 39AB FRS 116 *Leases*, issued in June 2016, amended paragraphs 30, C4, D1, D7, D8B and D9, deleted paragraph D9A and added paragraphs D9B–D9E. An entity shall apply those amendments when it applies FRS 116.
- 39AC INT FRS 122 *Foreign Currency Transactions and Advance Consideration* added paragraph D36 and amended paragraph D1. An entity shall apply that amendment when it applies INT FRS 122.
- 39AD *Improvements to FRSs*, issued in December 2016, amended paragraphs 39L and 39T and deleted paragraphs 39D, 39F, 39AA and E3–E7. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018.
- 39AE FRS 117 *Insurance Contracts*, issued in March 2018, amended paragraphs B1 and D1, deleted the heading before paragraph D4 and paragraph D4, and after paragraph B12 added a heading and paragraph B13. An entity shall apply those amendments when it applies FRS 117.
- 39AF INT FRS 123 *Uncertainty over Income Tax Treatments* added paragraph E8. An entity shall apply that amendment when it applies INT FRS 123.

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<sup>1</sup> FRS 109 also added paragraph 39O and replaced references to FRS 39 in paragraphs B10 and B11 with FRS 109.

- 39AG *Annual Improvements to FRSs 2018–2020*, issued in July 2020, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.
- 39AH *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued in September 2021, amended paragraph B1 and added paragraph B14. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

### **Withdrawal of FRS 101 (issued 2003)**

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- 40 This FRS supersedes FRS 101 (issued in 2003 and amended at October 2008).

## Appendix A

### Defined terms

*This appendix is an integral part of the FRS.*

<b>date of transition to FRSs</b>	The beginning of the earliest period for which an entity presents full comparative information under FRSs in its <b>first FRS financial statements</b> .
<b>deemed cost</b>	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.
<b>fair value</b>	<i>Fair value</i> is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See FRS 113 <i>Fair Value Measurement</i> .)
<b>first FRS financial statements</b>	The first annual financial statements in which an entity adopts <b>Financial Reporting Standards (FRSs)</b> , by an explicit and unreserved statement of compliance with FRSs.
<b>first FRS reporting period</b>	The latest reporting period covered by an entity's <b>first FRS financial statements</b> .
<b>first-time adopter</b>	An entity that presents its <b>first FRS financial statements</b> .
<b>Financial Reporting Standards (FRSs)</b>	Standards and Interpretations issued by the Accounting Standards Committee <sup>2</sup> . They comprise: <ul style="list-style-type: none"> <li>(a) Financial Reporting Standards;</li> <li>(b) Interpretations of Financial Reporting Standards.</li> </ul>
<b>opening FRS statement of financial position</b>	An entity's statement of financial position at the <b>date of transition to FRSs</b> .
<b>previous GAAP</b>	The basis of accounting that a <b>first-time adopter</b> used immediately before adopting FRSs.

<sup>2</sup> Pursuant to the Accountancy Functions (Consolidation) Act 2022, any accounting standards made or formulated or deemed to have been made or formulated, and any practice directions issued or deemed to have been issued, by the Accounting Standards Council before 1 April 2023, and which have not been revoked before that date, shall continue in force after that date as if made or formulated or issued by the Accounting Standards Committee after that date.

## Appendix B

### Exceptions to the retrospective application of other FRSs

*This appendix is an integral part of the FRS.*

- B1 An entity shall apply the following exceptions:
- (a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);
  - (b) hedge accounting (paragraphs B4–B6);
  - (c) non-controlling interests (paragraph B7);
  - (d) classification and measurement of financial instruments (paragraphs B8–B8C);
  - (e) impairment of financial assets (paragraphs B8D–B8G);
  - (f) embedded derivatives (paragraph B9);
  - (g) government loans (paragraphs B10–B12);
  - (h) insurance contracts (paragraph B13); and
  - (i) deferred tax related to leases and decommissioning, restoration and similar liabilities (paragraph B14).

### Derecognition of financial assets and financial liabilities

- B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in FRS 109 prospectively for transactions occurring on or after the date of transition to FRSs. For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date of transition to FRSs, it shall not recognise those assets and liabilities in accordance with FRSs (unless they qualify for recognition as a result of a later transaction or event).
- B3 Despite paragraph B2, an entity may apply the derecognition requirements in FRS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply FRS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

### Hedge accounting

- B4 As required by FRS 109, at the date of transition to FRSs, an entity shall:
- (a) measure all derivatives at fair value; and
  - (b) eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities.
- B5 An entity shall not reflect in its opening FRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with FRS 109 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with FRSs an individual item within that net position, or a net position if



that meets the requirements in paragraph 6.6.1 of FRS 109, provided that it does so no later than the date of transition to FRSs.

- B6 If, before the date of transition to FRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in FRS 109, the entity shall apply paragraphs 6.5.6 and 6.5.7 of FRS 109 to discontinue hedge accounting. Transactions entered into before the date of transition to FRSs shall not be retrospectively designated as hedges.

## Non-controlling interests

- B7 A first-time adopter shall apply the following requirements of FRS 110 prospectively from the date of transition to FRSs:
- (a) the requirement in paragraph B94 that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
  - (b) the requirements in paragraphs 23 and B96 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
  - (c) the requirements in paragraphs B97–B99 for accounting for a loss of control over a subsidiary, and the related requirements of paragraph 8A of FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*.

However, if a first-time adopter elects to apply FRS 103 retrospectively to past business combinations, it shall also apply FRS 110 in accordance with paragraph C1 of this FRS.

## Classification and measurement of financial instruments

- B8 An entity shall assess whether a financial asset meets the conditions in paragraph 4.1.2 of FRS 109 or the conditions in paragraph 4.1.2A of FRS 109 on the basis of the facts and circumstances that exist at the date of transition to FRSs.
- B8A If it is impracticable to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of FRS 109 on the basis of the facts and circumstances that exist at the date of transition to FRSs, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the date of transition to FRSs without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of FRS 109. (In this case, the entity shall also apply paragraph 42R of FRS 107 but references to 'paragraph 7.2.4 of FRS 109' shall be read to mean this paragraph and references to 'initial recognition of the financial asset' shall be read to mean 'at the date of transition to FRSs'.)
- B8B If it is impracticable to assess whether the fair value of a prepayment feature is insignificant in accordance with paragraph B4.1.12(c) of FRS 109 on the basis of the facts and circumstances that exist at the date of transition to FRSs, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the date of transition to FRSs without taking into account the exception for prepayment features in paragraph B4.1.12 of FRS 109. (In this case, the entity shall also apply paragraph 42S of FRS 107 but references to 'paragraph 7.2.5 of FRS 109' shall be read to mean this paragraph and references to 'initial recognition of the financial asset' shall be read to mean 'at the date of transition to FRSs'.)
- B8C If it is impracticable (as defined in FRS 8) for an entity to apply retrospectively the effective interest method in FRS 109, the fair value of the financial asset or the financial liability at the date of transition to FRSs shall be the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of transition to FRSs.

## Impairment of financial assets

- B8D An entity shall apply the impairment requirements in Section 5.5 of FRS 109 retrospectively subject to paragraphs B8E–B8G and E1–E2.
- B8E At the date of transition to FRSs, an entity shall use reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised (or for loan commitments and financial guarantee contracts the date that the entity became a party to the irrevocable commitment in accordance with paragraph 5.5.6 of FRS 109) and compare that to the credit risk at the date of transition to FRSs (also see paragraphs B7.2.2–B7.2.3 of FRS 109).
- B8F When determining whether there has been a significant increase in credit risk since initial recognition, an entity may apply:
- (a) the requirements in paragraph 5.5.10 and B5.5.22–B5.5.24 of FRS 109; and
  - (b) the rebuttable presumption in paragraph 5.5.11 of FRS 109 for contractual payments that are more than 30 days past due if an entity will apply the impairment requirements by identifying significant increases in credit risk since initial recognition for those financial instruments on the basis of past due information.
- B8G If, at the date of transition to FRSs, determining whether there has been a significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, an entity shall recognise a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised (unless that financial instrument is low credit risk at a reporting date, in which case paragraph B8F(a) applies).

## Embedded derivatives

- B9 A first-time adopter shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date it first became a party to the contract and the date a reassessment is required by paragraph B4.3.11 of FRS 109.

## Government loans

- B10 A first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with FRS 32 *Financial Instruments: Presentation*. Except as permitted by paragraph B11, a first-time adopter shall apply the requirements in FRS 109 *Financial Instruments* and FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to FRSs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with FRS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to FRSs as the carrying amount of the loan in the opening FRS statement of financial position. An entity shall apply FRS 109 to the measurement of such loans after the date of transition to FRSs.
- B11 Despite paragraph B10, an entity may apply the requirements in FRS 109 and FRS 20 retrospectively to any government loan originated before the date of transition to FRSs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.
- B12 The requirements and guidance in paragraphs B10 and B11 do not preclude an entity from being able to use the exemptions described in paragraphs D19–D19C relating to the designation of previously recognised financial instruments at fair value through profit or loss.

## **Insurance contracts**

- B13 An entity shall apply the transition provisions in paragraphs C1–C24 and C28 in Appendix C of FRS 117 to contracts within the scope of FRS 117. The references in those paragraphs in FRS 117 to the transition date shall be read as the date of transition to FRSs.

## **Deferred tax related to leases and decommissioning, restoration and similar liabilities**

- B14 Paragraphs 15 and 24 of FRS 12 *Income Taxes* exempt an entity from recognising a deferred tax asset or liability in particular circumstances. Despite this exemption, at the date of transition to FRSs, a first-time adopter shall recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:
- (a) right-of-use assets and lease liabilities; and
  - (b) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

## Appendix C

### Exemptions for business combinations

*This appendix is an integral part of the FRS. An entity shall apply the following requirements to business combinations that the entity recognised before the date of transition to FRSs. This Appendix should only be applied to business combinations within the scope of FRS 103 Business Combinations.*

- C1 A first-time adopter may elect not to apply FRS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to FRSs). However, if a first-time adopter restates any business combination to comply with FRS 103, it shall restate all later business combinations and shall also apply FRS 110 from that same date. For example, if a first-time adopter elects to restate a business combination that occurred on 30 June 20X6, it shall restate all business combinations that occurred between 30 June 20X6 and the date of transition to FRSs, and it shall also apply FRS 110 from 30 June 20X6.
- C2 An entity need not apply FRS 21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to FRSs. If the entity does not apply FRS 21 retrospectively to those fair value adjustments and goodwill, it shall treat them as assets and liabilities of the entity rather than as assets and liabilities of the acquiree. Therefore, those goodwill and fair value adjustments either are already expressed in the entity's functional currency or are non-monetary foreign currency items, which are reported using the exchange rate applied in accordance with previous GAAP.
- C3 An entity may apply FRS 21 retrospectively to fair value adjustments and goodwill arising in either:
- (a) all business combinations that occurred before the date of transition to FRSs; or
  - (b) all business combinations that the entity elects to restate to comply with FRS 103, as permitted by paragraph C1 above.
- C4 If a first-time adopter does not apply FRS 103 retrospectively to a past business combination, this has the following consequences for that business combination:
- (a) The first-time adopter shall keep the same classification (as an acquisition by the legal acquirer, a reverse acquisition by the legal acquiree, or a uniting of interests) as in its previous GAAP financial statements.
  - (b) The first-time adopter shall recognise all its assets and liabilities at the date of transition to FRSs that were acquired or assumed in a past business combination, other than:
    - (i) some financial assets and financial liabilities derecognised in accordance with previous GAAP (see paragraph B2); and
    - (ii) assets, including goodwill, and liabilities that were not recognised in the acquirer's consolidated statement of financial position in accordance with previous GAAP and also would not qualify for recognition in accordance with FRSs in the separate statement of financial position of the acquiree (see (f)–(i) below).

The first-time adopter shall recognise any resulting change by adjusting retained earnings (or, if appropriate, another category of equity), unless the change results from the recognition of an intangible asset that was previously subsumed within goodwill (see (g)(i) below).

- (c) The first-time adopter shall exclude from its opening FRS statement of financial position any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under FRSs. The first-time adopter shall account for the resulting change as follows:
- (i) the first-time adopter may have classified a past business combination as an acquisition and recognised as an intangible asset an item that does not qualify for recognition as an asset in accordance with FRS 38 *Intangible Assets*. It shall reclassify that item (and, if any, the related deferred tax and non-controlling interests) as part of goodwill (unless it deducted goodwill directly from equity in accordance with previous GAAP, see (g)(i) and (i) below).
  - (ii) the first-time adopter shall recognise all other resulting changes in retained earnings.<sup>3</sup>
- (d) FRSs require subsequent measurement of some assets and liabilities on a basis that is not based on original cost, such as fair value. The first-time adopter shall measure these assets and liabilities on that basis in its opening FRS statement of financial position, even if they were acquired or assumed in a past business combination. It shall recognise any resulting change in the carrying amount by adjusting retained earnings (or, if appropriate, another category of equity), rather than goodwill.
- (e) Immediately after the business combination, the carrying amount in accordance with previous GAAP of assets acquired and liabilities assumed in that business combination shall be their deemed cost in accordance with FRSs at that date. If FRSs require a cost-based measurement of those assets and liabilities at a later date, that deemed cost shall be the basis for cost-based depreciation or amortisation from the date of the business combination.
- (f) If an asset acquired, or liability assumed, in a past business combination was not recognised in accordance with previous GAAP, it does not have a deemed cost of zero in the opening FRS statement of financial position. Instead, the acquirer shall recognise and measure it in its consolidated statement of financial position on the basis that FRSs would require in the statement of financial position of the acquiree. To illustrate: if the acquirer had not, in accordance with its previous GAAP, capitalised leases acquired in a past business combination in which the acquiree was a lessee, it shall capitalise those leases in its consolidated financial statements, as FRS 116 *Leases* would require the acquiree to do in its FRS statement of financial position. Similarly, if the acquirer had not, in accordance with its previous GAAP, recognised a contingent liability that still exists at the date of transition to FRSs, the acquirer shall recognise that contingent liability at that date unless FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* would prohibit its recognition in the financial statements of the acquiree. Conversely, if an asset or liability was subsumed in goodwill in accordance with previous GAAP but would have been recognised separately under FRS 103, that asset or liability remains in goodwill unless FRSs would require its recognition in the financial statements of the acquiree.
- (g) The carrying amount of goodwill in the opening FRS statement of financial position shall be its carrying amount in accordance with previous GAAP at the date of transition to FRSs, after the following two adjustments:
- (i) If required by (c)(i) above, the first-time adopter shall increase the carrying amount of goodwill when it reclassifies an item that it recognised as an intangible asset in accordance with previous GAAP. Similarly, if (f) above requires the first-time adopter to recognise an intangible asset that was subsumed in recognised goodwill in accordance with previous GAAP, the first-

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<sup>3</sup> Such changes include reclassifications from or to intangible assets if goodwill was not recognised in accordance with previous GAAP as an asset. This arises if, in accordance with previous GAAP, the entity (a) deducted goodwill directly from equity or (b) did not treat the business combination as an acquisition.

time adopter shall decrease the carrying amount of goodwill accordingly (and, if applicable, adjust deferred tax and non-controlling interests).

- (ii) Regardless of whether there is any indication that the goodwill may be impaired, the first-time adopter shall apply FRS 36 in testing the goodwill for impairment at the date of transition to FRSs and in recognising any resulting impairment loss in retained earnings (or, if so required by FRS 36, in revaluation surplus). The impairment test shall be based on conditions at the date of transition to FRSs.
- (h) No other adjustments shall be made to the carrying amount of goodwill at the date of transition to FRSs. For example, the first-time adopter shall not restate the carrying amount of goodwill:
- (i) to exclude in-process research and development acquired in that business combination (unless the related intangible asset would qualify for recognition in accordance with FRS 38 in the statement of financial position of the acquiree);
  - (ii) to adjust previous amortisation of goodwill;
  - (iii) to reverse adjustments to goodwill that FRS 103 would not permit, but were made in accordance with previous GAAP because of adjustments to assets and liabilities between the date of the business combination and the date of transition to FRSs.
- (i) If the first-time adopter recognised goodwill in accordance with previous GAAP as a deduction from equity:
- (i) it shall not recognise that goodwill in its opening FRS statement of financial position. Furthermore, it shall not reclassify that goodwill to profit or loss if it disposes of the subsidiary or if the investment in the subsidiary becomes impaired.
  - (ii) adjustments resulting from the subsequent resolution of a contingency affecting the purchase consideration shall be recognised in retained earnings.
- (j) In accordance with its previous GAAP, the first-time adopter may not have consolidated a subsidiary acquired in a past business combination (for example, because the parent did not regard it as a subsidiary in accordance with previous GAAP or did not prepare consolidated financial statements). The first-time adopter shall adjust the carrying amounts of the subsidiary's assets and liabilities to the amounts that FRSs would require in the subsidiary's statement of financial position. The deemed cost of goodwill equals the difference at the date of transition to FRSs between:
- (i) the parent's interest in those adjusted carrying amounts; and
  - (ii) the cost in the parent's separate financial statements of its investment in the subsidiary.
- (k) The measurement of non-controlling interests and deferred tax follows from the measurement of other assets and liabilities. Therefore, the above adjustments to recognised assets and liabilities affect non-controlling interests and deferred tax.

C5 The exemption for past business combinations also applies to past acquisitions of investments in associates, interests in joint ventures and interests in joint operations in which the activity of the joint operation constitutes a business, as defined in FRS 103. Furthermore, the date selected for paragraph C1 applies equally for all such acquisitions.

## Appendix D

### Exemptions from other FRSs

*This appendix is an integral part of the FRS.*

- D1 An entity may elect to use one or more of the following exemptions:
- (a) share-based payment transactions (paragraphs D2 and D3);
  - (b) [deleted]
  - (c) deemed cost (paragraphs D5–D8B);
  - (d) leases (paragraphs D9 and D9B–D9E);
  - (e) [deleted];
  - (f) cumulative translation differences (paragraphs D12–D13A);
  - (g) investments in subsidiaries, joint ventures and associates (paragraphs D14–D15A);
  - (h) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs D16 and D17);
  - (i) compound financial instruments (paragraph D18);
  - (j) designation of previously recognised financial instruments (paragraphs D19–D19C);
  - (k) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph D20);
  - (l) decommissioning liabilities included in the cost of property, plant and equipment (paragraphs D21 and D21A);
  - (m) financial assets or intangible assets accounted for in accordance with INT FRS 112 *Service Concession Arrangements* (paragraph D22);
  - (n) borrowing costs (paragraph D23);
  - (o) [deleted];
  - (p) extinguishing financial liabilities with equity instruments (paragraph D25);
  - (q) severe hyperinflation (paragraphs D26–D30);
  - (r) joint arrangements (paragraph D31);
  - (s) stripping costs in the production phase of a surface mine (paragraph D32);
  - (t) designation of contracts to buy or sell a non-financial item (paragraph D33);
  - (u) revenue (paragraphs D34 and D35); and
  - (v) foreign currency transactions and advance consideration (paragraph D36).

An entity shall not apply these exemptions by analogy to other items.

## Share-based payment transactions

- D2 A first-time adopter is encouraged, but not required, to apply FRS 102 *Share-based Payment* to equity instruments that were granted on or before 22 November 2002. A first-time adopter is also encouraged, but not required, to apply FRS 102 to equity instruments that were granted after 22 November 2002 and vested before the later of (a) the date of transition to FRSs and (b) 1 January 2005. However, if a first-time adopter elects to apply FRS 102 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in FRS 102. For all grants of equity instruments to which FRS 102 has not been applied (eg equity instruments granted on or before 22 November 2002), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of FRS 102. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which FRS 102 has not been applied, the entity is not required to apply paragraphs 26–29 of FRS 102 if the modification occurred before the date of transition to FRSs.
- D3 A first-time adopter is encouraged, but not required, to apply FRS 102 to liabilities arising from share-based payment transactions that were settled before the date of transition to FRSs. A first-time adopter is also encouraged, but not required, to apply FRS 102 to liabilities that were settled before 1 January 2005. For liabilities to which FRS 102 is applied, a first-time adopter is not required to restate comparative information to the extent that the information relates to a period or date that is earlier than 22 November 2002.

D4 [Deleted]

## Deemed cost

- D5 An entity may elect to measure an item of property, plant and equipment at the date of transition to FRSs 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 FRSs 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 in accordance with FRSs, 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 FRS 40 *Investment Property*;
  - (aa) right-of-use assets (FRS 116 *Leases*); and
  - (b) intangible assets that meet:
    - (i) the recognition criteria in FRS 38 (including reliable measurement of original cost); and
    - (ii) the criteria in FRS 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 in accordance with 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.



- (a) If the measurement date is *at or before* the date of transition to FRSs, the entity may use such event-driven fair value measurements as deemed cost for FRSs at the date of that measurement.
- (b) If the measurement date is *after* the date of transition to FRSs, but during the period covered by the first FRS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to FRSs, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or measure assets and liabilities in accordance with the other requirements in this FRS.

D8A Under some national accounting requirements exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to FRSs on the following basis:

- (a) exploration and evaluation assets at the amount determined under the entity's previous GAAP; and
- (b) assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to FRSs in accordance with FRS 106 *Exploration for and Evaluation of Mineral Resources* or FRS 36 respectively and, if necessary, reduce the amount determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas.

D8B Some entities hold items of property, plant and equipment, right-of-use assets or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with FRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to FRSs as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to FRSs, an entity shall test for impairment in accordance with FRS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they are governed by a framework for establishing the prices that can be charged to customers for goods or services and that framework is subject to oversight and/or approval by a rate regulator (as defined in FRS 114 *Regulatory Deferral Accounts*).

## Leases

D9 A first-time adopter may assess whether a contract existing at the date of transition to FRSs contains a lease by applying paragraphs 9–11 of FRS 116 to those contracts on the basis of facts and circumstances existing at that date.

- D9A [Deleted]
- D9B When a first-time adopter that is a lessee recognises lease liabilities and right-of-use assets, it may apply the following approach to all of its leases (subject to the practical expedients described in paragraph D9D):
- (a) measure a lease liability at the date of transition to FRSs. A lessee following this approach shall measure that lease liability at the present value of the remaining lease payments (see paragraph D9E), discounted using the lessee's incremental borrowing rate (see paragraph D9E) at the date of transition to FRSs.
  - (b) measure a right-of-use asset at the date of transition to FRSs. The lessee shall choose, on a lease-by-lease basis, to measure that right-of-use asset at either:
    - (i) its carrying amount as if FRS 116 had been applied since the commencement date of the lease (see paragraph D9E), but discounted using the lessee's incremental borrowing rate at the date of transition to FRSs; or
    - (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to FRSs.
  - (c) apply FRS 36 to right-of-use assets at the date of transition to FRSs.
- D9C Notwithstanding the requirements in paragraph D9B, a first-time adopter that is a lessee shall measure the right-of-use asset at fair value at the date of transition to FRSs for leases that meet the definition of investment property in FRS 40 and are measured using the fair value model in FRS 40 from the date of transition to FRSs.
- D9D A first-time adopter that is a lessee may do one or more of the following at the date of transition to FRSs, applied on a lease-by-lease basis:
- (a) apply a single discount rate to a portfolio of leases with reasonably similar characteristics (for example, a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
  - (b) elect not to apply the requirements in paragraph D9B to leases for which the lease term (see paragraph D9E) ends within 12 months of the date of transition to FRSs. Instead, the entity shall account for (including disclosure of information about) these leases as if they were short-term leases accounted for in accordance with paragraph 6 of FRS 116.
  - (c) elect not to apply the requirements in paragraph D9B to leases for which the underlying asset is of low value (as described in paragraphs B3-B8 of FRS 116). Instead, the entity shall account for (including disclosure of information about) these leases in accordance with paragraph 6 of FRS 116.
  - (d) exclude initial direct costs (see paragraph D9E) from the measurement of the right-of-use asset at the date of transition to FRSs.
  - (e) use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- D9E Lease payments, lessee, lessee's incremental borrowing rate, commencement date of the lease, initial direct costs and lease term are defined terms in FRS 116 and are used in this Standard with the same meaning.

D10 [Deleted]

– D11

## Cumulative translation differences

- D12 FRS 21 requires an entity:
- (a) to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity; and
  - (b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.
- D13 However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to FRSs. If a first-time adopter uses this exemption:
- (a) the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to FRSs; and
  - (b) the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to FRSs and shall include later translation differences.
- D13A Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to FRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).

## Investments in subsidiaries, joint ventures and associates

- D14 When an entity prepares separate financial statements, FRS 27 requires it to account for its investments in subsidiaries, joint ventures and associates either:
- (a) at cost;
  - (b) in accordance with FRS 109; or
  - (c) using the equity method as described in FRS 28.
- D15 If a first-time adopter measures such an investment at cost in accordance with FRS 27, it shall measure that investment at one of the following amounts in its separate opening FRS statement of financial position:
- (a) cost determined in accordance with FRS 27; or
  - (b) deemed cost. The deemed cost of such an investment shall be its:
    - (i) fair value at the entity's date of transition to FRSs in its separate financial statements; or
    - (ii) previous GAAP carrying amount at that date.
- A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, joint venture or associate that it elects to measure using a deemed cost.

- D15A If a first-time adopter accounts for such an investment using the equity method procedures as described in FRS 28:
- (a) the first adopter applies the exemption for past business combinations (Appendix C) to the acquisition of the investment.
  - (b) If the entity becomes a first-time adopter for its separate financial statements earlier than for its consolidated financial statements, and
    - (i) later than its parent, the entity shall apply paragraph D16 in its separate financial statements.
    - (ii) later than its subsidiary, the entity shall apply paragraph D17 in its separate financial statements.

## **Assets and liabilities of subsidiaries, associates and joint ventures**

- D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:
- (a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to FRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary (this election is not available to a subsidiary of an investment entity, as defined in FRS 110, that is required to be measured at fair value through profit or loss); or
  - (b) the carrying amounts required by the rest of this FRS, based on the subsidiary's date of transition to FRSs. These carrying amounts could differ from those described in (a):
    - (i) when the exemptions in this FRS result in measurements that depend on the date of transition to FRSs.
    - (ii) when the accounting policies used in the subsidiary's financial statements differ from those in the consolidated financial statements. For example, the subsidiary may use as its accounting policy the cost model in FRS 16 *Property, Plant and Equipment*, whereas the group may use the revaluation model.

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

- D17 However, if an entity becomes a first-time adopter later than its subsidiary (or associate or joint venture) the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Notwithstanding this requirement, a non-investment entity parent shall not apply the exception to consolidation that is used by any investment entity subsidiaries. Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

## **Compound financial instruments**

- D18 FRS 32 *Financial Instruments: Presentation* requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of FRS 32 involves separating two portions

of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component. However, in accordance with this FRS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to FRSs.

## **Designation of previously recognised financial instruments**

- D19 FRS 109 permits a financial liability (provided it meets certain criteria) to be designated as a financial liability at fair value through profit or loss. Despite this requirement an entity is permitted to designate, at the date of transition to FRSs, any financial liability as at fair value through profit or loss provided the liability meets the criteria in paragraph 4.2.2 of FRS 109 at that date.
- D19A An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.1.5 of FRS 109 on the basis of the facts and circumstances that exist at the date of transition to FRSs.
- D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.7.5 of FRS 109 on the basis of the facts and circumstances that exist at the date of transition to FRSs.
- D19C For a financial liability that is designated as a financial liability at fair value through profit or loss, an entity shall determine whether the treatment in paragraph 5.7.7 of FRS 109 would create an accounting mismatch in profit or loss on the basis of the facts and circumstances that exist at the date of transition to FRSs.

## **Fair value measurement of financial assets or financial liabilities at initial recognition**

- D20 Despite the requirements of paragraphs 7 and 9, an entity may apply the requirements in paragraph B5.1.2A(b) of FRS 109 prospectively to transactions entered into on or after the date of transition to FRSs.

## **Decommissioning liabilities included in the cost of property, plant and equipment**

- D21 INT FRS 101 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to FRSs. If a first-time adopter uses this exemption, it shall:
- (a) measure the liability as at the date of transition to FRSs in accordance with FRS 37;
  - (b) to the extent that the liability is within the scope of INT FRS 101, estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and
  - (c) calculate the accumulated depreciation on that amount, as at the date of transition to FRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with FRSs.
- D21A An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centres that include all properties in

a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or INT FRS 101:

- (a) measure decommissioning, restoration and similar liabilities as at the date of transition to FRSs in accordance with FRS 37; and
- (b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to FRSs determined under the entity's previous GAAP.

## **Financial assets or intangible assets accounted for in accordance with INT FRS 112**

D22 A first-time adopter may apply the transitional provisions in INT FRS 112.

### **Borrowing costs**

D23 A first-time adopter can elect to apply the requirements of FRS 23 from the date of transition or from an earlier date as permitted by paragraph 28 of FRS 23. From the date on which an entity that applies this exemption begins to apply FRS 23, the entity:

- (a) shall not restate the borrowing cost component that was capitalised under previous GAAP and that was included in the carrying amount of assets at that date; and
- (b) shall account for borrowing costs incurred on or after that date in accordance with FRS 23, including those borrowing costs incurred on or after that date on qualifying assets already under construction.

D24 [Deleted]

### **Extinguishing financial liabilities with equity instruments**

D25 A first-time adopter may apply the transitional provisions in INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*.

### **Severe hyperinflation**

D26 If an entity has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of transition to FRSs. This applies to entities that are adopting FRSs for the first time, as well as entities that have previously applied FRSs.

D27 The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

D28 The functional currency of an entity ceases to be subject to severe hyperinflation on the functional currency normalisation date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph D27, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.

D29 When an entity's date of transition to FRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the

functional currency normalisation date at fair value on the date of transition to FRSs. The entity may use that fair value as the deemed cost of those assets and liabilities in the opening FRS statement of financial position.

- D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of FRS 1) is provided for that shorter period.

### **Joint arrangements**

- D31 A first-time adopter may apply the transition provisions in FRS 111 with the following exceptions:
- (a) When applying the transition provisions in FRS 111, a first-time adopter shall apply these provisions at the date of transition to FRS.
  - (b) When changing from proportionate consolidation to the equity method, a first-time adopter shall test for impairment the investment in accordance with FRS 36 as at the date of transition to FRS, regardless of whether there is any indication that the investment may be impaired. Any resulting impairment shall be recognised as an adjustment to retained earnings at the date of transition to FRS.

### **Stripping costs in the production phase of a surface mine**

- D32 A first-time adopter may apply the transitional provisions set out in paragraphs A1 to A4 of INT FRS 120 *Stripping Costs in the Production Phase of a Surface Mine*. In that paragraph, reference to the effective date shall be interpreted as 1 January 2013 or the beginning of the first FRS reporting period, whichever is later.

### **Designation of contracts to buy or sell a non-financial item**

- D33 FRS 109 permits some contracts to buy or sell a non-financial item to be designated at inception as measured at fair value through profit or loss (see paragraph 2.5 of FRS 109). Despite this requirement an entity is permitted to designate, at the date of transition to FRSs, contracts that already exist on that date as measured at fair value through profit or loss but only if they meet the requirements of paragraph 2.5 of FRS 109 at that date and the entity designates all similar contracts.

### **Revenue**

- D34 A first-time adopter may apply the transition provisions in paragraph C5 of FRS 115. In those paragraphs references to the 'date of initial application' shall be interpreted as the beginning of the first FRS reporting period. If a first-time adopter decides to apply those transition provisions, it shall also apply paragraph C6 of FRS 115.
- D35 A first-time adopter is not required to restate contracts that were completed before the earliest period presented. A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with previous GAAP.

### **Foreign currency transactions and advance consideration**

- D36 A first-time adopter need not apply INT FRS 122 *Foreign Currency Transactions and Advance Consideration* to assets, expenses and income in the scope of that Interpretation initially recognised before the date of transition to FRS Standards.

## Appendix E

### Short-term exemptions from FRSs

*This appendix is an integral part of the FRS.*

#### Exemption from the requirement to restate comparative information for FRS 109

- E1 If an entity's first FRS reporting period begins before 1 January 2019 and the entity applies FRS 109, the comparative information in the entity's first FRS financial statements need not comply with FRS 107 *Financial Instruments: Disclosures* or FRS 109, to the extent that the disclosures required by FRS 107 relate to items within the scope of FRS 109. For such entities, references to the 'date of transition to FRSs' shall mean, in the case of FRS 107 and FRS 109 only, the beginning of the first FRS reporting period.
- E2 An entity that chooses to present comparative information that does not comply with FRS 107 and FRS 109 in its first year of transition shall:
- (a) apply the requirements of its previous GAAP in place of the requirements of FRS 109 to comparative information about items within the scope of FRS 109.
  - (b) disclose this fact together with the basis used to prepare this information.
  - (c) treat any adjustment between the statement of financial position at the comparative period's reporting date (ie the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the first FRS reporting period (ie the first period that includes information that complies with FRS 107 and FRS 109) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of FRS 8. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.
  - (d) apply paragraph 17(c) of FRS 1 to provide additional disclosures when compliance with the specific requirements in FRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- E3 [Deleted]  
– E7

#### Uncertainty over income tax treatments

- E8 A first-time adopter whose date of transition to FRSs is before 1 July 2017 may elect not to reflect the application of INT FRS 123 *Uncertainty over Income Tax Treatments* in comparative information in its first FRS financial statements. An entity that makes that election shall recognise the cumulative effect of applying INT FRS 123 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of its first FRS reporting period.



## Table of Concordance

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This table shows how the contents of the superseded version of FRS 101 and the revised version of FRS 101 correspond.

Superseded FRS 101 paragraph	Revised FRS 101 paragraph
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	D1
14	19
15	None
16	D5
17	D6
18	D7
19	D8
20	D10
20A	D11
21	D12
22	D13
23	D18
23A	D14
23B	D15
24	D16
25	D17
25A	D19
25B	D2
25C	D3
25D	D4
25E	D21
25F	D9
25G	D20

## FRS 101

<b>Superseded FRS 101 paragraph</b>	<b>Revised FRS 101 paragraph</b>
25H	D22
25I	D23
26	B1
27	B2
27A	B3
28	B4
29	B5
30	B6
31	14
32	15
33	16
34	17
34A	None
34B	None
34C	B7
35	20
36	21
36A	None
36B	None
36C	None
37	22
38	23
39	24
40	25
41	26
42	27
43	28
43A	29
44	30
44A	31
45	32
46	33
47	34
47A	None
47B	None
47C	None
47D	None
47E	None

## FRS 101

<b>Superseded FRS 101 paragraph</b>	<b>Revised FRS 101 paragraph</b>
47F	None
47G	35
47H	None
47I	36
47J	37
47K	38
47L	39
Appendix A	Appendix A
Appendix B	Appendix C
None	13, 18, 40