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**INTERPRETATION OF  
FINANCIAL  
REPORTING STANDARD**

**INT FRS 101**

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**Changes in Existing Decommissioning,  
Restoration and Similar Liabilities**

This Interpretation is applicable for annual reporting period beginning on  
1 January 2023.

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	<i>from paragraph</i>
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Interpretation of Financial Reporting Standard 101 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* (INT FRS 101) is set out in paragraphs 1–10 and the Appendix. INT FRS 101 is accompanied by illustrative examples. The scope and authority of Interpretations are set out in the *Preface to Financial Reporting Standards*.

# Interpretation of Financial Reporting Standard 101

## *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

### References

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- FRS 1 *Presentation of Financial Statements* (as revised in 2008)
- FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- FRS 16 *Property, Plant and Equipment* (as revised in 2004)
- FRS 23 *Borrowing Costs*
- FRS 36 *Impairment of Assets* (as revised in 2004)
- FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- FRS 116 *Leases*

### Background

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- 1 Many entities have obligations to dismantle, remove and restore items of property, plant and equipment. In this Interpretation such obligations are referred to as 'decommissioning, restoration and similar liabilities'. Under FRS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. FRS 37 contains requirements on how to measure decommissioning, restoration and similar liabilities. This Interpretation provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities.

### Scope

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- 2 This Interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:
- (a) recognised as part of the cost of an item of property, plant and equipment in accordance with FRS 16 or as part of the cost of a right-of-use asset in accordance with FRS 116; and
  - (b) recognised as a liability in accordance with FRS 37.

For example, a decommissioning, restoration or similar liability may exist for decommissioning a plant, rehabilitating environmental damage in extractive industries, or removing equipment.

### Issue

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- 3 This Interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:
- (a) a change in the estimated outflow of resources embodying economic benefits (eg cash flows) required to settle the obligation;

- (b) a change in the current market-based discount rate as defined in paragraph 47 of FRS 37 (this includes changes in the time value of money and the risks specific to the liability); and
- (c) an increase that reflects the passage of time (also referred to as the unwinding of the discount).

## Consensus

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- 4 Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with paragraphs 5–7 below.
- 5 If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.
  - (b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.
  - (c) if the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss, in accordance with FRS 36.
- 6 If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
    - (i) a decrease in the liability shall (subject to (b)) be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;
    - (ii) an increase in the liability shall be recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
  - (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss.
  - (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation shall be taken into account in determining the amounts to be recognised in profit or loss or in other comprehensive income under (a). If a revaluation is necessary, all assets of that class shall be revalued.
  - (d) FRS 1 requires disclosure in the statement of comprehensive income of each component of other comprehensive income or expense. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability shall be separately identified and disclosed as such.

- 7 The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability shall be recognised in profit or loss as they occur. This applies under both the cost model and the revaluation model.
- 8 The periodic unwinding of the discount shall be recognised in profit or loss as a finance cost as it occurs. Capitalisation under FRS 23 is not permitted.

## **Effective date**

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- 9 An entity shall apply this Interpretation for annual periods beginning on or after 1 September 2004. Earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 September 2004, it shall disclose that fact.
- 9A FRS 1 (as revised in 2008) amended the terminology used throughout FRSs. In addition it amended paragraph 6. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies FRS 1 (revised 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 9B FRS 116, issued in June 2016, amended paragraph 2. An entity shall apply that amendment when it applies FRS 116.

## **Transition**

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- 10 Changes in accounting policies shall be accounted for according to the requirements of FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.<sup>1</sup>

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<sup>1</sup> If an entity applies this Interpretation for a period beginning before 1 January 2005, the entity shall follow the requirements of the previous version of FRS 8, which was entitled *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*, unless the entity is applying the revised version of that Standard for that earlier period.

## **Appendix**

### **Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards***

*The amendments in this appendix shall be applied for annual periods beginning on or after 1 September 2004. If an entity applies this Interpretation for an earlier period, these amendments shall be applied for that earlier period.*

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*The amendments contained in this appendix when this Interpretation was issued in 2004 have been incorporated into FRS 101 as issued on and after 31 August 2004. In June 2009 a revised version of FRS 101 was issued.*