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**SINGAPORE FINANCIAL REPORTING STANDARDS  
(INTERNATIONAL)**

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**SFRS(I) INT 1  
Changes in Existing Decommissioning, Restoration and  
Similar Liabilities**

This Interpretation is applicable for annual reporting period beginning on  
1 January 2022.

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*from paragraph*

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## SFRS(I) INT 1

SFRS(I) Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* (SFRS(I) INT 1) is set out in paragraphs 1–10 and the Appendix. SFRS(I) INT 1 is accompanied by illustrative examples, and should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

## Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable<sup>1</sup>. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s<sup>2</sup> shall:

- (A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and
- (B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* is equivalent to IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. An entity that complies with SFRS(I) INT 1 can simultaneously comply with IFRIC 1.

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1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

# SFRS(I) Interpretation 1

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

### References

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

### 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 SFRS(I) 1-16, 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. SFRS(I) 1-37 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 SFRS(I) 1-16 or as part of the cost of a right-of-use asset in accordance with SFRS(I) 16; and
  - (b) recognised as a liability in accordance with SFRS(I) 1-37.

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 SFRS(I) 1-37 (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 SFRS(I) 1-36.
- 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) SFRS(I) 1-1 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 SFRS(I) 1-23 is not permitted.

## Effective date

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- IFRS. An entity shall apply [IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar*  
9 *Liabilities* (issued by IASB in May 2004)] 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.
- IFRS. IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it  
9A amended paragraph 6. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.
- 9B SFRS(I) 16 *Leases* [IFRS 16 *Leases*, issued by IASB in January 2016] amended paragraph 2. An entity shall apply that amendment when it applies SFRS(I) 16.

## Transition

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

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IFRS.1 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 IAS 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 other standards**

*[Not used]*