

First-time Adoption of Australian Accounting Standards



Australian Government

**Australian Accounting
Standards Board**

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ISSN 1036-4803

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Australian Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* is set out in paragraphs 1 – Aus40.2 and Appendices A – F. 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. AASB 1 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Comparison with IFRS 1

AASB 1 *First-time Adoption of Australian Accounting Standards* incorporates IFRS 1 *First-time Adoption of International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in IFRS 1) are identified with the prefix “Aus” or “RDR”. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB 1 also comply with IFRS 1.

Not-for-profit entities’ compliance with IFRS 1 will depend on whether any “Aus” paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with IFRS 1.

Tier 2

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) will not be in compliance with IFRSs.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

Accounting Standard AASB 1

The Australian Accounting Standards Board makes Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* under section 334 of the *Corporations Act 2001*.

Dated 24 July 2015

Kris Peach
Chair – AASB

Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards*

Objective

- 1 The objective of this Standard is to ensure that an entity's *first Australian-Accounting-Standards 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 Australian Accounting Standards¹; and
 - (c) can be generated at a cost that does not exceed the benefits.

Scope

- 2 An entity shall apply this Standard in:
- (a) its first Australian-Accounting-Standards financial statements; and
 - (b) each interim financial report, if any, that it presents in accordance with AASB 134 *Interim Financial Reporting* for part of the period covered by its first Australian-Accounting-Standards financial statements.
- 3 An entity's first Australian-Accounting-Standards financial statements are the first annual financial statements in which the entity adopts Australian Accounting Standards, by an explicit and unreserved statement in those financial statements of compliance with Australian Accounting Standards. Financial statements in accordance with Australian Accounting Standards are an entity's first Australian-Accounting-Standards 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 Australian Accounting Standards or *International Financial Reporting Standards (IFRSs)* in all respects;
 - (ii) in conformity with Australian Accounting Standards or IFRSs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with Australian Accounting Standards or IFRSs;
 - (iii) containing an explicit statement of compliance with some, but not all, Australian Accounting Standards or IFRSs;
 - (iv) in accordance with national requirements inconsistent with Australian Accounting Standards or IFRSs, using some individual Australian Accounting Standards or IFRSs 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 Australian Accounting Standards or IFRSs;

1 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – Reduced Disclosure Requirements, which some entities are permitted to apply in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards* in preparing general purpose financial statements.

- (b) prepared financial statements in accordance with Australian Accounting Standards or IFRSs 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 Australian Accounting Standards or IFRSs for consolidation purposes without preparing a complete set of financial statements as defined in AASB 101 *Presentation of Financial Statements* (as revised in 2007); or
 - (d) did not present financial statements for previous periods.
- Aus3.1 [Deleted by the AASB]
- Aus3.2 In rare circumstances, a not-for-profit public sector entity may experience extreme difficulties in complying with the requirements of certain Australian Accounting Standards due to information deficiencies that have caused the entity to state non-compliance with *previous GAAP*. In these cases, the conditions specified in paragraph 3 for the application of this Standard are taken to be satisfied provided the entity:
- (a) discloses in its first Australian-Accounting-Standards financial statements:
 - (i) an explanation of information deficiencies and its strategy for rectifying those deficiencies; and
 - (ii) the Australian Accounting Standards that have not been complied with; and
 - (b) makes an explicit and unreserved statement of compliance with other Australian Accounting Standards for which there are no information deficiencies.
- 4 This Standard applies when an entity first adopts Australian Accounting Standards. 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 Australian Accounting Standards or IFRSs;
 - (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 Australian Accounting Standards or IFRSs; or
 - (c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with Australian Accounting Standards or IFRSs, 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 Australian Accounting Standards or IFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with Australian Accounting Standards or IFRSs, must either apply this Standard or else apply Australian Accounting Standards retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as if the entity had never stopped applying Australian Accounting Standards or IFRSs.
- 4B When an entity does not elect to apply this Standard in accordance with paragraph 4A, the entity shall nevertheless apply the disclosure requirements in paragraphs 23A–23B of AASB 1, in addition to the disclosure requirements in AASB 108.
- 5 This Standard does not apply to changes in accounting policies made by an entity that already applies Australian Accounting Standards. Such changes are the subject of:
- (a) requirements on changes in accounting policies in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
 - (b) specific transitional requirements in other Australian Accounting Standards.

Recognition and measurement

Opening Australian-Accounting-Standards statement of financial position

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

Accounting policies

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

Example: Consistent application of latest version of Australian Accounting Standards

Background

The end of entity A's first Australian-Accounting-Standards 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 Australian Accounting Standards 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 Australian Accounting Standards effective for periods ending on 31 December 20X5 in:

- (a) preparing and presenting its opening Australian-Accounting-Standards 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 Standard is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that Standard in its first Australian-Accounting-Standards financial statements.

- 9 The transitional provisions in other Australian Accounting Standards apply to changes in accounting policies made by an entity that already uses Australian Accounting Standards; they do not apply to a *first-time adopter's* transition to Australian Accounting Standards, 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 Australian-Accounting-Standards statement of financial position:
- (a) recognise all assets and liabilities whose recognition is required by Australian Accounting Standards;
 - (b) not recognise items as assets or liabilities if Australian Accounting Standards 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 Australian Accounting Standards; and
 - (d) apply Australian Accounting Standards in measuring all recognised assets and liabilities.
- 11 The accounting policies that an entity uses in its opening Australian-Accounting-Standards 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 Australian Accounting Standards. Therefore, an entity shall recognise those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to Australian Accounting Standards.
- 12 This Standard establishes two categories of exceptions to the principle that an entity's opening Australian-Accounting-Standards statement of financial position shall comply with each Australian Accounting Standard:

- (a) paragraphs 14–17 and Appendix B prohibit retrospective application of some aspects of other Australian Accounting Standards.
- (b) Appendices C–E grant exemptions from some requirements of other Australian Accounting Standards.

Exceptions to the retrospective application of other Australian Accounting Standards

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

Estimates

- 14 **An entity’s estimates in accordance with Australian Accounting Standards at the date of transition to Australian Accounting Standards 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 Australian Accounting Standards 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 AASB 110 *Events after the Reporting Period*. For example, assume that an entity’s date of transition to Australian Accounting Standards 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 Australian-Accounting-Standards 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 Australian Accounting Standards at the date of transition to Australian Accounting Standards that were not required at that date under previous GAAP. To achieve consistency with AASB 110, those estimates in accordance with Australian Accounting Standards shall reflect conditions that existed at the date of transition to Australian Accounting Standards. In particular, estimates at the date of transition to Australian Accounting Standards of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.
- 17 Paragraphs 14–16 apply to the opening Australian-Accounting-Standards statement of financial position. They also apply to a comparative period presented in an entity’s first Australian-Accounting-Standards financial statements, in which case the references to the date of transition to Australian Accounting Standards are replaced by references to the end of that comparative period.

Exemptions from other Australian Accounting Standards

- 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

- 20 This Standard does not provide exemptions from the presentation and disclosure requirements in other Australian Accounting Standards.

Comparative information

- 21 An entity’s first Australian-Accounting-Standards 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-Australian-Accounting-Standards 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 Australian Accounting Standards. This Standard does not require such summaries to comply with the recognition and measurement requirements of Australian Accounting Standards. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by AASB 101. 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 Australian Accounting Standards; and
 - (b) disclose the nature of the main adjustments that would make it comply with Australian Accounting Standards. An entity need not quantify those adjustments.

Explanation of transition to Australian Accounting Standards

- 23 **An entity shall explain how the transition from previous GAAP to Australian Accounting Standards affected its reported financial position, financial performance and cash flows.**
- 23A An entity that has applied Australian Accounting Standards or IFRSs in a previous period, as described in paragraph 4A, shall disclose:
- (a) the reason it stopped applying Australian Accounting Standards or IFRSs; and
 - (b) the reason it is resuming or commencing the application of Australian Accounting Standards.
- 23B When an entity, in accordance with paragraph 4A, does not elect to apply AASB 1, the entity shall explain the reasons for electing to apply Australian Accounting Standards as if it had never stopped applying Australian Accounting Standards or IFRSs.

Reconciliations

- 24 **To comply with paragraph 23**, an entity's first Australian-Accounting-Standards financial statements shall include:
- (a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Australian Accounting Standards for both of the following dates:
 - (i) the date of transition to Australian Accounting Standards; 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 Australian Accounting Standards 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 Australian-Accounting-Standards statement of financial position, the disclosures that AASB 136 *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 Australian Accounting Standards.
- 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 AASB 108 does not apply to the changes in accounting policies an entity makes when it adopts Australian Accounting Standards or to changes in those policies until after it presents its first Australian-Accounting-Standards financial statements. Therefore, AASB 108's requirements about changes in accounting policies do not apply in an entity's first Australian-Accounting-Standards financial statements.

- 27A If during the period covered by its first Australian-Accounting-Standards financial statements an entity changes its accounting policies or its use of the exemptions contained in this Standard, it shall explain the changes between its first Australian-Accounting-Standards interim financial report and its first Australian-Accounting-Standards 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 Australian-Accounting-Standards 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 Australian-Accounting-Standards statement of financial position as *deemed cost* for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs D5 and D7), the entity's first Australian-Accounting-Standards financial statements shall disclose, for each line item in the opening Australian-Accounting-Standards 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 Australian-Accounting-Standards 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 Australian-Accounting-Standards 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 Australian-Accounting-Standards statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first Australian-Accounting-Standards 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 AASB 134 for part of the period covered by its first Australian-Accounting-Standards financial statements, the entity shall satisfy the following requirements in addition to the requirements of AASB 134:
- (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 Australian Accounting Standards at that date; and
 - (ii) a reconciliation to its total comprehensive income in accordance with Australian Accounting Standards 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 AASB 134 for part of the period covered by its first Australian-Accounting-Standards 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 Standard, 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 AASB 134 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, AASB 134 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

- 34 An entity shall apply this Standard if its first Australian-Accounting-Standards financial statements are for a period beginning on or after 1 January 2018. Earlier application is permitted for periods beginning after 24 July 2014 but before 1 January 2018.
- 35–
39A [Deleted by the AASB]
- 39B [Deleted]
- 39C–
39F [Deleted by the AASB]
- 39G [Deleted]
- 39H–
39N [Deleted by the AASB]
- 39O Paragraphs B10 and B11 refer to AASB 9. If an entity applies this Standard but does not yet apply AASB 9, the references in paragraphs B10 and B11 to AASB 9 shall be read as references to AASB 139 *Financial Instruments: Recognition and Measurement*.
- 39P–
39T [Deleted by the AASB]
- 39U [Deleted]
- 39V AASB 2014-1 *Amendments to Australian Accounting Standards*, issued in June 2014, amended paragraph D8B in the previous version of this Standard. An entity shall apply that amendment for annual periods

beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies AASB 14 for an earlier period, the amendment shall be applied for that earlier period.

- 39W AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*, issued in August 2014, amended paragraph C5 in the previous version of this Standard. An entity shall apply that amendment in annual periods beginning on or after 1 January 2016. If an entity applies related amendments to AASB 11 from AASB 2014-3 in an earlier period, the amendment to paragraph C5 shall be applied in that earlier period.
- 39X AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended the previous version of this Standard as follows: 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 AASB 15.
- 39Y AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (as amended), AASB 2014-1 *Amendments to Australian Accounting Standards* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* amended the previous version of this Standard as follows: amended paragraphs 29, B1–B6, D1, D14, D19 and D20, deleted paragraph 39B and added paragraphs 29A, B8–B8G, B9, D19A–D19C, D33, E1 and E2. Paragraph 39G, added by AASB 2010-7, was deleted by AASB 2014-1. Paragraph 39U, added by AASB 2014-1, was deleted by AASB 2014-7. An entity shall apply those amendments when it applies AASB 9.
- 39Z AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*, issued in December 2014, amended the previous version of this Standard as follows: 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 AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*, issued in January 2015, added paragraph E4A in the previous version of this Standard. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Withdrawal of IFRS 1 (issued 2003)

40 [Deleted by the AASB]

Commencement of the legislative instrument

Aus40.1 For legal purposes, this legislative instrument commences on 31 December 2017.

Withdrawal of AASB pronouncements

Aus40.2 This Standard repeals AASB 1 *First-time Adoption of Australian Accounting Standards* issued in May 2009. Despite the repeal, after the time this Standard starts to apply under section 334 of the Corporations Act (either generally or in relation to an individual entity), the repealed Standard continues to apply in relation to any period ending before that time as if the repeal had not occurred.

[Note: When this Standard applies under section 334 of the Corporations Act (either generally or in relation to an individual entity), it supersedes the application of the repealed Standard.]

Appendix A Defined terms

This appendix is an integral part of the Standard.

date of transition to Australian Accounting Standards	The beginning of the earliest period for which an entity presents full comparative information under Australian Accounting Standards in its first Australian-Accounting-Standards financial statements .
deemed cost	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.
fair value	<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 AASB 13.)
first Australian-Accounting-Standards financial statements	The first annual financial statements in which an entity adopts Australian Accounting Standards, by an explicit and unreserved statement of compliance with Australian Accounting Standards.
first Australian-Accounting-Standards reporting period	The latest reporting period covered by an entity's first Australian-Accounting-Standards financial statements .
first-time adopter	An entity that presents its first Australian-Accounting-Standards financial statements .
International Financial Reporting Standards (IFRSs)	Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations. ^(a)
opening Australian-Accounting-Standards statement of financial position	An entity's statement of financial position at the date of transition to Australian Accounting Standards .
previous GAAP	The basis of accounting that a first-time adopter used immediately before adopting Australian Accounting Standards.

(a) Definition of IFRSs amended after the name changes introduced by the revised Constitution of the IFRS Foundation in 2010.

Appendix B

Exceptions to the retrospective application of other Australian Accounting Standards

This appendix is an integral part of the Standard.

- 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 assets (paragraph B8–B8C);
 - (e) impairment of financial assets (paragraphs B8D–B8G);
 - (f) embedded derivatives (paragraph B9); and
 - (g) government loans (paragraphs B10–B12).

Derecognition of financial assets and financial liabilities

- B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in AASB 9 prospectively for transactions occurring on or after the date of transition to Australian Accounting Standards. 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 Australian Accounting Standards, it shall not recognise those assets and liabilities in accordance with Australian Accounting Standards (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 AASB 9 retrospectively from a date of the entity's choosing, provided that the information needed to apply AASB 9 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 AASB 9, at the date of transition to Australian Accounting Standards 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 Australian-Accounting-Standards statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with AASB 9 (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 Australian Accounting Standards an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of AASB 9, provided that it does so no later than the date of transition to Australian Accounting Standards.
- B6 If, before the date of transition to Australian Accounting Standards, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in AASB 9, the entity shall apply paragraphs 6.5.6 and 6.5.7 of AASB 9 to discontinue hedge accounting. Transactions entered into before the date of transition to Australian Accounting Standards shall not be retrospectively designated as hedges.

Non-controlling interests

- B7 A first-time adopter shall apply the following requirements of AASB 10 prospectively from the date of transition to Australian Accounting Standards:

- (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 AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

However, if a first-time adopter elects to apply AASB 3 retrospectively to past business combinations, it shall also apply AASB 10 in accordance with paragraph C1 of this Standard.

Classification and measurement of financial assets

- B8 An entity shall assess whether a financial asset meets the conditions in paragraph 4.1.2 of AASB 9 or the conditions in paragraph 4.1.2A of AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.
- 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 AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards, 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 Australian Accounting Standards 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 AASB 9. (In this case, the entity shall also apply paragraph 42R of AASB 7 but references to 'paragraph 7.2.4 of AASB 9' 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 Australian Accounting Standards'.)
- 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 AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards, 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 Australian Accounting Standards without taking into account the exception for prepayment features in paragraph B4.1.12 of AASB 9. (In this case, the entity shall also apply paragraph 42S of AASB 7 but references to 'paragraph 7.2.5 of AASB 9' 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 Australian Accounting Standards'.)
- B8C If it is impracticable (as defined in AASB 108) for an entity to apply retrospectively the effective interest method in AASB 9, the fair value of the financial asset or the financial liability at the date of transition to Australian Accounting Standards 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 Australian Accounting Standards.

Impairment of financial assets

- B8D An entity shall apply the impairment requirements in Section 5.5 of AASB 9 retrospectively subject to paragraphs 7.2.15 and 7.2.18–7.2.20 of that Standard.
- B8E At the date of transition to Australian Accounting Standards, 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 AASB 9) and compare that to the credit risk at the date of transition to Australian Accounting Standards (also see paragraphs B7.2.2–B7.2.3 of AASB 9).
- 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 AASB 9; and
 - (b) the rebuttable presumption in paragraph 5.5.11 of AASB 9 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 Australian Accounting Standards, 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 AASB 9.

Government loans

- B10 A first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with AASB 132 *Financial Instruments: Presentation*. Except as permitted by paragraph B11, a first-time adopter shall apply the requirements in AASB 9 *Financial Instruments* and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to Australian Accounting Standards 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 Australian-Accounting-Standards requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Australian Accounting Standards as the carrying amount of the loan in the opening Australian-Accounting-Standards statement of financial position. An entity shall apply AASB 9 to the measurement of such loans after the date of transition to Australian Accounting Standards.
- B11 Despite paragraph B10, an entity may apply the requirements in AASB 9 and AASB 120 retrospectively to any government loan originated before the date of transition to Australian Accounting Standards, 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–D19D relating to the designation of previously recognised financial instruments at fair value through profit or loss.

Appendix C Exemptions for business combinations

This appendix is an integral part of the Standard. An entity shall apply the following requirements to business combinations that the entity recognised before the date of transition to Australian Accounting Standards. This Appendix should only be applied to business combinations within the scope of AASB 3 Business Combinations.

- C1 A first-time adopter may elect not to apply AASB 3 retrospectively to past business combinations (business combinations that occurred before the date of transition to Australian Accounting Standards). However, if a first-time adopter restates any business combination to comply with AASB 3, it shall restate all later business combinations and shall also apply AASB 10 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 Australian Accounting Standards, and it shall also apply AASB 10 from 30 June 20X6.
- C2 An entity need not apply AASB 121 *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 Australian Accounting Standards. If the entity does not apply AASB 121 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 AASB 121 retrospectively to fair value adjustments and goodwill arising in either:
- (a) all business combinations that occurred before the date of transition to Australian Accounting Standards; or
 - (b) all business combinations that the entity elects to restate to comply with AASB 3, as permitted by paragraph C1 above.
- C4 If a first-time adopter does not apply AASB 3 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 Australian Accounting Standards 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 Australian Accounting Standards 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 Australian-Accounting-Standards statement of financial position any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under Australian Accounting Standards. 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 AASB 138 *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.²
- (d) Australian Accounting Standards 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 Australian-Accounting-Standards 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 Australian Accounting Standards at that date. If Australian Accounting Standards 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 Australian-Accounting-Standards statement of financial position. Instead, the acquirer shall recognise and measure it in its consolidated statement of financial position on the basis that Australian Accounting Standards 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 finance leases acquired in a past business combination, it shall capitalise those leases in its consolidated financial statements, as AASB 117 *Leases* would require the acquiree to do in its Australian-Accounting-Standards 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 Australian Accounting Standards, the acquirer shall recognise that contingent liability at that date unless AASB 137 *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 AASB 3, that asset or liability remains in goodwill unless Australian Accounting Standards would require its recognition in the financial statements of the acquiree.
- (g) The carrying amount of goodwill in the opening Australian-Accounting-Standards statement of financial position shall be its carrying amount in accordance with previous GAAP at the date of transition to Australian Accounting Standards, 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-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 AASB 136 in testing the goodwill for impairment at the date of transition to Australian Accounting Standards and in recognising any resulting impairment loss in retained earnings (or, if so required by AASB 136, in revaluation surplus). The impairment test shall be based on conditions at the date of transition to Australian Accounting Standards.
- (h) No other adjustments shall be made to the carrying amount of goodwill at the date of transition to Australian Accounting Standards. 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 AASB 138 in the statement of financial position of the acquiree);
- (ii) to adjust previous amortisation of goodwill;
- (iii) to reverse adjustments to goodwill that AASB 3 would not permit, but were made in accordance with previous GAAP because of adjustments to assets and liabilities

² 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.

between the date of the business combination and the date of transition to Australian Accounting Standards.

- (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 Australian-Accounting-Standards 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 Australian Accounting Standards would require in the subsidiary's statement of financial position. The deemed cost of goodwill equals the difference at the date of transition to Australian Accounting Standards 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 AASB 3. Furthermore, the date selected for paragraph C1 applies equally for all such acquisitions.

Appendix D

Exemptions from other Australian Accounting Standards

This appendix is an integral part of the Standard.

- D1 An entity may elect to use one or more of the following exemptions:
- (a) share-based payment transactions (paragraphs D2 and D3);
 - (b) insurance contracts (paragraph D4);
 - (c) deemed cost (paragraphs D5–D8B);
 - (d) leases (paragraphs D9 and D9A);
 - (e) [deleted]
 - (f) cumulative translation differences (paragraphs D12 and D13);
 - (g) investments in subsidiaries, joint ventures and associates (paragraphs D14 and D15);
 - (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 Interpretation 12 *Service Concession Arrangements* as identified in AASB 1048 *Interpretation of Standards* (paragraph D22);
 - (n) borrowing costs (paragraph D23);
 - (o) transfers of assets from customers (paragraph D24);
 - (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); and
 - (t) designation of contracts to buy or sell a non-financial item (paragraph D33).

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 AASB 2 *Share-based Payment* to equity instruments that were granted on or before 7 November 2002. A first-time adopter is also encouraged, but not required, to apply AASB 2 to equity instruments that were granted after 7 November 2002 and vested before the later of (a) the date of transition to Australian Accounting Standards and (b) 1 January 2005. However, if a first-time adopter elects to apply AASB 2 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 AASB 2. For all grants of equity instruments to which AASB 2 has not been applied (eg equity instruments granted on or before 7 November 2002), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of AASB 2. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which AASB 2 has not been applied, the entity is not required to apply paragraphs 26–29 of AASB 2 if the modification occurred before the date of transition to Australian Accounting Standards.
- D3 A first-time adopter is encouraged, but not required, to apply AASB 2 to liabilities arising from share-based payment transactions that were settled before the date of transition to Australian Accounting Standards. A first-time adopter is also encouraged, but not required, to apply AASB 2 to liabilities that were settled before 1 January 2005. For liabilities to which AASB 2 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 7 November 2002.

Insurance contracts

- D4 A first-time adopter may apply the transitional provisions in AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 4 restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter.

Deemed cost

- D5 An entity may elect to measure an item of property, plant and equipment at the date of transition to Australian Accounting Standards 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 Australian Accounting Standards 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 Australian Accounting Standards, 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 AASB 140 *Investment Property*; and
 - (b) intangible assets that meet:
 - (i) the recognition criteria in AASB 138 (including reliable measurement of original cost); and
 - (ii) the criteria in AASB 138 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 Australian Accounting Standards, the entity may use such event-driven fair value measurements as deemed cost for Australian Accounting Standards at the date of that measurement.
 - (b) If the measurement date is *after* the date of transition to Australian Accounting Standards, but during the period covered by the first Australian-Accounting-Standards 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 Australian Accounting Standards, 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 Standard.
- 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 Australian Accounting Standards 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 Australian Accounting Standards in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* or AASB 136 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 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 Australian Accounting Standards. 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 Australian Accounting Standards 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 Australian Accounting Standards, an entity shall test for impairment in accordance with AASB 136 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 AASB 14 *Regulatory Deferral Accounts*).

Leases

- D9 A first-time adopter may apply the transitional provisions in Interpretation 4 *Determining whether an Arrangement contains a Lease* as identified in AASB 1048. Therefore, a first-time adopter may determine whether an arrangement existing at the date of transition to Australian Accounting Standards contains a lease on the basis of facts and circumstances existing at that date.
- D9A If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by Interpretation 4 (as identified in AASB 1048) but at a date other than that required by Interpretation 4, the first-time adopter need not reassess that determination when it adopts Australian Accounting Standards. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying AASB 117 *Leases* and Interpretation 4.
- D10–
D11 [Deleted]

Cumulative translation differences

- D12 AASB 121 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 Australian Accounting Standards. 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 Australian Accounting Standards; 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 Australian Accounting Standards and shall include later translation differences.

Investments in subsidiaries, joint ventures and associates

- D14 When an entity prepares separate financial statements, AASB 127 requires it to account for its investments in subsidiaries, joint ventures and associates either:
- (a) at cost;
 - (b) in accordance with AASB 9; or
 - (c) using the equity method as described in AASB 128.
- D15 If a first-time adopter measures such an investment at cost in accordance with AASB 127, it shall measure that investment at one of the following amounts in its separate opening Australian-Accounting-Standards statement of financial position:

- (a) cost determined in accordance with AASB 127; 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 Australian Accounting Standards 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 AASB 128:

- (a) the first-time 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 Australian Accounting Standards, 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 AASB 10, that is required to be measured at fair value through profit or loss); or
- (b) the carrying amounts required by the rest of this Standard, based on the subsidiary's date of transition to Australian Accounting Standards. These carrying amounts could differ from those described in (a):
 - (i) when the exemptions in this Standard result in measurements that depend on the date of transition to Australian Accounting Standards.
 - (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 AASB 116 *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 AASB 132 *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 AASB 132 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 Standard, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to Australian Accounting Standards.

Designation of previously recognised financial instruments

- D19 AASB 9 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 Australian Accounting Standards, any financial liability as at fair value through profit or loss provided the liability meets the criteria in paragraph 4.2.2 of AASB 9 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 AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.
- 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 AASB 9 on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.
- 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 AASB 9 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 Australian Accounting Standards.

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 AASB 9 prospectively to transactions entered into on or after the date of transition to Australian Accounting Standards.

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

- D21 Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* as identified in AASB 1048 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 Australian Accounting Standards. If a first-time adopter uses this exemption, it shall:
- (a) measure the liability as at the date of transition to Australian Accounting Standards in accordance with AASB 137;
 - (b) to the extent that the liability is within the scope of Interpretation 1, 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 Australian Accounting Standards, 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 Australian Accounting Standards.
- 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 Interpretation 1 (as identified in AASB 1048):
- (a) measure decommissioning, restoration and similar liabilities as at the date of transition to Australian Accounting Standards in accordance with AASB 137; 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 Australian Accounting Standards determined under the entity's previous GAAP.

Financial assets or intangible assets accounted for in accordance with Interpretation 12

D22 A first-time adopter may apply the transitional provisions in Interpretation 12 as identified in AASB 1048.

Borrowing costs

D23 A first-time adopter can elect to apply the requirements of AASB 123 from the date of transition or from an earlier date as permitted by paragraph 28 of AASB 123. From the date on which an entity that applies this exemption begins to apply AASB 123, 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 AASB 123, 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 Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* as identified in AASB 1048.

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 Australian Accounting Standards. This applies to entities that are adopting Australian Accounting Standards for the first time, as well as entities that have previously applied Australian Accounting Standards.

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 Australian Accounting Standards 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 Australian Accounting Standards. The entity may use that fair value as the deemed cost of those assets and liabilities in the opening Australian-Accounting-Standards 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 AASB 101) is provided for that shorter period.

Joint arrangements

D31 A first-time adopter may apply the transition provisions in AASB 11 with the following exceptions:

- (a) When applying the transition provisions in AASB 11, a first-time adopter shall apply these provisions at the date of transition to Australian Accounting Standards.
- (b) When changing from proportionate consolidation to the equity method, a first-time adopter shall test for impairment the investment in accordance with AASB 136 as at the date of transition to Australian Accounting Standards, 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 Australian Accounting Standards.

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 Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* as identified in AASB 1048. In that paragraph, reference to the effective date shall be interpreted as 1 January 2016 or the beginning of the first Australian-Accounting-Standards reporting period, whichever is later.

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

- D33 AASB 9 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 AASB 9). Despite this requirement an entity is permitted to designate, at the date of transition to Australian Accounting Standards, 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 AASB 9 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 AASB 15. In those paragraphs references to the 'date of initial application' shall be interpreted as the beginning of the first Australian-Accounting-Standards reporting period. If a first-time adopter decides to apply those transition provisions, it shall also apply paragraph C6 of AASB 15.
- 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.

Appendix E

Short-term exemptions from Australian Accounting Standards

This appendix is an integral part of the Standard.

Exemption from the requirement to restate comparative information for AASB 9

- E1 If an entity's first Australian-Accounting-Standards reporting period begins before 1 January 2019 and the entity applies the completed version of AASB 9 (issued in 2014), the comparative information in the entity's first Australian-Accounting-Standards financial statements need not comply with AASB 7 *Financial Instruments: Disclosure* or the completed version of AASB 9 (issued in 2014), to the extent that the disclosures required by AASB 7 relate to items within the scope of AASB 9. For such entities, references to the 'date of transition to Australian Accounting Standards' shall mean, in the case of AASB 7 and AASB 9 (2014) only, the beginning of the first Australian-Accounting-Standards reporting period.
- E2 An entity that chooses to present comparative information that does not comply with AASB 7 and the completed version of AASB 9 (issued in 2014) in its first year of transition shall:
- (a) apply the requirements of its previous GAAP in place of the requirements of AASB 9 to comparative information about items within the scope of AASB 9.
 - (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 Australian-Accounting-Standards reporting period* (ie the first period that includes information that complies with AASB 7 and the completed version of AASB 9 (issued in 2014)) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of AASB 108. 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 AASB 101 to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards 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.

Disclosures about financial instruments

- E3 A first-time adopter may apply the transition provisions in paragraph 44G of AASB 7 (issued in 2005).³
- E4 A first-time adopter may apply the transition provisions in paragraph 44M of AASB 7 (issued in 2005).⁴
- E4A A first-time adopter may apply the transition provisions in paragraph 44AA of AASB 7.

Employee benefits

- E5 A first-time adopter may apply the transition provisions in paragraph 173(b) of AASB 119.

3 Paragraph E3 was added as a consequence of AASB 2010-1 *Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters* issued in February 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current Australian-Accounting-Standards preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*.

4 Paragraph E4 was added as a consequence of AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* issued in November 2010. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current Australian-Accounting-Standards financial statements preparers, the Board decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*.

Investment entities

- E6 A first-time adopter that is a parent shall assess whether it is an investment entity, as defined in AASB 10, on the basis of the facts and circumstances that exist at the date of transition to Australian Accounting Standards.
- E7 A first-time adopter that is an investment entity, as defined in AASB 10, may apply the transition provisions in paragraphs C3C–C3D of AASB 10 and paragraphs 18C–18G of AASB 127 if its first Australian-Accounting-Standards financial statements are for an annual period ending on or before 31 December 2014. The references in those paragraphs to the annual period that immediately precedes the date of initial application shall be read as the earliest annual period presented. Consequently, the references in those paragraphs shall be read as the date of transition to Australian Accounting Standards.

Appendix F Australian reduced disclosure requirements

This appendix is an integral part of the Standard.

- AusF1** **The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:**
- (a) paragraphs 21, 22, 23, 24(b), 24(c), 25-31B, 32 and 33;
 - (b) in paragraph 6, the text “and present”; and
 - (c) in paragraph 24, the text “To comply with paragraph 23,”.
- Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.**
- AusF2** The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.
- AusF3** **The RDR paragraph in this Standard applies only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.**
- RDR21.1** In respect of entities applying Australian Accounting Standards – Reduced Disclosure Requirements, to comply with AASB 101, an entity’s first Australian-Accounting-Standards-Reduced-Disclosure-Requirements financial statements shall include at least two 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.

Deleted IFRS 1 text

Deleted IFRS 1 text is not part of AASB 1.

- 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 IAS 23 *Borrowing Costs* (as revised in 2007) for an earlier period, those amendments shall be applied for that earlier period.
- 36 IFRS 3 *Business Combinations* (as revised in 2008) amended paragraphs 19, C1 and C4(f) and (g). If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.
- 37 IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) amended paragraphs B1 and B7. If an entity applies IAS 27 (amended 2008) 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 IFRS 1 and IAS 27), issued in May 2008, added paragraphs 31, D1(g), D14 and D15. An entity shall apply those paragraphs for annual periods beginning on or after 1 July 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 IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 39A *Additional Exemptions for First-time Adopters* (Amendments to IFRS 1), issued in July 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.
- 39C IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* added paragraph D25. An entity shall apply that amendment when it applies IFRIC 19.
- 39D *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (Amendment to IFRS 1), issued in January 2010, added paragraph E3. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.
- 39E *Improvements to IFRSs* issued in May 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 IFRSs in periods before the effective date of IFRS 1 or applied IFRS 1 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 *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010, added paragraph E4. An entity shall apply that amendment for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.
- 39H *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to IFRS 1), issued in December 2010, 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 IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*, issued in May 2011, amended paragraphs 31, B7, C1, D1, D14 and D15 and added paragraph D31. An entity shall apply those amendments when it applies IFRS 10 and IFRS 11.
- 39J IFRS 13 *Fair Value Measurement*, issued in May 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 IFRS 13.
- 39K *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1), issued in June 2011, amended paragraph 21. An entity shall apply that amendment when it applies IAS 1 as amended in June 2011.

- 39L IAS 19 *Employee Benefits* (as amended in June 2011) amended paragraph D1, deleted paragraphs D10 and D11 and added paragraph E5. An entity shall apply those amendments when it applies IAS 19 (as amended in June 2011).
- 39M IFRIC 20 *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 IFRIC 20.
- 39N *Government Loans* (Amendments to IFRS 1), issued in March 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.
- 39P *Annual Improvements 2009–2011 Cycle*, issued in May 2012, added paragraphs 4A–4B and 23A–23B. An entity shall apply that amendment retrospectively in accordance with IAS 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 *Annual Improvements 2009–2011 Cycle*, issued in May 2012, amended paragraph D23. An entity shall apply that amendment retrospectively in accordance with IAS 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 *Annual Improvements 2009–2011 Cycle*, issued in May 2012, amended paragraph 21. An entity shall apply that amendment retrospectively in accordance with IAS 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 IFRS 10, IFRS 11 and IFRS 12), issued in June 2012, amended paragraph D31. An entity shall apply that amendment when it applies IFRS 11 (as amended in June 2012).
- 39T *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, amended paragraphs D16, D17 and Appendix C and added a heading and paragraphs E6–E7. 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.
- 40 This IFRS supersedes IFRS 1 (issued in 2003 and amended at May 2008).