IFRS 1: First-time Adoption of IFRS

First-time Adoption of International Financial Reporting Standards — principles, exceptions, exemptions and practice

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IFRS 1

Agenda

30 slides

1 **Foundations**
History, objective, scope, definitions, transition timeline

2 **Opening IFRS SoFP**
Compliance statement, recognition and measurement, accounting policies

3 **Exceptions**
Ten mandatory exceptions to retrospective application

4 **Exemptions**
Appendix C and D elective reliefs, deleted short-term reliefs

5 **Presentation & disclosure**
Comparatives, reconciliations, interim reports, repeated application

6 **Practice**
Worked example, project plan, audit focus, Bangladesh context

Background and history

IFRS 1 IN1–IN5

When	Development
Jun 2003	IFRS 1 issued, replacing SIC-8; built for the 2005 EU wave of adopters
Nov 2008	Restructured for clarity (no technical change); effective 1 Jul 2009
2009–2012	Added exemptions (oil & gas, leases); severe hyperinflation and removal of fixed dates (2010); government loans and repeated application (2012)
2014–2018	Reliefs added for IFRS 9, 15 and 16; short-term exemptions E3–E7 deleted (Annual Improvements 2014–16, Dec 2016)
2017–2021	IFRS 17 exception (B13); subsidiary translation-difference relief D16(a) (AIP 2018–20, eff. 2022); deferred tax exception B14 (May 2021)
2023–2027	Lack of exchangeability (eff. 2025); hedge accounting B5–B6 (Annual Improvements Vol. 11, eff. 2026); IFRS 18 and IFRS 19 consequential amendments (eff. 2027)

Why a separate standard?

- Full IAS 8 retrospective restatement is often impossible or costly
- Some items would need hindsight
- Adopters need one consistent starting point
- Targeted reliefs keep costs below benefits

Objective

IFRS 1.1

First IFRS financial statements, and interim reports within that period, should contain high-quality information that:

1

Transparent and comparable

Transparent for users and comparable across all periods presented

2

Suitable starting point

Provides a sound base for accounting under IFRS in later periods

3

Benefits exceed costs

Can be produced at a cost that does not exceed the benefits

The cost–benefit test is why IFRS 1 contains elective exemptions; the comparability and reliability tests are why it contains mandatory exceptions.

Scope — who is a first-time adopter?

IFRS 1.2–5

IFRS 1 applies to

- An entity's first IFRS financial statements (1.2(a))
- Each IAS 34 interim report for part of that first period (1.2(b))
- Previous FS under national GAAP not consistent with IFRS
- FS consistent with IFRS but without an explicit and unreserved compliance statement
- FS claiming compliance with only some IFRSs, or internal-use / reporting-pack only
- An entity that did not present financial statements before (1.3)

Not first-time adoption

- Previous FS already had an explicit and unreserved IFRS statement (1.4)
- …even if the auditor's report was qualified
- Entity presented both national-GAAP FS and a separate IFRS-compliant set, then drops national GAAP
- Changes in policies by an existing IFRS preparer — use IAS 8 (1.5)
- Repeat adopters: may choose IFRS 1 again or IAS 8 (1.4A)

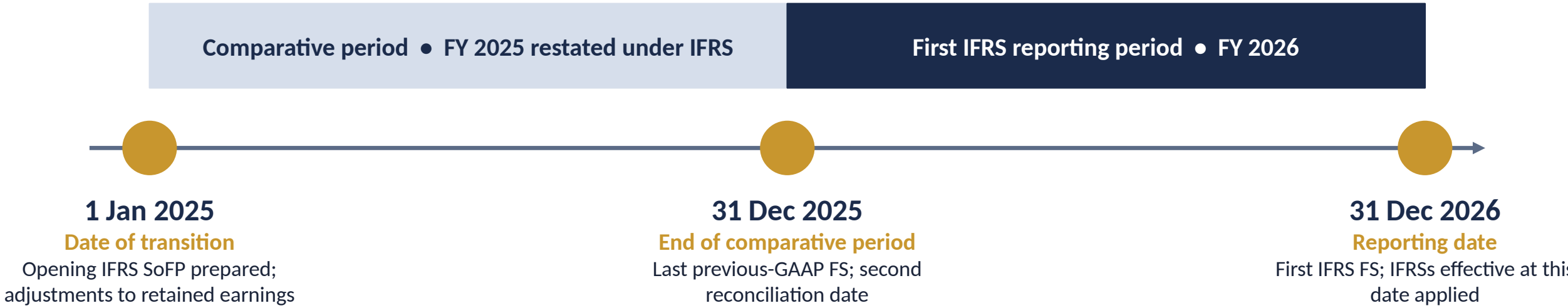
Key definitions

IFRS 1 Appendix A

Term	Meaning
First IFRS financial statements	First annual FS with an explicit and unreserved statement of compliance with IFRS
First IFRS reporting period	The latest reporting period covered by the first IFRS financial statements
Date of transition	Beginning of the earliest period for which full comparative IFRS information is presented
Opening IFRS SoFP	Statement of financial position at the date of transition
Previous GAAP	The basis of accounting used immediately before adopting IFRS
Deemed cost	An amount used as a surrogate for cost or depreciated cost at a given date
First-time adopter	An entity that presents its first IFRS financial statements

Transition timeline — worked example

IFRS 1.6, 1.21



June year-end (common in Bangladesh)

First IFRS FS for the year ending 30 June 2026 → comparative year ends 30 June 2025 → date of transition is 1 July 2024.

Explicit and unreserved statement of compliance

IFRS 1.3–4; IAS 1.16

Question

Did the most recent previous FS contain an explicit and unreserved statement of compliance with IFRS?

Yes → **Not a first-time adopter**
Use IAS 8 for policy changes

No → **First-time adopter**
Apply IFRS 1

Explicit: the words must appear in the FS — e.g. “prepared in accordance with IFRS Accounting Standards as issued by the IASB”

Unreserved: no carve-outs — “IFRS except IFRS 9” or “IFRS as modified by the regulator” is not enough

All standards: full compliance with every applicable IFRS and interpretation

Placement: in the notes; IAS 1.16 today (moves to IAS 8 with IFRS 18 from 2027)

Bangladesh check

- Wording like “IFRS and the Bank Company Act, with departures noted” is reserved
- Such entities may be first-time adopters when they move to full IFRS
- Confirm the analysis with auditors before closing the transition plan

⚑ **Verify:** *location of the compliance statement after IFRS 18 (IAS 8 as renamed) — check against the 2027 text.*

The opening IFRS statement of financial position

IFRS 1.6, 1.10

1 Recognise all assets and liabilities IFRS requires

- Derivatives
- Lease ROU assets and liabilities (IFRS 16)
- IAS 19 obligations, deferred tax

2 Derecognise items IFRS does not permit

- Capitalised start-up or research costs
- General provisions failing IAS 37
- Proposed dividends not yet declared

3 Reclassify items presented differently under IFRS

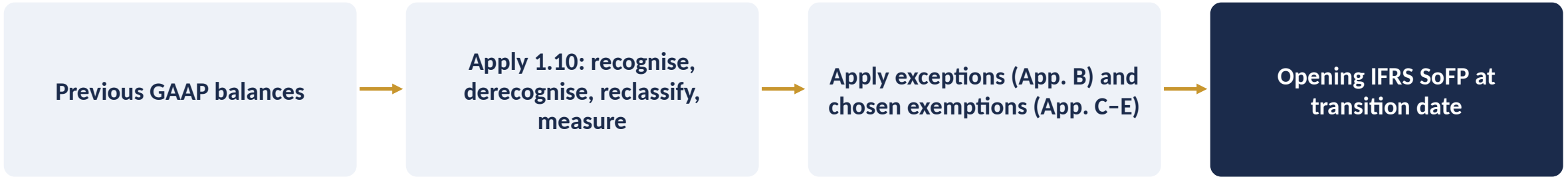
- Redeemable preference shares → liability
- Treasury shares → deduction from equity
- Netting not permitted under IAS 32

4 Measure all recognised items under IFRS

- Expected credit losses (IFRS 9)
- Actuarial employee benefits (IAS 19)
- Fair values where IFRS requires them

Accounting policies at transition

IFRS 1.7–12



Same policies in the opening SoFP and for all periods presented (1.7)

One version: the IFRSs effective at the end of the first IFRS reporting period, applied retrospectively (1.7)

Early application of a new IFRS is allowed if that IFRS permits it — e.g. IFRS 18 for a 2026 adopter (1.8)

Other transitional provisions do not apply except as Appendices B–E specify (1.9)

Adjustments go to retained earnings or another equity category at the transition date (1.11)

Mandatory exceptions (1 of 2)

IFRS 1.13–17, App. B

Exception	Ref	Key rule
Estimates	14–17	Transition-date estimates must agree with previous-GAAP estimates (after policy alignment) unless there is objective evidence of error; later information is not used — no hindsight
Derecognition of financial assets and liabilities	B2–B3	Apply IFRS 9 derecognition prospectively to transactions on or after the transition date; earlier date only if the information was obtained at the time
Hedge accounting	B4–B6	Measure all derivatives at fair value; eliminate deferred hedge gains and losses; no hedge accounting unless IFRS 9 qualifying criteria 6.4.1(a)–(c) are met (amended 2026)
Non-controlling interests	B7	Prospective from transition: TCI attributed to NCI even if in deficit, changes without loss of control, loss of control — unless IFRS 3 is applied retrospectively
Classification and measurement of financial assets	B8–B8C	Business model and SPPI assessed on facts and circumstances at the transition date; reliefs where assessment is impracticable

Mandatory exceptions (2 of 2)

IFRS 1 App. B

Exception	Ref	Key rule
Impairment of financial assets	B8D–B8G	Apply IFRS 9 ECL retrospectively using reasonable, supportable information available without undue cost or effort; if credit risk at initial recognition cannot be found, use lifetime ECL until derecognition (unless low credit risk)
Embedded derivatives	B9	Separation assessed on conditions at the later of the date the entity became a party and the date a reassessment is required (IFRS 9 B4.3.11)
Government loans	B10–B12	Classify under IAS 32; apply IFRS 9 and IAS 20.10A prospectively — previous-GAAP carrying amount is kept and below-market benefit is not recognised as a grant, unless information existed at the time
Insurance contracts	B13	Apply the IFRS 17 transition requirements to contracts in scope of IFRS 17 ⚑
Deferred tax: leases and decommissioning	B14	Recognise deferred tax at the transition date despite the IAS 12 initial-recognition exemption (added May 2021)

⚑ **Verify:** *exact wording of B13 and the current status of exemption D4 against the latest consolidated IFRS 1.*

Optional exemptions — overview

IFRS 1.18, App. C–D

C1–C5 Business combinations	**D2–D3** Share-based payment	**D4** Insurance contracts ⚑
D5–D8B Deemed cost	**D9–D9E** Leases	**D12–D13** Cumulative translation differences
D14–D15A Investments in separate FS	**D16–D17** Subsidiary/parent adopting at different dates	**D18** Compound financial instruments
D19–D19C Designation of financial instruments	**D20** Fair value at initial recognition	**D21–D21A** Decommissioning in PPE cost
D22 Service concessions (IFRIC 12)	**D23** Borrowing costs	**D25** Liabilities settled in equity (IFRIC 19)
D26–D30 Severe hyperinflation	**D31** Joint arrangements	**D32** Stripping costs (IFRIC 20)
D33 Regulatory deferral accounts (IFRS 14)	**D34–D35** Revenue (IFRS 15)	**D36** Advance consideration (IFRIC 22)

Each election is independent and item-by-item where the paragraph allows; exemptions may not be applied by analogy to other items (1.18).

Business combinations

IFRS 1 App. C

Election

Restate past business combinations under IFRS 3, or not?

Restate →

Restate from a chosen date (C1)

All later combinations must also be restated; IAS 36 and IFRS 10 applied from the same date

↓

Do not restate (C4) — most common

1. **Keep:** previous-GAAP classification (acquisition, reverse acquisition, uniting of interests)
2. **Adjust:** recognise acquired items IFRS requires; remove those it does not, against retained earnings
3. **Goodwill:** = previous-GAAP carrying amount, adjusted only for intangibles reclassified to or from goodwill
4. **Test:** goodwill for impairment at transition under IAS 36 — even with no indicator
5. **Do not reinstate:** goodwill written off to equity under previous GAAP

Deemed cost

IFRS 1 D5–D8B, 1.30

Fair value at transition (D5, D7)

PPE; investment property and ROU assets (cost model); intangibles with an active market

Previous-GAAP revaluation (D6)

Usable if broadly comparable to fair value, or to cost adjusted by a price index

Event-driven fair value (D8)

Fair value set at a privatisation or IPO; may be at a date within the first IFRS period

Oil and gas (D8A)

Full-cost-method assets: allocate the cost pool to development and production assets

Rate-regulated operations (D8B)

Previous-GAAP carrying amount of items used in regulated activities, tested under IAS 36

Disclosure (1.30)

For each line item: aggregate fair values and aggregate adjustments to previous carrying amounts

Leases, share-based payment and insurance

IFRS 1 D2–D4, D9–D9E

Leases — IFRS 16 reliefs (D9–D9E)

- Assess whether a contract contains a lease on facts at the transition date (D9)
- Lease liability: PV of remaining payments at the incremental borrowing rate at transition (D9B)
- ROU asset: as if IFRS 16 always applied (transition-date rate), or equal to the liability ± prepaid/accrued
- Apply IAS 36 to ROU assets at transition
- Expedients (D9D): one rate per portfolio; short-term (≤12 months) and low-value leases expensed; exclude initial direct costs; use hindsight

Share-based payment (D2–D3)

- Need not apply IFRS 2 to equity grants on or before 7 Nov 2002, or vested before the later of transition and 1 Jan 2005
- Liabilities settled before transition also exempt

Insurance contracts (D4 / B13)

- IFRS 17 transition approaches: full retrospective, modified retrospective or fair value
- Earlier IFRS 4 relief no longer relevant ⚑

Translation differences and group situations

IFRS 1 D12–D17

Cumulative translation differences (D12–D13)

- Deem CTD for all foreign operations to be zero at transition
- Later disposal gains or losses exclude pre-transition differences

Investments in separate FS (D14–D15A)

- Cost under IAS 27, or deemed cost: fair value at transition or previous-GAAP carrying amount
- Or the equity method (IAS 28)

Different adoption dates (D16–D17)

- Subsidiary later than parent: use parent's consolidated carrying amounts (D16(a)) or own IFRS 1 amounts
- Parent later: use subsidiary's carrying amounts

Annual Improvements 2018–2020 (issued May 2020, effective 1 Jan 2022): a subsidiary using D16(a) may also measure cumulative translation differences at the amounts in the parent's consolidated FS. Useful for Bangladesh subsidiaries of foreign groups whose reporting packs are already IFRS-based.

Financial instruments and asset-related exemptions

IFRS 1 D18–D25

Exemption	Ref	Relief available
Compound financial instruments	D18	No split into liability and equity if the liability component is no longer outstanding at transition
Designation of financial instruments	D19–D19C	Designate at FVTPL, or equity investments at FVOCI, on facts at the transition date
Fair value at initial recognition	D20	Day-1 gain/loss rules (IFRS 9 B5.1.2A) applied prospectively from transition
Liabilities extinguished with equity	D25	Apply the IFRIC 19 transitional provisions
Decommissioning in PPE cost	D21–D21A	Measure the liability at transition (IAS 37); discount back to estimate the original asset cost and depreciation
Borrowing costs	D23	Apply IAS 23 from transition (or an earlier date); amounts capitalised under previous GAAP are not restated

Other exemptions and deleted short-term reliefs

IFRS 1 D22–D36, App. E

Exemption	Ref	Relief available
Service concessions	D22	IFRIC 12 transitional provisions
Severe hyperinflation	D26–D30	Fair value at the normalisation date as deemed cost; exchangeability per IAS 21 (2023)
Joint arrangements	D31	IFRS 11 transitional provisions (e.g. proportionate consolidation → equity)
Stripping costs	D32	IFRIC 20 from transition; predecessor asset reclassified or taken to equity
Regulatory deferral accounts	D33	First-time adopters only may apply IFRS 14
Revenue	D34–D35	IFRS 15 transitional practical expedients (C5)
Advance consideration	D36	IFRIC 22 need not apply to items recognised before transition

Deleted short-term exemptions

- Annual Improvements 2014–2016 (Dec 2016) deleted E3–E7
- Covered IFRS 7 disclosures, IAS 19 employee benefits and IFRS 10 investment entities
- Effective 1 Jan 2018 — reliefs had served their purpose

Exceptions vs exemptions

IFRS 1.12–18

Feature	Mandatory exceptions	Optional exemptions
Nature	Prohibit retrospective application	Permit relief from retrospective application
Where	Paragraphs 14–17 and Appendix B	Appendices C and D (E now historic)
Choice	None — must be applied	Elective, item by item where allowed; no analogy
Purpose	Avoid hindsight; keep information reliable	Reduce cost where it exceeds the benefit
Examples	Estimates, derecognition, hedge accounting, ECL, B14 deferred tax	Business combinations, deemed cost, leases, CTD, D16
Disclosure	Through reconciliations and estimates notes	Choices disclosed; fair value deemed cost (1.30)

Comparative information

IFRS 1.21–22

At least three statements of financial position

1 Jan 2025	31 Dec 2025	31 Dec 2026
Opening SoFP	Comparative SoFP	Current SoFP

Two of every other statement, plus related notes

Profit or loss and OCI	Cash flows	Changes in equity
FY 2025 and FY 2026	FY 2025 and FY 2026	FY 2025 and FY 2026

Notes, including comparative information, for all statements presented (1.21)

Non-IFRS comparatives and historical summaries (1.22)

- Allowed for periods before the earliest IFRS comparative (e.g. five-year summaries)
- Label previous-GAAP information prominently as not prepared under IFRS
- Disclose the nature of the main adjustments that would make it IFRS-compliant
- Quantifying those adjustments is not required

Explaining the transition

IFRS 1.23–31

Equity reconciliation at the transition date and at the end of the latest previous-GAAP period (24(a))

TCI reconciliation for the latest previous-GAAP year — or profit or loss if TCI was not reported (24(b))

Impairment: IAS 36 disclosures for losses recognised or reversed in the opening SoFP (24(c))

Cash flows: explain material adjustments to the statement of cash flows (25)

Errors found during transition shown separately from policy changes (26)

Deemed cost: aggregate fair values and adjustments by line item (30); investments (31)

Practice points

- Reconciliations need enough detail to show each material adjustment
- Cross-reference notes to each reconciling item
- Policy or exemption changes during the first IFRS year: explain and update reconciliations (27–27A)
- No previous FS? Disclose that fact (28)

Interim reports and repeated application

IFRS 1.4A–4B, 23A–23B, 32–33

Interim reports in the first IFRS year (1.32–33)

- Each IAS 34 report with comparatives reconciles equity at the comparable interim date and TCI for the comparable period
- First interim report also includes the annual reconciliations of 24(a)–(b), or cross-refers to a published document
- Disclose material information to understand the current interim period
- Relevant to quarterly reports of Bangladeshi listed companies

Entity that stopped applying IFRS and resumes

- Option (a): apply IFRS 1 again (1.4A)
- Option (b): apply IFRS retrospectively under IAS 8, as if it had never stopped
- If IFRS 1 is not chosen, IAS 8 must be applied (1.4B)
- Disclose why it stopped and why it resumed (23A); if (b), why IAS 8 was chosen (23B)

Worked example — opening IFRS SoFP at 1 Jan 2025

BDT million

Line item	Previous GAAP	Adjustment	IFRS	Note
Property, plant and equipment	500.0	150.0	650.0	(a) FV as deemed cost, D5
Trade receivables (net)	200.0	(10.0)	190.0	(b) IFRS 9 ECL, B8D
Cash and other assets	100.0	–	100.0	
Total assets	**800.0**	**140.0**	**940.0**	
Share capital	300.0	–	300.0	
Retained earnings	250.0	87.0	337.0	(e) 1.11
Gratuity obligation	30.0	20.0	50.0	(c) IAS 19 actuarial
Deferred tax liability	20.0	33.0	53.0	(d) IAS 12 at 27.5%
Trade and other payables	200.0	–	200.0	
Total equity and liabilities	**800.0**	**140.0**	**940.0**	

(d) Deferred tax

- Net taxable difference: 150 − 10 − 20 = 120
- 120 × 27.5% = 33.0
- Tax bases unchanged by IFRS

(e) Retained earnings

- +150.0 PPE deemed cost
- (10.0) ECL
- (20.0) gratuity
- (33.0) deferred tax
- = +87.0

Illustrative figures. 27.5% = non-listed company rate (conditional) under the Finance Ordinance 2025 — confirm the rate enacted at your transition date.

Sample equity reconciliation format

IFRS 1.24(a)–(b)

BDT million	Note	1 Jan 2025 (transition)	31 Dec 2025 (last previous GAAP)
Total equity — previous GAAP		**550.0**	**610.0**
PPE: fair value as deemed cost, net of extra depreciation	a	150.0	140.0
Trade receivables: IFRS 9 expected credit loss	b	(10.0)	(12.0)
Gratuity: IAS 19 actuarial measurement	c	(20.0)	(28.0)
Deferred tax on the adjustments above	d	(33.0)	(27.5)
Total equity — IFRS		**637.0**	**682.5**

Check: 637.0 + 45.5 = 682.5. Notes (a)–(d) in the FS explain each item; illustrative figures assume no dividends.

TCI reconciliation FY 2025

- Previous GAAP TCI: 60.0
- Extra depreciation: (10.0)
- ECL charge: (2.0)
- IAS 19 cost and remeasurement: (8.0)
- Deferred tax: 5.5
- IFRS TCI: 45.5

Practical implementation — project plan

12–18 months

1 GAP analysis

Standard-by-standard diagnostic; quantify likely adjustments

2 Choose exemptions

Policy paper on exemptions and policies, approved by the board

3 Data collection

Asset registers, valuations, actuarial reports, leases, credit loss history

4 Systems / ERP

SAP parallel ledger or accounts, depreciation areas, lease module, new GLs

5 Tax impact

Deferred tax under IAS 12 against ITA 2023 tax bases; cash tax unchanged

6 Dry run

Opening SoFP and comparative-year restatement; draft reconciliations

7 Auditor and board

Early auditor review, audit committee and board approval

8 Training

Finance, management, board and investor communication

Common pitfalls and audit focus areas

ISA 510, 540, 620

Common pitfalls

- Using hindsight in transition-date estimates
- Applying IFRS versions in force at transition, not at the reporting date
- Missing leases, derivatives or embedded derivatives
- Forgetting deferred tax on adjustments (incl. B14)
- Labelling prior-period errors as transition adjustments
- A compliance statement with carve-outs

Where auditors will focus

- Opening balances and comparatives (ISA 510)
- Valuations for deemed cost and use of experts (ISA 540, 620)
- ECL model, IAS 19 assumptions, IBR for leases
- Completeness and arithmetic of reconciliations
- Consistency of exemptions across the group
- Management representations on transition choices

Bangladesh context

FRA 2015; FRC

Legal base

Financial Reporting Act 2015 (passed Sep 2015) set up the FRC (2016) to set and enforce standards for public interest entities

IFRS adopted

FRC adopted IFRS without modification in 2020, replacing ICAB-issued BFRS/BAS; IFRS mandated for all PIEs

Listed and regulated

BSEC requires IFRS for listed companies; banks, NBFIs and insurers also follow Bangladesh Bank/IDRA rules — departures make a compliance statement reserved

MNC subsidiaries

Group reporting packs often already IFRS; local statutory FS may be the first IFRS FS — consider D16(a)

Tax: ITA 2023

Income Tax Act 2023 replaced ITO 1984 (June 2023); IFRS adjustments do not change tax bases, so deferred tax arises (IAS 12)

Pipeline

Bangladesh Bank IFRS 9 ECL rollout (2026–27); FRC consulting on IFRS 18, IFRS 19 and ISSB standards ⚑

⚑ **Verify:** *FRC timelines for IFRS 18/19 and Bangladesh Bank's ECL rollout — check the latest FRC and BB circulars before presenting.*

Key takeaways

1. The trigger is the explicit and unreserved statement of IFRS compliance
2. One set of IFRSs — those effective at the first reporting date — applied retrospectively
3. Ten mandatory exceptions block hindsight; you cannot opt out
4. Exemptions are elective cost reliefs: choose deliberately and document
5. Three balance sheets and clear reconciliations tell the transition story
6. Plan 12–18 months ahead: data, systems, tax, auditors and the board

Thank you — questions?

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