

IFRS 1 First-time Adoption of International Financial Reporting Standards— Basis for Conclusions (Abridged)

This Basis for Conclusions accompanies, but is not part of, IFRS 1.

Following is text from the IASB's Basis for Conclusions on IFRS 1 necessary to understand the amendments for Lack of Exchangeability (Amendments to IAS 21), issued by the IASB in August 2023, the amendments for Presentation and Disclosure in the Financial Statements (IFRS 18) issued by the IASB in April 2024 and the amendments for the Annual Improvements to IFRS Accounting Standards—Volume 11, issued by the IASB in July 2024.

Opening IFRS balance sheet

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Retrospective designation

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Hedge accounting

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BC80ZA In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraphs B5–B6 of IFRS 1:

- (a) to improve their consistency with the requirements in IFRS 9; and
- (b) to add cross-references to improve the understandability of IFRS 1.

BC80ZB IFRS 9, issued in July 2014, amended paragraphs B1–B6 of IFRS 1. These amendments replaced references to IAS 39 with references to IFRS 9. The amendments to paragraph B5 of IFRS 1 updated examples of hedging relationships that do not qualify for hedge accounting in accordance with IFRS 9. When the IASB issued IFRS 9, it did not intend to change the requirements in paragraph B5 or paragraph B6 of IFRS 1. Paragraph B5 remains focused on the 'eligibility' of a hedging relationship, and paragraph B6 on the other aspects of the qualifying criteria.

BC80ZC Stakeholders informed the IASB about potential confusion arising from an inconsistency between the wording of paragraph B6 of IFRS 1 and the requirements for hedge accounting in IFRS 9. Paragraph B6 of IFRS 1 referred to 'conditions' for hedge accounting, whereas Section 6.4 of IFRS 9 sets out 'qualifying criteria'. Paragraph B6 of IFRS 1 was originally written to be consistent with the requirements for hedge accounting in IAS 39. However, in accordance with IFRS 1, first-time adopters of IFRS Accounting Standards are required to apply IFRS 9 instead of IAS 39. The IASB therefore updated the wording in paragraph B6 of IFRS 1 to reflect the requirements in IFRS 9.

BC80ZD The IASB observed that the qualifying criteria for hedge accounting in paragraph 6.4.1(a) of IFRS 9 include the requirement for a hedging relationship to consist only of eligible hedging instruments and eligible hedged items. To clarify that the requirements in paragraphs B5–B6 of IFRS 1 are complete and do not override the qualifying criteria for hedge accounting in IFRS 9, the IASB added:

- (a) a cross-reference to paragraph 6.4.1(a) of IFRS 9 in paragraph B5 of IFRS 1; and
- (b) a cross-reference to paragraph 6.4.1(b)–(c) of IFRS 9 in paragraph B6 of IFRS 1.

Presentation and disclosure

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Explanation of transition to IFRSs

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BC95A In August 2023 the IASB amended IAS 21 to define when a currency is exchangeable into another currency. The IASB made conforming amendments to paragraphs 31C and D27 of IFRS 1 which previously referred to, but did not define, exchangeability.

Interim financial reports

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BC96A In April 2024 the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 includes requirements about the headings and subtotals an entity presents in its financial statements. Paragraph 2(b) of IFRS 1, meanwhile, requires an entity to apply this Standard (ie IFRS 1) to each interim financial report that the entity presents in accordance with IAS 34 for part of the period covered by its first IFRS financial statements. Consequently, in order for an entity to present the headings and subtotals in accordance with IFRS 18, the IASB decided that the transition requirement in paragraph C4 of Appendix C of IFRS 18 should also apply to first-time adopters of IFRS Accounting Standards. Accordingly, in condensed interim financial statements for part of the period covered by its first IFRS financial statements, a first-time adopter is required to present each heading it expects to use in applying IFRS 18 together with the subtotals required by paragraphs 69–74 of that Standard.

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