HMRC - OT02025 - Adoption Of IFRS By UK Companies

For accounting periods beginning on or after 1 January 2005, EC listed companies must use International Accounting Standards to prepare their group consolidated accounts. Individual members of the group may adopt IAS from that date, or remain with UK GAAP. CTA10\S1127 recognises this obligation and choice by extending the meaning of ‘generally accepted accounting practice’ for tax purposes to include UK GAAP and IAS. For general information on IAS see BIM31025.

The accounting standard specific to oil and gas activities is IFRS 6 (Exploration for and Evaluation of Mineral Resources) - see OT02030.

The International Accounting Standards Board (“IASB”) decided to develop an IFRS on exploration for and evaluation of mineral resources because:

there was no IFRS that specifically addressed the accounting for those activities and

they are excluded from the scope of IAS 38 Intangible Assets.

In addition, “mineral rights and mineral resources such as oil, natural gas and similar non-regenerative resources” are excluded from the scope of IAS 16 Property, Plant and Equipment.

IFRS 6 (Exploration for and Evaluation of Mineral Resources) applies to entities applying IFRS for annual periods beginning on or after 1 January 2006.

This standard makes limited improvements to accounting practices for exploration and evaluation expenditures, without requiring major changes that might be reversed when a more comprehensive review of the accounting is completed. It also specifies when to test exploration and evaluation costs for impairment as well as outlining specific disclosure requirements.

Industry practices are relevant to the selection of accounting policies. Entities may continue to apply the accounting policies they followed under the relevant SORP (Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities) where the IFRS is silent.

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