
**STATUTORY BOARD FINANCIAL
REPORTING STANDARD**

SB-FRS 101

**First-time Adoption of
Statutory Board Financial Reporting Standards**

SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards* was operative for Statutory Boards' financial statements for annual periods beginning on or after 1 January 2005.

This Standard is equivalent to FRS 101 *First-time Adoption of Financial Reporting Standards* by the Council on Corporate Disclosure and Governance on 16 March 2005.

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Statutory Boards' Financial Reporting Standard 101 *First-time Adoption of Statutory Board Financial Reporting Standards* (SB-FRS 101) is set out in paragraphs 1-47 and Appendices A-C. 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. Definitions of other terms are given in the Glossary for Statutory Board Financial Reporting Standards. SB-FRS 101 should be read in the context of its objective, the *Preface to Statutory Board Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. These provide a basis for selecting and applying accounting policies in the absence of explicit guidance.

STATUTORY BOARDS' FINANCIAL REPORTING STANDARD 101

First-time Adoption of Statutory Board Financial Reporting Standards

OBJECTIVE

- 1 The objective of this SB-FRS is to ensure that an entity's *first SB-FRS 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 under *Statutory Board Financial Reporting Standards (SB-FRSs)*; and
 - (c) can be generated at a cost that does not exceed the benefits to users.

SCOPE

- 2 An entity shall apply this SB-FRS in:
 - (a) its first SB-FRS financial statements; and
 - (b) each interim financial report, if any, that it presents under SB-FRS 34 *Interim Financial Reporting* for part of the period covered by its first SB-FRS financial statements.
- 3 An entity's first SB-FRS financial statements are the first annual financial statements in which the entity adopts SB-FRSs, by an explicit and unreserved statement in those financial statements of compliance with SB-FRSs. Financial statements under SB-FRSs are an entity's first SB-FRS financial statements if, for example, the entity:
 - (a) presented its most recent previous financial statements:
 - (i) under national requirements that are not consistent with SB-FRSs in all respects;
 - (ii) in conformity with SB-FRSs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with SB-FRSs;
 - (iii) containing an explicit statement of compliance with some, but not all, SB-FRSs;
 - (iv) under national requirements inconsistent with SB-FRSs, using some individual SB-FRSs to account for items for which national requirements did not exist; or
 - (v) under national requirements, with a reconciliation of some amounts to the amounts determined under SB-FRSs;
 - (b) prepared financial statements under SB-FRSs for internal use only, without making them available to the entity's owners or any other external users;

- (c) prepared a reporting package under SB-FRSs for consolidation purposes without preparing a complete set of financial statements as defined in SB-FRS 1 *Presentation of Financial Statements*; or
 - (d) did not present financial statements for previous periods.
- 4 This SB-FRS applies when an entity first adopts SB-FRSs. It does not apply when, for example, an entity:
- (a) stops presenting financial statements under national requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with SB-FRSs;
 - (b) presented financial statements in the previous year under national requirements and those financial statements contained an explicit and unreserved statement of compliance with SB-FRSs; or
 - (c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with SB-FRSs, even if the auditors qualified their audit report on those financial statements.
- 5 This SB-FRS does not apply to changes in accounting policies made by an entity that already applies SB-FRSs. Such changes are the subject of:
- (a) requirements on changes in accounting policies in SB-FRS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*; and
 - (b) specific transitional requirements in other SB-FRSs.

RECOGNITION AND MEASUREMENT

Opening SB-FRS balance sheet

- 6 An entity shall prepare an *opening SB-FRS balance sheet* at the *date of transition to SB-FRSs*. This is the starting point for its accounting under SB-FRSs. An entity need not present its opening SB-FRS balance sheet in its first SB-FRS financial statements.

Accounting policies

- 7 **An entity shall use the same accounting policies in its opening SB-FRS balance sheet and throughout all periods presented in its first SB-FRS financial statements. Those accounting policies shall comply with each SB-FRS effective at the *reporting date* for its first SB-FRS financial statements, except as specified in paragraphs 13-34.**
- 8 An entity shall not apply different versions of SB-FRSs that were effective at earlier dates. An entity may apply a new SB-FRS that is not yet mandatory if it permits early application.

Example: Consistent application of latest version of SB-FRSs

BACKGROUND

The reporting date for entity A's first SB-FRS financial statements is 31 December 2005. Entity A decides to present comparative information in those financial statements for one year only (see paragraph 36). Therefore, its date of transition to SB-FRSs is the beginning of business on 1 January 2004 (or, equivalently, close of business on 31 December 2003). Entity A presented financial statements under its *previous GAAP* annually to 31 December each year up to, and including, 31 December 2004.

APPLICATION OF REQUIREMENTS

Entity A is required to apply the SB-FRSs effective for periods ending on 31 December 2005 in:

- (a) preparing its opening SB-FRS balance sheet at 1 January 2004; and
- (b) preparing and presenting its balance sheet for 31 December 2005 (including comparative amounts for 2004), income statement, statement of changes in equity and cash flow statement for the year to 31 December 2005 (including comparative amounts for 2004) and disclosures (including comparative information for 2004).

If a new SB-FRS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that SB-FRS in its first SB-FRS financial statements.

- 9 The transitional provisions in other SB-FRSs apply to changes in accounting policies made by an entity that already uses SB-FRSs; they do not apply to a *first-time adopter's* transition to SB-FRSs, except as specified in paragraphs 25D, 34A and 34B.
- 10 Except as described in paragraphs 13-34, an entity shall, in its opening SB-FRS balance sheet:
 - (a) recognise all assets and liabilities whose recognition is required by SB-FRSs;
 - (b) not recognise items as assets or liabilities if SB-FRSs do not permit such recognition;
 - (c) reclassify items that it recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under SB-FRSs; and
 - (d) apply SB-FRSs in measuring all recognised assets and liabilities.
- 11 The accounting policies that an entity uses in its opening SB-FRS balance sheet 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 SB-FRSs. Therefore, an entity shall recognise those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to SB-FRSs.
- 12 This SB-FRS establishes two categories of exceptions to the principle that an entity's opening SB-FRS balance sheet shall comply with each SB-FRS:
 - (a) paragraphs 13-25E grant exemptions from some requirements of other SB-FRSs.
 - (b) paragraphs 26-34B prohibit retrospective application of some aspects of other SB-FRSs.

Exemptions from other SB-FRSs

13 An entity may elect to use one or more of the following exemptions:

- (a) business combinations (paragraph 15);
- (b) fair value or revaluation as deemed cost (paragraphs 16-19);
- (c) employee benefits (paragraph 20);
- (d) cumulative translation differences (paragraphs 21 and 22);
- (e) compound financial instruments (paragraph 23); and
- (f) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs 24 and 25);
- (g) designation of previously recognised financial instruments (paragraph 25A);
- (h) share-based payment transactions (paragraphs 25B and 25C);
- (i) insurance contracts (paragraph 25D);
- (j) decommissioning liabilities included in the cost of property, plant and equipment (paragraph 25E); and
- (k) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph 25F).

An entity shall not apply these exemptions by analogy to other items.

14 Some exemptions below refer to fair value. SB-FRS 103 *Business Combinations* explains how to determine the fair values of identifiable assets and liabilities acquired in a business combination. An entity shall apply those explanations in determining fair values under this SB-FRS, unless another SB-FRS contains more specific guidance on the determination of fair values for the asset or liability in question. Those fair values shall reflect conditions that existed at the date for which they were determined.

Business combinations

15 An entity shall apply the requirements in Appendix B to business combinations that the entity recognised before the date of transition to SB-FRSs.

Fair value or revaluation as deemed cost

16 An entity may elect to measure an item of property, plant and equipment at the date of transition to SB-FRSs at its fair value and use that fair value as its deemed cost at that date.

17 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 SB-FRSs 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 under SB-FRSs, adjusted to reflect, for example, changes in a general or specific price index.

18 The elections in paragraphs 16 and 17 are also available for:

- (a) investment property, if an entity elects to use the cost model in SB-FRS 40 *Investment Property*; and
- (b) intangible assets that meet:
 - (i) the recognition criteria in SB-FRS 38 *Intangible Assets* (including reliable measurement of original cost); and
 - (ii) the criteria in SB-FRS 38 for revaluation (including the existence of an active market).

An entity shall not use these elections for other assets or for liabilities.

19 A first-time adopter may have established a deemed cost under 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 privatization or initial public offering. It may use such event-driven fair value measurements as deemed cost for SB-FRSs at the date of that measurement.

Employee benefits

20 Under SB-FRS 19 *Employee Benefits*, an entity may elect to use a 'corridor' approach that leaves some actuarial gains and losses unrecognised. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to SB-FRSs into a recognised portion and an unrecognised portion. However, a first-time adopter may elect to recognise all cumulative actuarial gains and losses at the date of transition to SB-FRSs, even if it uses the corridor approach for later actuarial gains and losses. If a first-time adopter uses this election, it shall apply it to all plans.

Cumulative translation differences

21 SB-FRS 21 *The Effects of Changes in Foreign Exchange Rates* requires an entity:

- (a) to classify some translation differences as a separate component of equity; and
- (b) on disposal of a foreign operation, to transfer the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) to the income statement as part of the gain or loss on disposal.

22 However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to SB-FRSs. 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 SB-FRSs; 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 SB-FRSs and shall include later translation differences.

Compound financial instruments

23 SB-FRS 32 *Financial Instruments: Disclosure and 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 SB-FRS 32 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, under this SB-FRS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to SB-FRSs.

Assets and liabilities of subsidiaries, associates and joint ventures

- 24 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its separate 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 SB-FRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary; or
 - (b) the carrying amounts required by the rest of this SB-FRS, based on the subsidiary's date of transition to SB-FRSs. These carrying amounts could differ from those described in (a):
 - (i) when the exemptions in this SB-FRS result in measurements that depend on the date of transition to SB-FRSs.
 - (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 the benchmark treatment in SB-FRS 16 *Property, Plant and Equipment*, whereas the group may use the allowed alternative treatment.

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.

- 25 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 separate 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. 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.

Designation of previously recognised financial instruments

- 25A SB-FRS 39 *Financial Instruments: Recognition and Measurement* (as revised in 2004) permits a financial instrument to be designated on initial recognition as a financial asset or financial liability at fair value through profit or loss or as available for sale. Despite this requirement, an entity is permitted to make such a designation at the date of transition to SB-FRSs.

Share-based payment transactions

- 25B A first-time adopter is encouraged, but not required, to apply SB-FRS 102 *Share-based Payment* to equity instruments that were granted on or before 22 November 2002. A first-time adopter is also encouraged, but not required, to apply SB-FRS 102 to equity instruments that were granted after 22 November 2002 that vested before the later of (a) the date of transition to SB-FRSs and (b) 1 January 2005. However, if a first-time adopter elects to apply SB-FRS 102 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 SB-FRS 102. For all grants of equity instruments to which SB-FRS 102 has not been applied (e.g. equity instruments granted on

or before 22 November 2002), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of SB-FRS 102. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which SB-FRS 102 has not been applied, the entity is not required to apply paragraphs 26-29 of SB-FRS 102 if the modification occurred before the later of (a) the date of transition to SB-FRSs and (b) 1 January 2005.

- 25C A first-time adopter is encouraged, but not required, to apply SB-FRS 102 to liabilities arising from share-based payment transactions that were settled before the date of transition to SB-FRSs. A first-time adopter is also encouraged, but not required, to apply SB-FRS 102 to liabilities that were settled before 1 January 2005. For liabilities to which SB-FRS 102 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 22 November 2002.

Insurance contracts

- 25D A first-time adopter may apply the transitional provisions in SB-FRS 104 *Insurance Contracts*. SB-FRS 104 restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter.

Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment

- 25E INT SB-FRS 101 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* 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 SB-FRSs. If a first-time adopter uses this exemption, it shall:

- (a) measure the liability as at the date of transition to SB-FRSs in accordance with SB-FRS 37;
- (b) to the extent that the liability is within the scope of INT SB-FRS 101, 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 been applied for that liability over the intervening period; and
- (c) calculate the accumulated depreciation on that amount, as at the date of the transition to SB-FRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity under SB-FRSs.

Fair value measurement of financial assets or financial liabilities

- 25F. Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of SB-FRS 39 paragraph AG76, and paragraph AG76A, in either of the following ways:
- (a) prospectively to transactions entered into after 25 October 2002; or
 - (b) prospectively to transactions entered into after 1 January 2004.

Exceptions to retrospective application of other SB-FRSs

- 26 This SB-FRS prohibits retrospective application of some aspects of other SB-FRSs relating to:

- (a) derecognition of financial assets and financial liabilities (paragraph 27);
- (b) hedge accounting (paragraphs 28-30);
- (c) estimates (paragraphs 31-34); and
- (d) assets classified as held for sale and discontinued operations.

Derecognition of financial assets and financial liabilities

27 Except as permitted by paragraph 27A, a first-time adopter shall apply the derecognition requirements in SB-FRS 39 prospectively for transactions occurring on or after 1 January 2005. In other words, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities under its previous GAAP as a result of a transaction that occurred before 1 January 2005, it shall not recognise those assets and liabilities under SB-FRSs (unless they qualify for recognition as a result of a later transaction or event).

27A Notwithstanding paragraph 27, an entity may apply the derecognition requirements in SB-FRS 39 retrospectively from a date of the entity's choosing, provided that the information needed to apply SB-FRS 39 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

28 As required by SB-FRS 39 *Financial Instruments: Recognition and Measurement*, at the date of transition to SB-FRSs, an entity shall:

- (a) measure all derivatives at fair value; and
- (b) eliminate all deferred losses and gains arising on derivatives that were reported under previous GAAP as if they were assets or liabilities.

29 An entity shall not reflect in its opening SB-FRS balance sheet a hedging relationship of a type that does not qualify for hedge accounting under SB-FRS 39 (for example, many hedging relationships where the hedging instrument is a cash instrument or written option; where the hedged item is a net position; or where the hedge covers interest risk in a held-to-maturity investment). However, if an entity designated a net position as a hedged item under previous GAAP, it may designate an individual item within that net position as a hedged item under SB-FRSs, provided that it does so no later than the date of transition to SB-FRSs.

30 If, before the date of transition to SB-FRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in SB-FRS 39 the entity shall apply paragraphs 91 and 101 of SB-FRS 39 to discontinue hedge accounting. Transactions entered into before the date of transition to SB-FRSs shall not be retrospectively designated as hedges.

Estimates

31 An entity's estimates under SB-FRSs at the date of transition to SB-FRSs shall be consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

- 32 An entity may receive information after the date of transition to SB-FRSs about estimates that it had made under previous GAAP. Under paragraph 31, an entity shall treat the receipt of that information in the same way as non-adjusting events after the balance sheet date under SB-FRS 10 *Events After the Balance Sheet Date*. For example, assume that an entity's date of transition to SB-FRSs is 1 January 2004 and new information on 15 July 2004 requires the revision of an estimate made under previous GAAP at 31 December 2003. The entity shall not reflect that new information in its opening SB-FRS balance sheet (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 its income statement (or, if appropriate, other changes in equity) for the year ended 31 December 2004.
- 33 An entity may need to make estimates under SB-FRSs at the date of transition to SB-FRSs that were not required at that date under previous GAAP. To achieve consistency with SB-FRS 10, those estimates under SB-FRSs shall reflect conditions that existed at the date of transition to SB-FRSs. In particular, estimates at the date of transition to SB-FRSs of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.
- 34 Paragraphs 31-33 apply to the opening SB-FRS balance sheet. They also apply to a comparative period presented in an entity's first SB-FRS financial statements, in which case the references to the date of transition to SB-FRSs are replaced by references to the end of that comparative period.

Assets classified as held for sale and discontinued operations

- 34A SB-FRS 105 requires that it shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of the SB-FRS. SB-FRS 105 permits an entity to apply the requirements of the SB-FRS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the SB-FRS, provided the valuations and other information needed to apply the SB-FRS were obtained at the time those criteria were originally met.
- 34B An entity with a date of transition to SB-FRSs before 1 January 2005 shall apply the transitional provisions of SB-FRS 105. An entity with a date of transition to SB-FRSs on or after 1 January 2005 shall apply SB-FRS 105 retrospectively.

PRESENTATION AND DISCLOSURE

- 35 This SB-FRS does not provide exemptions from the presentation and disclosure requirements in other SB-FRSs.

Comparative information

- 36 To comply with SB-FRS 1 *Presentation of Financial Statements*, an entity's first SB-FRS financial statements shall include at least one year of comparative information under SB-FRSs.

Exemption from the requirement to restate comparative information for SB-FRS 39 and SB-FRS 104

- 36A In its first SB-FRS financial statements, an entity that adopts SB-FRSs before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with SB-FRS 32, SB-FRS 39 and SB-FRS 104. An entity that chooses to present comparative information that does not comply with SB-FRS 32, SB-FRS 39 and SB-FRS 104 in its first year of transition shall:

- (a) apply its previous GAAP in the comparative information to financial instruments within the scope of SB-FRS 32 and SB-FRS 39 and to insurance contracts within the scope of SB-FRS 104;
- (b) disclose this fact, together with the basis used to prepare this information; and
- (c) disclose the nature of the main adjustments that would make the information comply with SB-FRS 32, SB-FRS 39 and SB-FRS 104. The entity need not quantify those adjustments. However, the entity shall treat any adjustment between the balance sheet at the comparative period's reporting date (i.e. the balance sheet that includes comparative information under previous GAAP) and the balance sheet at the start of the first SB-FRS reporting period (i.e. the first period that includes information that complies with SB-FRS 32, SB-FRS 39 and SB-FRS 104) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)-(e) and (f)(i) of SB-FRS 8. Paragraph 28(f)(i) applies only to amounts presented in the balance sheet at the comparative period's reporting date.

In the case of an entity that chooses to present comparative information that does not comply with SB-FRS 32, SB-FRS 39 and SB-FRS 104, references to the 'date of transition to SB-FRSs' shall mean, in the case of those Standards only, the beginning of the first SB-FRS reporting period.

Historical summaries

- 37 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information under SB-FRSs. This SB-FRS does not require such summaries to comply with the recognition and measurement requirements of SB-FRSs. Furthermore, some entities present comparative information under previous GAAP as well as the comparative information required by SB-FRS 1. In any financial statements containing historical summaries or comparative information under previous GAAP, an entity shall:
- (a) label the previous GAAP information prominently as not being prepared under SB-FRSs; and
 - (b) disclose the nature of the main adjustments that would make it comply with SB-FRSs. An entity need not quantify those adjustments.

Explanation of transition to SB-FRSs

- 38 **An entity shall explain how the transition from previous GAAP to SB-FRSs affected its reported financial position, financial performance and cash flows.**

Reconciliations

- 39 To comply with paragraph 38, an entity's first SB-FRS financial statements shall include:
- (a) reconciliations of its equity reported under previous GAAP to its equity under SB-FRSs for both of the following dates:
 - (i) the date of transition to SB-FRSs; and
 - (ii) the end of the latest period presented in the entity's most recent annual financial statements under previous GAAP;
 - (b) a reconciliation of the profit or loss reported under previous GAAP for the latest period in the entity's most recent annual financial statements to its profit or loss under SB-FRSs for the same period; and

- (c) if the entity recognised or reversed any impairment losses for the first time in preparing its opening SB-FRS balance sheet, the disclosures that SB-FRS 36 *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 SB-FRSs.
- 40 The reconciliations required by paragraph 39(a) and (b) shall give sufficient detail to enable users to understand the material adjustments to the balance sheet and income statement. If an entity presented a cash flow statement under its previous GAAP, it shall also explain the material adjustments to the cash flow statement.
- 41 If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 39(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.
- 42 SB-FRS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* does not deal with changes in accounting policies that occur when an entity first adopts SB-FRSs. Therefore, SB-FRS 8's requirements for disclosures about changes in accounting policies do not apply in an entity's first SB-FRS financial statements.
- 43 If an entity did not present financial statements for previous periods, its first SB-FRS financial statements shall disclose that fact.

Designation of financial assets or financial liabilities

- 43A An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or as available for sale in accordance with paragraph 25A. The entity shall disclose the fair value of any financial assets or financial liabilities designated into each category and the classification and carrying amount in the previous financial statements.

Use of fair value as deemed cost

- 44 If an entity uses fair value in its opening SB-FRS balance sheet as deemed cost for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs 16 and 18), the entity's first SB-FRS financial statements shall disclose, for each line item in the opening SB-FRS balance sheet:
 - (a) the aggregate of those fair values; and
 - (b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Interim financial reports

- 45 To comply with paragraph 38, if an entity presents an interim financial report under SB-FRS 34 *Interim Financial Reporting* for part of the period covered by its first SB-FRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of SB-FRS 34:
 - (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 reconciliations of:
 - (i) its equity under previous GAAP at the end of that comparable interim period to its equity under SB-FRSs at that date; and

- (ii) its profit or loss under previous GAAP for that comparable interim period (current and year-to-date) to its profit or loss under SB-FRSs for that period.
 - (b) In addition to the reconciliations required by (a), an entity's first interim financial report under SB-FRS 34 for part of the period covered by its first SB-FRS financial statements shall include the reconciliations described in paragraph 39(a) and (b) (supplemented by the details required by paragraphs 40 and 41) or a cross-reference to another published document that includes these reconciliations.
- 46 SB-FRS 34 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, SB-FRS 34 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 under 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

- 47 Statutory Boards shall apply this SB-FRS if its first SB-FRS financial statements are for a period beginning on or after 1 January 2005. Earlier application is encouraged. If an entity's first SB-FRS financial statements are for a period beginning before 1 January 2004 and the entity applies this SB-FRS instead of INT SB-FRS 8 *First-time Application of SB-FRSs as the Primary Basis of Accounting*, it shall disclose that fact.

Appendix A

Defined terms

This appendix is an integral part of the SB-FRS.

date of transition to SB-FRSs	The beginning of the earliest period for which an entity presents full comparative information under SB-FRSs in its first SB-FRS 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	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
first SB-FRS financial statements	The first annual financial statements in which an entity adopts Statutory Board Financial Reporting Standards (SB-FRSs) , by an explicit and unreserved statement of compliance with SB-FRSs.
first-time adopter	An entity that presents its first SB-FRS financial statements .
Statutory Board Financial Reporting Standards (SB-FRSs)	Standards and Interpretations adopted by the Accountant-General. They comprise: (a) Statutory Board Financial Reporting Standards; and (b) Interpretations of Statutory Board Financial Reporting Standards.
opening SB-FRS balance sheet	An entity's balance sheet (published or unpublished) at the date of transition to SB-FRSs .
previous GAAP	The basis of accounting that a first-time adopter used immediately before adopting SB-FRSs.
reporting date	The end of the latest period covered by financial statements or by an interim financial report.

Appendix B

Business combinations

This appendix is an integral part of the SB-FRS.

- B1 A first-time adopter may elect not to apply SB-FRS 103 *Business Combinations* retrospectively to past business combinations (business combinations that occurred before the date of transition to SB-FRSs). However, if a first-time adopter restates any business combination to comply with SB-FRS 103, it shall restate all later business combinations and shall also apply SB-FRS 36 *Impairment of Assets* (as revised in 2004) and SB-FRS 38 *Intangible Assets* (as revised in 2004) from that same date. For example, if a first-time adopter elects to restate a business combination that occurred on 30 June 2002, it shall restate all business combinations that occurred between 30 June 2002 and the date of transition to SB-FRSs, and it shall also apply SB-FRS 36 (as revised in 2004) and SB-FRS 38 (as revised in 2004) from 30 June 2002.
- B1A An entity need not apply SB-FRS 21 *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 SB-FRSs. If the entity does not apply SB-FRS 21 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 under previous GAAP.
- B1B An entity may apply SB-FRS 21 retrospectively to fair value adjustments and goodwill arising in either:
- (a) all business combinations that occurred before the date of transition to SB-FRSs; or
 - (b) all business combinations that the entity elects to restate to comply with SB-FRS 103, as permitted by paragraph B1 above.
- B2 If a first-time adopter does not apply SB-FRS 103 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 SB-FRSs that were acquired or assumed in a past business combination, other than:
 - (i) some financial assets and financial liabilities derecognised under previous GAAP (see paragraph 27); and
 - (ii) assets, including goodwill, and liabilities that were not recognised in the acquirer's consolidated balance sheet under previous GAAP and also would not qualify for recognition under SB-FRSs in the separate balance sheet of the acquiree (see paragraph B2(f)-B2(i)).

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 paragraph B2(g)(i)).

- (c) The first-time adopter shall exclude from its opening SB-FRS balance sheet any item recognised under previous GAAP that does not qualify for recognition as an asset or liability under SB-FRSs. 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 under SB-FRS 38 *Intangible Assets*. It shall reclassify that item (and, if any, the related deferred tax and minority interests) as part of goodwill (unless it deducted goodwill directly from equity under previous GAAP, see paragraph B2(g)(i) and B2(i)).
 - (ii) the first-time adopter shall recognise all other resulting changes in retained earnings.*
- (d) SB-FRSs 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 SB-FRS balance sheet, 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 under previous GAAP of assets acquired and liabilities assumed in that business combination shall be their deemed cost under SB-FRSs at that date. If SB-FRSs 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 under previous GAAP, it does not have a deemed cost of zero in the opening SB-FRS balance sheet. Instead, the acquirer shall recognise and measure it in its consolidated balance sheet on the basis that SB-FRSs would require in the separate balance sheet of the acquiree. To illustrate: if the acquirer had not, under its previous GAAP, capitalised finance leases acquired in a past business combination, it shall capitalise those leases in its consolidated financial statements, as SB-FRS 17 *Leases* would require the acquiree to do in its separate SB-FRS balance sheet. Conversely, if an asset or liability was subsumed in goodwill under previous GAAP but would have been recognised separately under SB-FRS 103, that asset or liability remains in goodwill unless SB-FRSs would require its recognition in the separate financial statements of the acquiree.
- (g) The carrying amount of goodwill in the opening SB-FRS balance sheet shall be its carrying amount under previous GAAP at the date of transition to SB-FRSs, after the following three adjustments:
- (i) If required by paragraph B2(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 under previous GAAP. Similarly, if paragraph B2(f) requires the first-time adopter to recognise an intangible asset that was subsumed in recognised goodwill under previous GAAP, the first-time adopter shall decrease the carrying amount of goodwill accordingly (and, if applicable, adjust deferred tax and minority interests).
 - (ii) A contingency affecting the amount of the purchase consideration for a past business combination may have been resolved before the date of transition to SB-FRSs. If a

* Such changes include reclassifications from or to intangible assets if goodwill was not recognised under previous GAAP as an asset. This arises if, under previous GAAP, the entity (a) deducted goodwill directly from equity or (b) did not treat the business combination as an acquisition.

reliable estimate of the contingent adjustment can be made and its payment is probable, the first-time adopter shall adjust the goodwill by that amount. Similarly, the first-time adopter shall adjust the carrying amount of goodwill if a previously recognised contingent adjustment can no longer be measured reliably or its payment is no longer probable.

- (iii) Regardless of whether there is any indication that the goodwill may be impaired, the first-time adopter shall apply SB-FRS 36 *Impairment of Assets* in testing the goodwill for impairment at the date of transition to SB-FRSs and in recognising any resulting impairment loss in retained earnings (or, if so required by SB-FRS 36, in revaluation surplus). The impairment test shall be based on conditions at the date of transition to SB-FRSs.
- (h) No other adjustments shall be made to the carrying amount of goodwill at the date of transition to SB-FRSs. 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 under SB-FRS 38 in the separate balance sheet of the acquiree);
 - (ii) to adjust previous amortisation of goodwill;
 - (iii) to reverse adjustments to goodwill that SB-FRS 103 would not permit, but were made under previous GAAP because of adjustments to assets and liabilities between the date of the business combination and the date of transition to SB-FRSs.
- (i) If the first-time adopter recognised goodwill under previous GAAP as a deduction from equity:
 - (i) it shall not recognise that goodwill in its opening SB-FRS balance sheet. Furthermore, it shall not transfer that goodwill to the income statement 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) Under 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 under 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 SB-FRSs would require in the subsidiary's separate balance sheet. The deemed cost of goodwill equals the difference at the date of transition to SB-FRSs 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 minority interests and deferred tax follows from the measurement of other assets and liabilities. Therefore, the above adjustments to recognised assets and liabilities affect minority interests and deferred tax.

B3 The exemption for past business combinations also applies to past acquisitions of investments in associates and of interests in joint ventures. Furthermore, the date selected for paragraph B1 applies equally for all such acquisitions.

