

## **ASLB 33, First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies**

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## **Accounting Standard for Local Bodies (ASLB) 33 First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies**

*(This Accounting Standard includes paragraphs set in **bold italic** type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. This Accounting Standard should be read in the context of its objective and the 'Preface to Accounting Standards for Local Bodies'.)*

The Accounting Standard for Local Bodies (ASLB) 33, '*First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies (ASLBs)*', issued by the Council of the Institute of the Chartered Accountants of India, will be recommendatory in nature in the initial years for use by the local bodies. This Standard will be mandatory for local bodies in a State from the date specified in this regard by the State Government concerned<sup>2</sup>.

The following is the text of the Accounting Standard for Local Bodies:

### **Objective**

1. The objective of this Standard is to provide guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis ASLBs, in order to present high quality information:
  - (a) That provides transparent reporting about a first-time adopter's transition to accrual basis ASLBs;
  - (b) That provides a suitable starting point for accounting in accordance with accrual basis ASLBs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
  - (c) Where the benefits are expected to exceed the costs.

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<sup>1</sup>Attention is specifically drawn to paragraph 4.2 of the '*Preface to Accounting Standards for Local Bodies*', according to which Accounting Standards are intended to apply only to items which are material.

<sup>2</sup> In respect of compliance with the Accounting Standards for Local Bodies, reference may be made to the paragraph 7.1 of the '*Preface to the Accounting Standards for Local Bodies*'.

## Scope

2. ***An entity should apply this ASLB when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis ASLBs.***
- 2A. ***This Standard applies to all entities described as Local Bodies in the 'Preface to the Accounting Standards for Local Bodies'<sup>3</sup>.***
3. This ASLB applies when an entity first adopts accrual basis ASLBs and during the transitional period allowed in this ASLB. It does not apply when, for example, a first-time adopter:
  - (a) Stops presenting financial statements in accordance with prescribed requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with accrual basis ASLBs;
  - (b) Presented financial statements in the previous reporting period in accordance with prescribed requirements and those financial statements contained an explicit and unreserved statement of compliance with accrual basis ASLBs; or
  - (c) Presented financial statements in the previous reporting period that contained an explicit and unreserved statement of compliance with accrual basis ASLBs, even if the auditors modified their audit report on those financial statements.
4. This Standard should be applied from the date on which a first-time adopter adopts accrual basis ASLBs and during the period of transition. This Standard permits a first-time adopter to apply transitional exemptions and provisions that may impact fair presentation. Where these transitional exemptions and provisions are applied, a first-time adopter is required to disclose information about the transitional exemptions and provisions adopted, and progress towards fair presentation and compliance with accrual basis ASLBs.
5. At the end of the transitional period a first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the other accrual basis ASLB in order to assert compliance with accrual basis ASLBs as required in ASLB 1, '*Presentation of Financial Statements*'.

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<sup>3</sup> Refer paragraph 1.3 of the '*Preface to the Accounting Standards for Local Bodies*'.

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6. This ASLB does not apply to changes in accounting policies made by an entity that already applies ASLBs. Such changes are the subject of:
  - (a) Requirements on changes in accounting policies in ASLB 3, 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
  - (b) Specific transitional requirements in other ASLBs. The transitional provisions in other ASLBs apply only to changes in accounting policies made by an entity that already applies accrual basis ASLBs; they do not apply to a first-time adopter's transition to ASLBs, except as specified in this ASLB.
7. [Deleted]
8. [Deleted]

## **Definitions**

9. *The following terms are used in this Standard with the meanings specified:*

***Date of adoption of ASLBs is the date an entity adopts accrual basis ASLBs for the first time, and is the start of the reporting period in which the first-time adopter adopts accrual basis ASLBs and for which the entity presents its first transitional ASLB financial statements or its first ASLB financial statements.***

***Deemed cost is an amount used as a surrogate for acquisition cost or depreciated cost at a given date.***

***First ASLB financial statements are the first annual financial statements in which an entity complies with the accrual basis ASLBs and can make an explicit and unreserved statement of compliance with those ASLBs because it adopted one or more of the transitional exemptions in this ASLB that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs.***

***First-time adopter is an entity that adopts accrual basis ASLBs for the first time and presents its first transitional ASLB financial statements or its first ASLB financial statements.***

***Opening balance sheet is a first-time adopter's balance sheet at the date of adoption of ASLBs.***

***Period of transition*** is the period during which a first-time adopter applies one or more of the exemptions in this ASLB before it complies with the accrual basis ASLBs, and before it is able to make an explicit and unreserved statement of such compliance with ASLBs.

***Previous basis of accounting*** is the basis of accounting that a first-time adopter used immediately before adopting accrual basis ASLBs.

***Transitional ASLB financial statements*** are the financial statements prepared in accordance with this ASLB where a first-time adopter cannot make an explicit and unreserved statement of compliance with other ASLBs because it adopted one or more of the transitional exemptions in this ASLB that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs.

***Terms defined in other ASLBs*** are used in this Standard with the same meaning as in those Standards.

## **Date of Adoption of ASLBs**

10. The date of adoption of ASLBs is the date that an entity adopts accrual basis ASLBs for the first time. It is the start of the reporting period in which the first-time adopter adopts accrual basis ASLBs and for which it presents its first transitional ASLB financial statements or its first ASLB financial statements. If a first-time adopter takes advantage of the exemptions in this ASLBs that affect fair presentation and compliance with accrual basis ASLBs (see paragraphs 36–62) in producing its first transitional ASLB financial statements, it can only make an explicit and unreserved statement of compliance with accrual basis ASLBs when the exemptions that provided the relief have expired, and/or when the relevant items are recognised, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable ASLBs (whichever is earlier). Financial statements should not be described as complying with ASLBs unless they comply with all the requirements of all the applicable ASLBs.

### **First ASLB Financial Statements**

11. An entity's first ASLB financial statements are the first annual financial statements in which the first-time adopter can make an explicit and unreserved statement in those financial statements of compliance with accrual basis ASLBs. If a first-time adopter does not adopt the exemptions in this ASLB that affect fair presentation and compliance with accrual basis ASLBs (see paragraphs 36–62), its first financial statements following the adoption of accrual basis ASLBs will also be its first ASLB financial statements.

### **Previous Basis of Accounting**

12. The previous basis of accounting is the basis of accounting that a first-time adopter used immediately before adopting accrual basis ASLBs. This might be a cash basis of accounting, an accrual basis of accounting, a modified version of either a cash basis or an accrual basis of accounting, or another prescribed basis.

### **Transitional ASLB Financial Statements**

13. An entity's transitional ASLB financial statements are the annual financial statements in which an entity transitions to accrual basis ASLBs and adopts certain exemptions in this ASLB that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs. If a first-time adopter adopts the exemptions in this ASLBs that affect fair presentation and compliance with accrual basis ASLBs (see paragraphs 36–62), it will not be able to make an explicit and unreserved statement of compliance with other accrual basis ASLBs until the exemptions that provided the relief in this ASLB have expired and/or when the relevant items are recognised, measured and/ or the relevant information has been presented and/or disclosed in accordance with the applicable ASLBs (whichever is earlier). Financial statements should not be described as complying with ASLBs unless they comply with all the requirements of all the applicable ASLBs.
14. An entity's transitional ASLB financial statements are those financial statements, where the entity transitions from another accounting basis such as when it:
  - (a) Prepared its most recent previous financial statements in

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accordance with the ASLB, '*Financial Reporting Under the Cash Basis of Accounting*';

- (b) Presented its most recent previous financial statements:
  - (i) In accordance with prescribed requirements that are not consistent with ASLBs in all respects;
  - (ii) In conformity with ASLBs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with ASLBs;
  - (iii) Containing an explicit statement of compliance with some, but not all, ASLBs, including the adoption of the exemptions provided in this ASLB that affect fair presentation and compliance with accrual basis ASLBs (see paragraphs 36–62);
  - (iv) In accordance with prescribed requirements inconsistent with ASLBs, using some individual ASLBs to account for items for which prescribed requirements did not exist; or
  - (v) In accordance with prescribed requirements, with a reconciliation of some amounts to the amounts determined in accordance with ASLBs;
- (c) Prepared financial statements in accordance with ASLBs for internal use only, without making them available to external users;
- (d) Prepared a reporting package in accordance with ASLBs for consolidation purposes without preparing a complete set of financial statements as defined in ASLB 1; or
- (e) Did not present financial statements for previous periods.

## **Recognition and Measurement**

### **Opening Balance Sheet on Adoption of ASLBs**

15. *A first-time adopter should prepare and present an opening balance sheet at the date of adoption of ASLBs. This is the starting point for its accounting in accordance with accrual basis ASLBs.*

### **Accounting Policies**

16. *On the date of adoption of accrual basis ASLBs, a first-time*

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*adopter should apply the requirements of the ASLBs retrospectively except if required, or otherwise permitted, in this ASLB.*

17. *A first-time adopter should use the same accounting policies in its opening balance sheet and throughout all periods presented, except as specified in paragraphs 36–134. The accounting policies should comply with each ASLB effective at the date of adoption of ASLBs, except as specified in paragraphs 36–134.*
18. A first-time adopter that takes advantage of the exemptions in paragraph 36–134 will be required to amend its accounting policies after the exemptions that provided the relief have expired and/or when the relevant items are recognised, measured and/or the relevant information is presented and/ or disclosed in the financial statements in accordance with the applicable ASLBs (whichever is earlier).
19. A first-time adopter should apply the versions of accrual basis ASLBs effective at the date of adoption of ASLBs. A first-time adopter may apply a new ASLB that is not yet mandatory if that ASLB permits early application. Any new ASLBs that become effective during the period of transition should be applied by the first-time adopter from the date it becomes effective.
20. Except as described in paragraphs 36–134, a first-time adopter should, in its opening balance sheet:
  - (a) Recognise all assets and liabilities whose recognition is required by ASLBs;
  - (b) Not recognise items as assets or liabilities if ASLBs do not permit such recognition;
  - (c) Reclassify items that it recognised in accordance with the previous basis of accounting as one type of asset, liability or component of net assets/equity, but are a different type of asset, liability or component of net assets/equity in accordance with ASLBs; and
  - (d) Apply ASLBs in measuring all recognised assets and liabilities.
21. The accounting policies that a first-time adopter uses in financial statements may differ from those that it used at the end of its

comparative period under its previous basis of accounting. The resulting adjustments arise from transactions, other events or conditions before the date of adoption of ASLBs. Therefore, a first-time adopter should recognise those adjustments to the opening balance of accumulated surplus or deficit in the period in which the items are recognised and/or measured (or, if appropriate, another category of net assets/equity). The first-time adopter should recognise these adjustments in the earliest period presented.

22. The transitional exemptions and provisions in other ASLB apply to changes in accounting policies made by an entity that already applies accrual basis ASLBs. The transitional exemptions and provisions in this ASLB applies to a first-time adopter that prepares and presents its annual financial statements on the adoption of, and during the transition to accrual basis ASLBs.

## **Exceptions to the Retrospective Application of ASLBs**

23. ***A first-time adopter's estimates in accordance with ASLBs at the date of adoption of ASLBs, should be consistent with estimates made in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were inconsistent with the requirements in ASLBs.***
24. This ASLB prohibits retrospective application of some aspects of accrual basis ASLBs. A first-time adopter may receive information after the date of adoption of ASLBs about estimates that it had made under its previous basis of accounting. In accordance with paragraph 23, a first-time adopter should treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with ASLB 14, 'Events after the Reporting Period'.
25. A first-time adopter may need to make estimates in accordance with ASLBs at the date of adoption of ASLBs or during the period of transition that were not required at that date under the previous basis of accounting. To achieve consistency with ASLB 14, those estimates in accordance with ASLBs should reflect conditions that existed at the date of adoption of ASLBs or at the date during the period of

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transition. In particular, estimates determined at the date of adoption of ASLBs or during the period of transition of market prices, interest rates should reflect market conditions at that date. For non-financial assets, such as property, plant and equipment, estimates about the asset's useful life, residual value or condition reflect management's expectations and judgment at the date of adoption of ASLBs or the date during the period of transition.

26. Paragraphs 23–25 apply to the opening balance sheet. They also apply to a comparative period where an entity elects to present comparative information in accordance with paragraph 78, in which case the references to the date of adoption of ASLBs are replaced by references to the end of that comparative period.

## **Fair Presentation and Compliance with ASLBs**

27. *A first-time adopter's first ASLB financial statements should fairly present the financial position, financial performance, and cash flows of the entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in ASLBs. If a first-time adopter takes advantage of the exemptions in paragraphs 36–62, these exemptions will affect the fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis ASLBs, until the exemptions that provided the relief have expired and/or when the relevant items are recognised and/or measured in accordance with the applicable ASLB (whichever is earlier).*
28. *A first-time adopter should claim full compliance with ASLBs only when it has complied with all the requirements of the applicable ASLBs effective at that date, subject to paragraph 11. If a first-time adopter adopts one or more of the exemptions in paragraph 36–62, the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs will be affected. An entity's whose financial statements comply with ASLBs should make an explicit and unreserved statement of such compliance in the notes. Financial statements should not be described as complying with ASLBs unless they comply with all*

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***the requirements of ASLBs, and should be qualified as accrual basis ASLB complaint financial statements.***

29. In accordance with paragraph 29 of ASLB 1 fair presentation is achieved in virtually all circumstances by compliance with applicable ASLBs. For a first-time adopter to claim full compliance with ASLBs, all the requirements of the applicable ASLBs need to be complied with to ensure that information is presented in a manner that meets the qualitative characteristics, subject to paragraph 11.
30. The exemptions in paragraphs 36–62 provide relief from the recognition, measurement, presentation and/or disclosure requirements in ASLBs on the date of adoption of ASLBs and during the period of transition. A first-time adopter may elect to adopt these exemptions, but should consider that applying these exemptions will affect the fair presentation of its financial statements and its ability to assert compliance with accrual basis ASLBs in accordance with paragraphs 27 and 28 until the exemptions that provided the relief have expired and/or when the relevant items are recognised, measured, and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable ASLBs (whichever is earlier). Before making use of such exemptions, a first-time adopter should consider all the relevant facts and circumstances and the potential effect on its financial statements.
31. ***A first-time adopter should assess whether the transitional exemptions adopted affect the fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis ASLBs.***
32. For example, a first-time adopter adopts the three year transitional relief period for the recognition and measurement of traffic fines because insufficient data is available about the value of fines issued, fines written off, the compromises reached with offenders etc. The relief period is not applied to any other class of non-exchange revenue. The revenue received from fines is not material in relation to the financial statements as a whole. The entity concludes that, by adopting the transitional exemption and provisions, fair presentation and compliance with ASLBs will not be affected. As a result, the first-time adopter will still be able to achieve fair presentation and assert compliance with accrual basis ASLBs at the date of adoption of accrual basis ASLBs or during the period of transition.

## **Exemptions that Affect Fair Presentation and Compliance with Accrual Basis ASLBs during the Period of Transition**

33. *A first-time adopter may adopt the exemptions in paragraphs 36–62. These exemptions will affect the fair presentation of a first-time adopter’s financial statements and its ability to assert compliance with accrual basis ASLBs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter should not apply these exemptions by analogy to other items.*
34. *Notwithstanding the exemptions provided in paragraphs 36–62 a first-time adopter is encouraged to comply in full with all the requirements of the applicable ASLBs as soon as possible.*
35. *To the extent that a first-time adopter applies the exemptions in paragraph 36–62, it is not required to apply any associated presentation and/or disclosure requirements in the applicable ASLBs until the exemptions that provided the relief have expired or the relevant items are recognised and/or measured in the financial statements in accordance with the applicable ASLBs (whichever is earlier).*

## **Three Year Transitional Relief Period for the Recognition and/or Measurement of Assets and/or Liabilities**

### *Recognition and/or Measurement of Assets and/or Liabilities*

36. *Where a first-time adopter has not recognised assets and/or liabilities under its previous basis of accounting, it is not required to recognise and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of ASLBs:*
  - (a) *Inventories (see ASLB 12, ‘Inventories’);*
  - (b) *Investment property (see ASLB 16, ‘Investment Property’);*
  - (c) *Property, plant and equipment (see ASLB 17, ‘Property, Plant and Equipment’);*
  - (d) *Defined benefit plans and other long-term employee benefits (see ASLB 39, ‘Employee Benefits’);*

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- (e) **Biological assets and agricultural produce (see ASLB 27, 'Agriculture'<sup>4</sup>);**
  - (f) **Intangible assets (see ASLB 31, 'Intangible Assets');**
  - (g) **Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see ASLB 32, 'Service Concession Arrangements: Grantor');**
  - (h) **Financial instruments (Refer paragraph 15 of ASLB 3 with regard to Guidance on 'Financial Instruments');** and
  - (i) **Social benefits (see ASLB 42, 'Social Benefits').**
37. **Where a first-time adopter applies the exemption in paragraph 36(d), it should recognise the obligation and any related plan assets at the same time.**
38. **Where a first-time adopter has recognised the assets and/or liabilities included in paragraph 36 under its previous basis of accounting, it is not required to change its accounting policy(ies) in respect of the measurement of these assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of ASLBs.**
39. Subject to paragraphs 36 and 38, a first-time adopter is not required to change its accounting policy(ies) in respect of the recognition and/or measurement of assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of ASLBs. The transitional exemptions in paragraphs 36 and 38 are intended to allow a first-time adopter a period to develop reliable<sup>5</sup> models for recognising and/or measuring its assets and/ or liabilities during the period of transition. The first-time adopter may apply

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<sup>4</sup> The Guidance with regard to accounting policy for 'Agriculture', if required, may be obtained from other corresponding pronouncement as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors' till the time ASLB on this subject is not formulated.

<sup>5</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

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accounting policies for the recognition and/or measurement of such assets and/or liabilities that do not comply with the provisions of other ASLBs.

40. ***Subject to the provisions of paragraphs 36 and 38, a first-time adopter should only change its accounting policies during the period of transition to better conform to the accounting policies in accrual basis ASLBs, and may retain its existing accounting policies until the exemptions that provided the relief have expired or when the relevant items are recognised and/or measured in the financial statements in accordance with the applicable ASLBs (whichever is earlier). A first-time adopter may change its accounting policy in respect of the recognition and/or measurement of assets and/or liabilities on a class-by-class or category-by-category basis where the use of classes or categories is permitted in the applicable ASLB.***
41. [Refer to Appendix 1]

### *Recognition and/or Measurement of Non-Exchange Revenue*

42. ***A first-time adopter is not required to change its accounting policy in respect of the recognition and measurement of non-exchange revenue for reporting periods beginning on a date within three years following the date of adoption of ASLBs. A first-time adopter may change its accounting policy in respect of revenue from non-exchange transactions on a class-by-class basis.***
43. The transitional provision in paragraph 42 is intended to allow a first-time adopter a period to develop reliable models for recognising and measuring revenue from non-exchange transactions in accordance with ASLB 23, 'Revenue from Non-Exchange Transactions (Taxes and Transfers)' during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of revenue from non-exchange transactions that do not comply with the provisions of ASLB 23. The transitional provision in paragraph 42 allows a first-time adopter to apply ASLB 23 incrementally to different classes of revenue from non-exchange transactions. For example, a first-time adopter may be able to recognise and measure property taxes and some other classes of transfers in accordance with ASLB 23

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from the date of adoption of ASLBs, but may require three years to fully develop a reliable model for recognising and measuring income tax revenue.

### *Other Exemptions*

#### ASLB 5, 'Borrowing Costs'

44. ***Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognise and/or measure assets, and, it is not required to capitalise any borrowing costs on qualifying assets for which the commencement date for capitalisation is prior to the date of adoption of accrual basis ASLBs, until the exemption that provided the relief has expired and/or when the relevant assets are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).***

45. Paragraph 36 allows a first-time adopter to not, recognise and/or measure assets in accordance with ASLBs 16, 17, 27, 31 and 32 for a period of up to three years from the date of adoption of ASLBs. During this period, a first-time adopter may need to consider the requirements of those ASLBs at the same time as the capitalisation of borrowing costs. Where a first-time adopter takes advantage of the transitional exemption period for the recognition and/or measurement of assets in accordance with ASLBs 16, 17, 27, 31 and 32 it is not required to capitalise borrowing costs incurred on qualifying assets prior, or during the period of transition. Only when the exemptions that provided the relief have expired, and/or when the relevant assets are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier) will a first-time adopter be allowed to capitalise borrowing costs incurred on the qualifying assets in accordance with the requirement of ASLB 5.

#### ASLB 13, 'Leases'

46. ***Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognise assets, it is not required to apply the requirements related to finance leases until the exemption that provided the relief has expired, and/or when the relevant assets are recognised in accordance with the applicable ASLBs***

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*(whichever is earlier).*

47. This ASLB allows a first-time adopter a period of up to three years from the date of adoption of ASLBs to not recognise assets in accordance with ASLBs 16, 17, 27, 31 and 32. During this period, a first-time adopter may need to consider the recognition requirements of those ASLBs at the same time as considering the recognition of finance leases in this ASLB. Where a first-time adopter takes advantage of the exemption in accordance with ASLBs 16, 17, 27, 31 and 32 it is not required to recognise finance lease assets and/or liabilities until the exemptions that provided the relief have expired, and/or when the relevant assets are recognised in accordance with the applicable ASLBs (whichever is earlier).

ASLB 19, 'Provisions, Contingent Liabilities and Contingent Assets'

48. ***Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognise and/or measure property, plant and equipment, it is not required to recognise and/ or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption for ASLB 17 has expired, and/or the relevant asset is recognised and/or measured in accordance with ASLB 17 (whichever is earlier).***
49. This ASLB allows a first-time adopter a period of up to three years from the date of adoption of ASLBs to not recognise and/or measure property, plant and equipment. ASLB 17 requires an entity to include as part of the cost of an item of property, plant and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Where a first-time adopter takes advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of property, plant and equipment, a first-time adopter is not required to apply the requirements related to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption that provided the relief has expired, and/or when the relevant asset is recognised and/or measured in accordance with ASLB 17 (whichever is earlier). The liability should be measured as at

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the date of adoption of ASLBs, or where a first-time adopter has taken advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of an asset, the date on which the exemption that provides the relief has expired and/or the asset has been recognised and/ or measured in accordance with the applicable ASLBs.

50. ***Where a first-time adopter takes advantage of the exemption in paragraph 48, it should recognise and/or measure the obligation and any related asset at the same time.***

ASLB 20, 'Related Party Disclosures'

51. ***A first-time adopter is not required to disclose related party relationships, related party transactions and information about key management personnel for reporting periods beginning on a date within three years following the date of adoption of ASLBs.***
52. ***Notwithstanding the transitional provision in paragraph 51, a first-time adopter is encouraged to disclose information about related party relationships, related party transactions and information about key management personnel that is known at the date of adoption of ASLB.***

ASLB 34, 'Separate Financial Statements', ASLB 35, 'Consolidated Financial Statements' and ASLB 36, 'Investments in Associates and Joint Ventures'<sup>6</sup>

53. ***Where a first-time adopter has not recognised its interests in controlled entities, associates or joint ventures under its previous basis of accounting, it is not required to recognise and/or measure its interests in other entities as a controlled entity, associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of accrual basis ASLB.***
54. Subject to paragraph 53, a first-time adopter is not required to change

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<sup>6</sup> Consolidation may not be applicable to local bodies in current scenario, therefore, ASLB 35 is not yet formulated/issued. However, the provisions pertaining to consolidation have been retained. The Guidance with regard to 'Consolidated financial Statements', if required, may be obtained from other corresponding pronouncement as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors' till the time ASLB 35 is not formulated.

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its accounting policy in respect of the recognition and/or measurement of its interests in controlled entities, associates or joint ventures for reporting periods beginning on a date within three years following the date of adoption of ASLBs. The transitional exemption in paragraph 53 is intended to allow a first-time adopter a period to identify and appropriately classify its interests in other entities as either controlled entities, associates or joint ventures during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of its interests in controlled entities, associates or joint ventures that do not comply with the provisions of other ASLBs.

ASLB 35, 'Consolidated Financial Statements'

55. ***Subject to paragraph 53, a first-time adopter should present consolidated financial statements following the adoption of accrual basis ASLBs. A first-time adopter presenting consolidated financial statements is, however, not required to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of ASLBs.***
56. On adoption of ASLBs, an entity may have controlled entities with a significant number of transactions between controlled entities. Accordingly, it may be difficult to identify some transactions and balances that need to be eliminated for the purpose of preparing the consolidated financial statements of the economic entity. For this reason, paragraph 55 provides relief for a period of up to three years to fully eliminate balances, transactions, revenue and expenses between entities within the economic entity.
57. ***Notwithstanding the transitional exemption in paragraph 55, a first-time adopter is encouraged to eliminate those balances, transactions, revenue and expenses that are known on the date of adoption of ASLBs to comply in full with the provisions of ASLB 35 as soon as possible.***
58. ***Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 55, it should not present financial statements as consolidated financial statements***

*until:*

- (a) *The exemptions that provided the relief have expired; and*
- (b) *Its interests in other entities have been appropriately recognised and/or measured as controlled entities, associates or joint ventures; or*
- (c) *Inter-entity balances, transactions, revenue and expenses between entities within the economic entity are eliminated (whichever is earlier).*

ASLB 36, 'Investments in Associates and Joint Ventures'

- 59. *When a first-time adopter applies the equity method on adoption of ASLB 36, the investor is not required to eliminate its share in the surplus and deficit resulting from upstream and downstream transactions between the investor and its associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of ASLBs.*
- 60. On adoption of ASLBs, a first-time adopter may be an investor in one or more associates or joint ventures with a significant number of upstream and downstream transactions between the investor and the investee. Accordingly, it may be difficult to identify some upstream and/or downstream transactions in which the investor's share in the associate's or joint venture's surplus or deficit needs to be eliminated in applying the equity method. For this reason, paragraph 59 provides the investor relief with a period of up to three years to fully eliminate its share in the associate's or joint venture's surplus or deficit resulting from upstream and/or downstream transactions.
- 61. *Notwithstanding the transitional exemption in paragraph 59, a first-time adopter is encouraged to eliminate its share in the associate's and joint venture's surplus and deficit resulting from upstream and downstream transactions that are known on the date of adoption of ASLBs, to comply in full with the provisions of ASLB 36 as soon as possible.*
- 62. *Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 59, it should not present financial statements in which investments in associates or joint ventures are accounted for using the equity method until:*
  - (a) *The exemptions that provided the relief have expired; and*

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- (b) *The interest in other entities have been appropriately recognised and/or measured as an associate or joint venture; or*
- (c) *Its share in the associate's surplus and deficit resulting from upstream and downstream transactions between the investor and the investee are eliminated (whichever is earlier).*

ASLB 40, 'Entity Combinations'<sup>7</sup>

- 62A. *Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognise and/or measure assets and/or liabilities, the first-time adopter may be a party to an entity combination during that three year transitional relief period. The first-time adopter is not required to recognise and/or measure the assets and/or liabilities associated with the entity combination, until the exemption that provided the relief has expired and/or when the relevant assets and/or liabilities are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).*
- 62B. *Where a first-time adopter applies the exemption in paragraph 62A it should not recognise goodwill in respect of an acquisition. The first-time adopter should recognise the difference between (a) and (b) below in net assets/equity:*
- (a) *The aggregate of:*
    - (i) *Any consideration transferred;*
    - (ii) *Any non-controlling interests in an acquired operation; and*
    - (iii) *Any previously held equity interests in an acquired operation.*
  - (b) *The net amounts of any identifiable assets acquired and the liabilities assumed.*

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<sup>7</sup> The Guidance with regard to 'Entity Combination', if required, may be obtained from other corresponding pronouncement as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors' till the time ASLB 40 is not formulated.

- 62C. ASLB 40 is applied prospectively. Consequently, a first-time adopter does not adjust any amounts of goodwill recognised as a result of an entity combination that occurred prior to the application of ASLB 40.

## **Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis ASLBs During the Period of Adoption**

63. *A first-time adopter is required, or may elect, to adopt the exemptions in paragraphs 64–134. These exemptions will not affect the fair presentation of a first-time adopter’s financial statements and its ability to assert compliance with accrual basis ASLBs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter should not apply these exemptions by analogy to other items.*

## **Using Deemed Cost to Measure Assets and/or Liabilities**

64. *A first-time adopter may elect to measure the following assets and/or liabilities at their municipal value calculated as per respective state accounting/asset valuation manual when reliable cost information about the assets and liabilities is not available, and use that value as the deemed cost for:*
- (a) *Inventory (see ASLB 12);*
  - (b) *Investment property, if the first-time adopter elects to use the cost model in ASLB 16;*
  - (c) *Property, plant and equipment (see ASLB 17);*
  - (d) *Intangible assets, other than internally generated intangible assets (see ASLB 31) that meets the recognition criteria in ASLB 31 (excluding the reliable measurement criterion);*
  - (e) *Financial Instruments; or*
  - (f) *Service concession assets (see ASLB 32).*
65. Deemed cost can only be determined where the acquisition cost of the asset and/ or the liability is not available. Deemed cost assumes that the entity had initially recognised the asset and/ or the liability at the given date. Subsequent depreciation or amortisation is based on that

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deemed cost on the premise that the acquisition cost is equal to the deemed cost. For example, a first-time adopter may elect to measure property, plant and equipment at deemed cost at the date of adoption of ASLBs because cost information about the item of property, plant and equipment was not available on that date, and use value as per paragraph 64 as its deemed cost at that date. Any subsequent depreciation is based on that value determined at that date and starts from the date that the deemed cost has been determined.

66. [Refer to Appendix 1]
67. [Refer to Appendix 1]
68. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for property, plant and equipment by measuring it at value as stated in paragraph 64 at one particular date because of a specific event:
- (a) If the measurement date is at or before the date of adoption of ASLBs, a first-time adopter may use such event-driven value measurements as deemed cost for ASLBs at the date of that measurement.
  - (b) If the measurement date is after the date of adoption of ASLBs, but during the period of transition where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise and/or measure certain assets, the such event-driven value measurements may be used as deemed cost when the event occurs. A first-time adopter should recognise the resulting adjustments directly in accumulated surplus or deficit when the asset is recognised and/or measured.
69. [Refer to Appendix 1]
70. [Refer to Appendix 1]

### **Using Deemed Cost to Measure Assets Acquired Through a Non-Exchange Transaction**

71. *A first-time adopter may elect to measure an asset acquired through a non-exchange transaction in accordance with ASLB 23, 'Revenue from Non-Exchange Transactions (taxes & transfers)'.*

## Using Deemed Cost for Investments in Controlled Entities, Joint Ventures and Associates (ASLB 34)

72. *Where a first-time adopter measures an investment in a controlled entity, joint venture or associate at cost in its separate financial statements, it may, on the date of adoption of ASLBs, elect to measure that investment at one of the following amounts in its separate balance sheet:*
- (a) **Cost; or**
  - (b) **Deemed cost. The deemed cost of such an investment should be its fair value at the first-time adopter's date of adoption of ASLBs in its separate financial statements.**
73. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for an investment in a controlled entity, joint venture or associate by measuring it at its fair value at one particular date because of a specific event. In such instances, a first-time adopter applies paragraph 72(a) and (b).

### Date at which Deemed Cost can be Determined

74. *The date at which deemed cost is determined may vary depending on whether the first-time adopter takes advantage of the exemptions that provides a three year transitional relief period to not recognise and/or measure certain assets and/or liabilities. When the first-time adopter takes advantage of the exemption, deemed cost can be determined at any date during this period, or on the date that the exemption expires (whichever is earlier), and should be recognised in accordance with paragraph 76. If a first-time adopter does not adopt the exemption, deemed cost should be determined at the beginning of the earliest period for which the first-time adopter presents ASLB financial statements.*
75. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise and/or measure certain assets and/or liabilities, it may determine a deemed cost for that asset and/or liability at any point of time within the three year transitional relief period.
76. ***When a deemed cost is determined during the period in which a first-time adopter takes advantage of the exemption that provides***

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*a three year transitional exemption not to recognise and/or measure an asset and/or liability, a first-time adopter should recognise the adjustment against the opening accumulated surplus or deficit in the year in which the deemed cost of the asset and/or liability is recognised and/or measured.*

### **ASLB 1, 'Presentation of Financial Statements'**

#### *Comparative Information*

77. *A first-time adopter is encouraged, but not required, to present comparative information in its first transitional ASLB financial statements or its first ASLB financial statements presented in accordance with this ASLB. When a first-time adopter presents comparative information, it should be presented in accordance with the requirements of ASLB 1.*
78. *Where a first-time adopter elects to present comparative information, the transitional ASLB financial statements or the first ASLB financial statements presented in accordance with this ASLB should include:*
- (a) *One balance sheet with comparative information for the preceding period, and an opening balance sheet as at the beginning of the reporting period prior to the date of adoption of accrual basis ASLB;*
  - (b) *One income and expenditure statement with comparative information for the preceding period;*
  - (c) *[Refer to Appendix 1];*
  - (d) *One cash flow statement with comparative information for the preceding period;*
  - (e) *A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and*
  - (f) *Related notes including comparative information, and the disclosure of narrative information about material adjustments as required by paragraph 142.*
79. *Where a first-time adopter elects to not present comparative information, its transitional ASLB financial statements following*

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***the adoption of accrual basis ASLBs or its first ASLB financial statements presented in accordance with this ASLBs should include:***

- (a) ***One balance sheet, and an opening balance sheet at the date of adoption of accrual basis ASLB;***
- (b) ***One income and expenditure statement;***
- (c) [Refer to Appendix 1];
- (d) ***One cash flow statement;***
- (e) ***A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and***
- (f) ***Related notes and the disclosure of narrative information about material adjustments as required by paragraph 142.***

80. ***Where a first-time adopter takes advantage of the exemptions in paragraphs 36–62 which allow a three year transitional relief period to not recognise and/or measure an item, comparative information for the year following the date of adoption of ASLBs should be adjusted only when information is available about the items following their recognition and/or measurement during the relief period.***

81. ASLB 1 requires an entity to present comparative information in respect of the previous period for all amounts reported in the financial statements. Where a first-time adopter takes advantage of the exemption that provides a three year transitional exemption to not recognise and/or measure an item, it should, during the period of transition present comparative information for an item recognised and/or measured during that period only, if information is available about the item for the comparative period. The first-time adopter should apply the requirements in ASLB 1 after it has adjusted its first ASLB financial statements.

*Non-ASLB Comparative Information*

82. A first-time adopter may present comparative information in accordance with its previous basis of accounting. In any financial

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statements containing comparative information in accordance with the previous basis of accounting, the first-time adopter should label the information prepared using the previous basis of accounting information as not being prepared in accordance with ASLBs, and disclose the nature of the main adjustments that would be required to comply with ASLBs.

83. Where a first-time adopter presents non-ASLB comparative information in its first ASLB or first transitional ASLB financial statements following its adoption of accrual basis ASLBs, the transitional exemptions and provisions provided in this Standard should not be applied to the non-ASLB comparative information presented in the first ASLB financial statements or first transitional ASLB financial statements.

### *Non-ASLB Historical Summaries*

84. A first-time adopter may elect to present historical summaries of selected data for periods before the first period for which it presents financial statements in accordance with ASLBs. This ASLB does not require such summaries to comply with the recognition and measurement requirements of ASLBs. In any financial statements containing historical summaries in accordance with the previous basis of accounting, the first-time adopter should label the previous basis of accounting information prominently as not being prepared in accordance with ASLBs, and disclose the nature of the main adjustments that would be required to comply with ASLBs. The first-time adopter need not quantify those adjustments.

### **ASLB 4, 'The Effects of Changes in Foreign Exchange Rates'<sup>8</sup>**

85. ***On the date of adoption of ASLBs a first-time adopter need not comply with the requirements for cumulative translation differences that exist at that date. 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 adoption of ASLBs; and***

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<sup>8</sup> The concept of foreign operations may not be relevant for local bodies in current scenario. However, the provisions pertaining to this concept have been retained.

- (b) *The gain or loss on a subsequent disposal of any foreign operation should exclude translation differences that arose before the date of adoption of ASLBs and should include later translation differences.*
86. *A first-time adopter should apply the requirement to treat any goodwill (see ASLB 40) arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation, as assets and liabilities of the foreign operation, prospectively on the date of adoption of ASLBs.*
87. In applying the transitional exemption in paragraph 85, a first-time adopter should not restate prior years for the acquisition of a foreign operation acquired prior to the date of adoption of ASLBs, and accordingly should, where appropriate, treat goodwill and fair value adjustments arising on acquisition as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. 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 at the date of the acquisition.

### **ASLB 5, 'Borrowing Costs'**

88-89. [Refer to Appendix 1]

90. *A first-time adopter should apply the requirements in ASLB 5 prospectively from the date of adoption of ASLBs.*

91-94. [Refer to Appendix 1]

### **ASLB 13, 'Leases'**

95. *A first-time adopter should on the date of adoption of ASLB, classify all existing leases as operating or finance leases on the basis of circumstances existing at the inception of the lease, to the extent that these are known on the date of adoption of ASLBs.*
96. *If, however, the lessee and the lessor have agreed to change the provisions of the lease between the date of inception of the lease and the date of adoption of accrual basis ASLBs in a manner that would have resulted in a different classification of the lease at the*

*date of adoption, the revised agreement should be regarded as a new agreement. A first-time adopter should consider the provisions of the new agreement at the date of adoption of accrual basis ASLBs in classifying the lease as an operating or finance lease.*

**ASLB 18, 'Segment Reporting'**

97. *A first-time adopter is not required to present segment information for reporting periods beginning on a date within three years following the date of adoption of ASLBs.*

**ASLB 21, 'Impairment of Non-Cash-Generating Assets'**

98. *A first-time adopter should apply the requirements in ASLB 21 prospectively from the date of adoption of ASLBs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognise and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in ASLB 16, 17, 27, 31 and 32, it applies ASLB 21 when the exemption that provided the relief has expired, and/or the relevant assets are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).*
99. *On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognised and/or measured in the financial statements (whichever is earlier), a first-time adopter should assess whether there is any indication that the non-cash-generating assets recognised and/or measured are impaired. Any impairment loss should be recognised in opening accumulated surplus or deficit on the date of adoption of ASLBs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognised and/or measured (whichever is earlier).*
100. *A first-time adopter should apply the requirements of ASLB 21 prospectively. This means that on the date of adoption of accrual basis ASLBs, or if the first-time adopter has adopted transitional relief*

relating to the recognition and/ or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognised and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any non-cash-generating assets included in the opening balance sheet, are impaired.

**ASLB 39, 'Employee Benefits'**

101. ***A first-time adopter should recognise and/or measure all employee benefits on the date of adoption of ASLBs, except for defined benefit plans and other long-term employee benefits where it takes advantage of the exemption in paragraph 36.***

*Defined Benefit Plans and Other Long-Term Employee Benefits*

102. ***On the date of adoption of ASLBs, or where a first-time adopter takes advantage of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognised and/or measured in the financial statements (whichever is earlier), a first-time adopter should determine its initial liability for defined benefit plans and other long-term employee benefits at that date as:***
- (a) ***The present value of the obligation at the date of adoption of ASLBs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognised and/or measured in the financial statements (whichever is earlier), by using the Projected Unit Credit Method; and***
  - (b) ***Minus the fair value, at the date of adoption of ASLBs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognised and/or measured in the financial statements (whichever is earlier) of plan assets (if any) out of which the obligations are to be settled directly.***
  - (c) [Deleted]

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103. ***If the initial liability in accordance with paragraph 102 is more or less than the liability that was recognised and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the first-time adopter should recognise that increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognised and/or measured.***
104. The effect of the change in the accounting policy to ASLB 39 includes any remeasurements that arose, if any, in earlier periods. Under its previous basis of accounting, a first-time adopter may not have recognised and/or measured any liability, in which case the increase in the liability will represent the full amount of the liability minus the fair value, at the date of adoption of ASLBs or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognised and/or measured in the financial statements (whichever is earlier), of any plan assets in accordance with paragraph 102(b). This increased liability is recognised in opening accumulated surplus or deficit in the period in which the items are recognised and/or measured.
105. ***A first-time adopter should recognise all cumulative remeasurements in opening accumulated surplus or deficit in the period in which the items are recognised and/or measured.***
106. [Deleted]
107. [Deleted]

### **ASLB 26, 'Impairment of Cash-Generating Assets'**

108. ***A first-time adopter should apply the requirements in ASLB 26 prospectively from the date of adoption of ASLBs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognise and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in ASLBs 16, 17, 27, 31 and 32, it applies ASLB 26 when the exemption that provided the relief has expired, and/or the relevant***

*assets are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).*

109. *On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognised and/or measured in the financial statements (whichever is earlier), a first-time adopter should assess whether there is any indication that the cash-generating assets recognised and/or measured are impaired. Any impairment loss should be recognised in opening accumulated surplus or deficit on the date of adoption of ASLBs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognised and/or measured (whichever is earlier).*
110. A first-time adopter should apply the requirements of ASLB 26 prospectively. This means that on the date of adoption of accrual basis ASLBs, or if the first-time adopter has adopted the transitional relief relating to the recognition and/ or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognised and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any cash-generating assets included in the opening balance sheet, are impaired.

111-124. [Refer to Appendix 1]

### **ASLB 31, 'Intangible Assets'**

125. *A first-time adopter should recognise and/or measure an internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in ASLB 31, even if the first-time adopter has, under its previous basis of accounting, expensed such costs. A deemed cost may not be determined for internally generated intangible assets.*
126. As required by paragraph 20, a first-time adopter is required to recognise all assets for which recognition is required by ASLBs. A first-time adopter should therefore recognise any internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in ASLB 31, irrespective of whether such costs were expensed under its previous basis of accounting.

**ASLB 32, 'Service Concession Arrangements: Grantor'**

*Initial Measurement of Related Liability*

127. **Where a first-time adopter elects to measure service concession assets using deemed cost, the related liabilities should be measured as follows:**
- (a) **For the liability under the financial liability model, the remaining contractual cash flows specified in the binding arrangement and the rate prescribed in ASLB 32; or**
  - (b) **For the liability under the grant of a right to the operator model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.**
128. **A first-time adopter should recognise and/or measure any difference between the value of the service concession asset and the financial liability under the financial liability model in paragraph 127 in opening accumulated surplus or deficit in the period in which the items are recognised and/or measured.**

**ASLB 34, 'Separate Financial Statements', ASLB 35, 'Consolidated Financial Statements' and ASLB 36, 'Investments in Associates and Joint Ventures'**

129. **If a controlled entity becomes a first-time adopter later than its controlling entity, except for the controlled entity of an investment entity, the controlled entity should, in its financial statements, measure its assets and liabilities at either:**
- (a) **The carrying amounts determined in accordance with this ASLB that would be included in the controlling entity's consolidated financial statements, based on the controlled entity's date of adoption of ASLBs, if no adjustments were made for consolidation procedures and for the effects of the entity combination in which the controlling entity acquired the controlled entity; or**
  - (b) **The carrying amounts required by the rest of this ASLB, based on the controlled entity's date of adoption of ASLBs. These carrying amounts could differ from those described in (a):**

- (i) *When the exemptions in this ASLB result in measurements that depend on the date of adoption of ASLBs.*
- (ii) *When the accounting policies used in the controlled entity's financial statements differ from those in the consolidated financial statements. For example, the controlled entity may use as its accounting policy the cost model in ASLB 17, whereas the economic entity 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.*

130. *However, if a controlling entity becomes a first-time adopter later than its controlled entity (or associate or joint venture) the controlling entity should, in its consolidated financial statements, measure the assets and liabilities of the controlled entity (or associate or joint venture) at the same carrying amounts as in the financial statements of the controlled entity (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the entity combination in which the controlling entity acquired the controlled entity (or associate or joint venture), subject to the exemptions that may be adopted in terms of this ASLB. Similarly, if a controlled entity becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it should measure its assets and liabilities at the same amounts in both financial statements, subject to the exemptions that may be adopted in this ASLB, except for consolidation adjustments.*

### **ASLB 35, 'Consolidated Financial Statements'**

131. *A first-time adopter that is a controlled entity should assess whether it is an investment entity on the basis of the facts and circumstances that exist at the date of adoption of accrual basis ASLBs, and measure its investment in each controlled entity at fair value through surplus or deficit at the date of adoption of accrual basis ASLBs.*

**ASLB 37, 'Joint Arrangements'<sup>9</sup>**

132. *Where a first-time adopter accounted for its investment in a joint venture under its previous basis of accounting basis using proportionate consolidation, the investment in the joint venture should be measured on the date of adoption as the aggregate of the carrying amount of the assets and liabilities that the entity previously proportionately consolidated, including any purchased goodwill arising from acquisition transactions (see ASLB 40).*
133. *The opening balance of the investment determined in accordance with paragraph 132 is regarded as the deemed cost of the investment at initial recognition. A first-time adopter should test the investment for impairment as at the date of adoption, regardless of whether there is any indication that the investment may be impaired. Any impairment loss should be adjusted to the accumulated surplus or deficit at the date of adoption.*
134. *If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, the first-time adopter should assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the first-time adopter should recognise a corresponding liability. If the first-time adopter concludes that it does not have legal or constructive obligations in relation to the negative net assets, it should not recognise the corresponding liability but it should adjust accumulated surplus or deficit at the date of adoption. The first-time adopter should disclose this fact, along with its cumulative unrecognised share of losses of its joint ventures as at the date of adoption of accrual basis ASLBs.*

**ASLB 42, 'Social Benefits'**

- 134A. *A first-time adopter should apply the requirements in ASLB 42 prospectively from the date of adoption of ASLBs. On the date of adoption of ASLBs, or where a first-time adopter takes advantage*

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<sup>9</sup> The Guidance with regard to 'Joint Arrangements', if required, may be obtained from other corresponding pronouncement as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors' till the time ASLB on this subject is not formulated.

*of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognised and/or measured in the financial statements (whichever is earlier), a first-time adopter should determine its initial liability for a social benefit scheme at that date in accordance with ASLB 42.*

- 134B. *If the initial liability in accordance with paragraph 134A is more or less than the liability that was recognised and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the first-time adopter should recognise that increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognised and/or measured.*

## **Disclosures**

135. *A first-time adopter with financial statements that comply with the requirements of this ASLB while taking advantage of the transitional exemptions and provisions that affect fair presentation and its ability to assert compliance with accrual basis ASLBs, should make an explicit and unreserved statement of compliance with this ASLB in the notes to the financial statements. This statement should be accompanied by a statement that the financial statements do not fully comply with accrual basis ASLBs.*
136. *Where a first-time adopter takes advantage of the transitional exemptions in this ASLB, the first-time adopter should disclose:*
- (a) *The extent to which it has taken advantage of the transitional exemptions that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs; and/or*
  - (b) *The extent to which it has taken advantage of the transitional exemptions that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis ASLBs.*
137. *To the extent that a first-time adopter has taken advantage of the transitional exemptions and provisions in this ASLB that affect fair presentation and compliance with accrual basis ASLBs in*

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*relation to assets, liabilities, revenue and/or expenses, it should disclose:*

- (a) *Progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities revenue and/or expenses in accordance with the requirements of the applicable ASLB;*
- (b) *The assets, liabilities, revenue and/or expenses that have been recognised and measured under an accounting policy that is not consistent with the requirements of applicable ASLB;*
- (c) *The assets, liabilities, revenue and/or expenses that have not been measured, presented and/or disclosed in the previous reporting period, but which are now recognised and/or measured, and/or presented and/or disclosed;*
- (d) *The nature and amount of any adjustments recognised during the reporting period; and*
- (e) *An indication of how and by when it intends to comply in full with the requirements of the applicable ASLB.*

138. *Where a first-time adopter takes advantage of the transitional exemption to not eliminate some balances, transactions, revenue and expenses, and/ or where it applies the three year transitional relief for the recognition and/or measurement of its interest in controlled entities, associates or joint ventures in paragraph 55, it should disclose the nature of the balances, transactions, revenue and expenses and/or upstream or downstream transactions that have been eliminated during the reporting period.*

139. *Where a first-time adopter is not able to present consolidated financial statements because of the transitional exemptions and provisions adopted in paragraphs 58 or 62, it should disclose:*

- (a) *The reason why the financial statements, investments in associates or interests in joint ventures could not be presented as consolidated financial statements; and*
- (b) *An indication by when the first-time adopter will be able to present consolidated financial statements.*

140. *The disclosure requirements of paragraphs 135 and 139 will assist users to track the progress of the first-time adopter in conforming its accounting policies to the requirements in the applicable ASLBs during the period of transition.*

### **Explanation of Transition to ASLBs**

141. *A first-time adopter should disclose:*
- (a) *The date of adoption of ASLBs; and*
  - (b) *Information and explanations about how the transition from the previous basis of accounting to ASLBs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.*

### **Reconciliations**

142. *A first-time adopter should present in the notes to its transitional ASLB financial statements or its first ASLB financial statements:*
- (a) *A reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of ASLBs; and*
  - (b) *A reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of ASLBs.*
- A first-time adopter that has applied a cash basis of accounting in its previous financial statements is not required to present such reconciliations.*
143. The reconciliation presented in accordance with paragraph 142 should provide sufficient detail, both quantitative and qualitative, to enable users to understand the material adjustments to the opening balance sheet and, where applicable, the restated comparative income and expenditure statement presented in accordance with accrual basis ASLB.
144. If an entity becomes aware of errors made under its previous basis of accounting, the reconciliations required by paragraph 142 should distinguish the correction of those errors from changes in accounting policies.

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145. *If an entity did not present financial statements for previous periods, its transitional ASLB financial statements or its first ASLB financial statements should disclose that fact.*
146. *Where a first-time adopter takes advantage of the exemptions in paragraphs 36–43 which allow a three year transitional relief period to not recognise and/or measure items, it should present as part of the notes, a reconciliation of items that have been recognised and/or measured during the reporting period when these items were not included in the previous reported financial statements. The reconciliation should be presented in each period when new items are recognised and/or measured in accordance with this ASLB.*
147. The reconciliation presented in accordance with paragraph 146 provides sufficient detail to enable users to understand which items have been recognised and/or measured during the reporting period where the first-time adopter adopts one of more of the exemptions that provide a three year transitional relief period to not recognise and/or measure an item. The reconciliation explains the adjustments to the previously reported balance sheet and, where applicable, the previously reported income and expenditure statement in each period when new items are recognised and/or measured in accordance with this ASLB.
148. [Refer to Appendix 1]

### **Disclosures Where Deemed Cost is Used for Investments in Controlled Entities, Joint Ventures or Associates**

149. *If a first-time adopter uses fair value as deemed cost in its opening balance sheet for an investment in a controlled entity, joint venture or associate in its separate financial statements, its separate financial statements should disclose:*
- (a) *The aggregate deemed cost of those investments for which deemed cost is fair value; and*
  - (b) *The aggregate adjustment to the carrying amounts reported under the previous basis of accounting.*
150. *The disclosure requirements required in paragraphs 148 and 149 should be disclosed in each period when new items are*

*recognised and/or measured until the exemptions that provided the relief have expired and/or when the relevant assets are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).*

### **Exemptions from Disclosure Requirements in ASLBs During the Period of Transition**

151. *To the extent that a first-time adopter takes advantage of the exemption that provides a three year relief period to not recognise and/or measure items, it is not required to apply any associated presentation and/or disclosure requirements related to such items as required in ASLB 1, ASLB 18 and/or the applicable ASLBs until such time as the exemptions that provided the relief have expired and/or when the relevant items have been recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).*
152. *Notwithstanding the transitional provision in paragraph 151, a first-time adopter is encouraged to disclose the information required by ASLB 1, ASLB 18 and/or the applicable ASLB as soon as possible.*

153-154. [Refer to Appendix 1]

## **Implementation Guidance**

*This guidance accompanies, but is not part of, ASLB 33.*

IG1. The purpose of this Implementation Guidance is to illustrate certain aspects of the requirements of ASLB 33.

### **Date of Adoption of ASLBs**

IG2. The date of adoption of ASLBs is the date an entity adopts accrual basis ASLB for the first time in preparing its financial statements.

IG3. Prior to the adoption of this ASLB, a first-time adopter should have adequately prepared for its transition to accrual basis ASLBs. The relief provided in this ASLB should therefore not be seen as a complete roadmap for the adoption of accrual basis ASLBs, but rather the end stage of the adoption process.

IG4. A first-time adopters' date of adoption will therefore to be the start of the reporting period in which it elects to adopt accrual basis ASLBs for which it presents its transitional ASLB financial statements or its first ASLB financial statements. For example, an entity elects to adopt accrual basis ASLBs from April 1, 20X0 for its reporting period ending March 31, 20X1. The date of adoption of ASLBs will be April 1, 20X0.

### **Transitional ASLB Financial Statements**

IG5. On the date of adoption of ASLBs, a first-time adopter may elect to adopt one or more of the exemptions included in ASLB 33, '*First-time Adoption of Accrual Basis Accounting Standards for Local Bodies (ASLBs)*'. Some of the exemptions included in ASLB 33 affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis ASLBs (Appendix A lists the transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis ASLBs and illustrates whether fair presentation and the first-time adopter's ability to assert compliance with accrual basis ASLBs will be affected).

IG6. As a first-time adopter is not able to make an explicit and unreserved statement of compliance with accrual basis ASLBs following the adoption of the exemptions provided in ASLB 33, the financial statements presented for the first reporting period following the

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adoption of accrual basis ASLBs, will be referred to as the “transitional ASLB financial statements”.

- IG7. For example, if the first-time adopter adopts the transitional exemption that provides relief for the recognition of certain items of property, plant and equipment when adopting accrual basis ASLBs on April 1, 20X0, it would not be able to make an explicit and unreserved statement of compliance with accrual basis ASLBs at the end of its first reporting period, i.e., March 31, 20X1. The financial statements prepared for the first reporting period, will therefore be referred to as the “first transitional ASLB financial statements”.
- IG8. The financial statements presented during the period of transition until the exemptions that provided the relief have expired, and/or when the relevant items are recognised and/or measured in the financial statements in accordance with the applicable ASLBs, will be referred to as the “transitional ASLB financial statements”.

### *Basis of Preparation When Preparing Transitional ASLB Financial Statements*

- IG9. As stated in paragraph 27 of ASLB 33, a first-time adopter that elects to adopt one or more of the exemptions included in ASLB 33, may not be able to make an explicit and unreserved statement of compliance with accrual basis ASLBs as required by ASLB 1. During the period of transition, this fact should be highlighted to the users of financial statements in presenting the “basis of preparation” in the financial statements.
- IG10. As an illustration, if a first-time adopter elected to adopt the transitional exemption that allows it three years in which to recognise and/or measure investment property, the following explanation may be provided in the “basis of preparation” paragraph in the financial statements during the period of transition:

#### *Basis of preparation*

The financial statements have been prepared in accordance with accrual basis Accounting Standards for Local Bodies (ASLBs). ASLB 33 allows a first-time adopter a period of up to three years to recognise and/or measure certain assets and/or liabilities.

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In its transition to accrual basis ASLBs, Entity X took advantage of this transitional exemption for investment property. As a result, it is unable to make an explicit and unreserved statement of compliance with accrual basis ASLBs in preparing its transitional ASLB financial statements for this reporting period. Entity X intends to recognise and/or measure its investment property by April 20X3.

### **First ASLB Financial Statements**

- IG11. A first-time adopter's first ASLB financial statements will be the first set of financial statements that it presents in which it makes an explicit and unreserved statement of compliance with accrual basis ASLBs.
- IG12. A first-time adopter will not be able to prepare its first ASLB financial statements until the exemptions in ASLB 33 that provided relief which affected fair presentation and compliance with ASLB, have expired, or when the relevant items are recognised, measured and/or the relevant information has been presented and/or disclosed in accordance with the applicable ASLBs (whichever is earlier).
- IG13. Following from the example in IG5, the transitional exemptions that provided the relief for the recognition of certain items of property, plant and equipment expire after three years, i.e., March 31, 20X3. If it is assumed that the entity has not adopted any other transitional exemptions in ASLB 33 that affect fair presentation and compliance with ASLBs, and that it recognises and/or measures the items of property, plant and equipment during the transitional period, a first-time adopter will present its first ASLB financial statements for the period ending March 31, 20X3.
- IG14. If a first-time adopter has not adopted any of the exemptions in ASLB 33 that affect fair presentation and its ability to claim compliance with accrual basis ASLBs, its first accrual financial statements will also be its first ASLB financial statements.

To illustrate:

#### **Timeline – First Time Adoption ASLB (assuming that entity elects to apply the three year transitional relief for the recognition and/or measurement of certain assets)**

An entity adopts accrual basis ASLBs on 1 April 20X0 by applying ASLB 33, *'First Time Adoption of Accrual Basis ASLBs'*



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<p>from its previous basis of accounting (reflect adjustments related to the adoption of all ASLBs besides ASLB 17)</p> <p>Note: If the first-time adopter elected to present comparative information, the following statements should have been presented:</p> <ul style="list-style-type: none"> <li>*opening balance sheet as at 01/04/19X9</li> <li>*balance sheet as at 31/03/19X9 and 31/03/20X0</li> <li>*statement of income and expenditure for 31/03/19X9 and 31/03/20X0</li> <li>*cash flow statement for 31/03/19X9 and 31/03/20X0</li> <li>*statement of comparison of budget and actual information for 31/03/19X9 and 31/03/20X0</li> </ul>		<p>Present the following in the notes:</p> <ul style="list-style-type: none"> <li>*reconciliation of adjustments made to recognize property, plant and equipment</li> </ul>
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**Estimates**

IG15. Paragraph 23 of ASLB 33 requires that a first-time adopter's estimates in accordance with ASLBs at the date of adoption of ASLBs should be consistent with estimates made at the end of its comparative period in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. An entity may receive information after the date of adoption of ASLBs about estimates that it had made under the previous basis of accounting. In accordance with paragraph 24, a first-time adopter should treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with ASLB 14, *'Events after the Reporting Period'*.

IG16. For example, assume that a first-time adopter's date of adoption of ASLBs is April 1, 20X4 and new information on July 15, 20X4 requires the revision of an estimate made in accordance with the previous basis of accounting at March 31, 20X4. The first-time adopter should not

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reflect that new information in its opening balance sheet (unless the estimates require adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the first-time adopter should reflect that new information in surplus or deficit for the year ended March 31, 20X5.

### **Transitional Exemptions that Provide Three Year Relief for the Recognition and/or Measurement of Assets and/or Liabilities**

- IG17. ASLB 33 provides a first-time adopter a period of up to three years' relief in which it is allowed to not recognise and/or measure certain assets and liabilities. Where a first-time adopter takes advantage of this exemption, it will have to consider and analyse title deeds, contracts and other similar arrangements in accounting for, and classifying these assets in accordance with the applicable ASLB.
- IG18. For example, assume that a first-time adopter controls a wide range of property, plant and equipment when it adopts accrual basis ASLBs on April 1, 20X1. If the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise and/or measure the property, plant and equipment, it may recognise and/or measure the property, plant and equipment during the period of transition from April 1, 20X1 until March 31, 20X4. If the property, plant and equipment is recognised for example, on July 1, 20X2, the first-time adopter should adjust the opening accumulated surplus or deficit on April 1, 20X2. As required by paragraph 142 of ASLB 33, the first-time adopter should, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at March 31, 20X2 (i.e. the opening balance as at April 1, 20X2) for the property, plant and equipment that was recognised on July 1, 20X2.
- IG19. Where a first-time adopter has taken advantage of the three year relief period, it should not derecognise any of the assets and/or liabilities that were recognised under its previous basis of accounting unless it is to comply with an ASLB requirement. Any adjustments to the assets and/or liabilities recognised under its previous basis of accounting should be adjusted during the period of transition against the opening accumulated surplus or deficit in the period in which the adjustment is made.

#### *Accounting for Finance Leases Assets and Finance Lease Liabilities*

- IG20. Where a first-time adopter takes advantage of the exemption that

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provides a three year transitional relief period to not recognise its finance lease assets, it will also not be able to comply with the recognition requirements relating to the finance lease liabilities, until the transitional exemptions related to the finance leased assets have expired, or the finance leased assets have been recognised in accordance with ASLB 13.

- IG21. For example, assume that a first-time has a motor vehicle that is subject to a finance lease agreement on the date of adoption of accrual basis ASLBs on April 1, 20X1. The first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise the motor vehicle. The motor vehicle is recognised on March 31, 20X4 when the exemption expires. ASLB 33 requires the first-time adopter to only recognise the corresponding finance lease liability for the motor vehicle on March 31, 20X4, i.e., on the date that the finance lease asset (the motor vehicle) is recognised.

### *Recognition of Provisions Included in the Initial Cost of an Item of Property, Plant and Equipment*

- IG22. ASLB 17 recognises that in some cases, the construction or commissioning of an item of property, plant and equipment will result in an obligation for an entity to dismantle or remove the item of property, plant and equipment and restore the site on which the asset is located. An entity is required to apply ASLB 19, *'Provisions, Contingent Liabilities and Contingent Assets'* in recognising and measuring the resulting provision to be included in the initial cost of the item of property, plant and equipment.
- IG23. ASLB 33 provides an exemption for the recognition of this liability. A first-time adopter is allowed to not recognise and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located, until such time as the exemption for ASLB 17 expires and/or the relevant asset is recognised and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with ASLB 17 (whichever is earlier).
- IG24. For example, an entity adopts accrual basis ASLBs on April 1, 20X1 and takes advantage of the exemption in ASLB 33 that provides a three year transitional relief period to not recognise a sewage plant.

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The first-time adopter determines a deemed cost for the asset on June 30, 20X3 and recognises the asset on that date at ` 1,000,000. The first-time adopter determines that it has a decommissioning obligation under ASLB 19 of ` 500,000 at the date of adoption of ASLBs. The obligation amounts to ` 550,000 on June 30, 20X3 when the asset is recognised.

- IG25. ASLB 33 requires the first-time adopter to only recognise and/or measure its obligation relating to the dismantling and restoring of the site on June 30, 20X3, i.e., the date on which the asset is recognised. The liability will be measured at ` 550,000 which reflects the first-time adopter's obligation on the date that the asset is recognised. The first-time adopter should, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at March 31, 20X3 (i.e., the opening balance as at April 1, 20X3) for the recognition of the obligation and the related asset that was recognised on June 30, 20X3.

### *Borrowing Costs Incurred on Qualifying Assets*

- IG26. Paragraph 90 of ASLB 33 requires that, requirements of ASLB 5, 'Borrowing Costs' should be applied prospectively.
- IG27. Paragraph 44 of ASLB 33 provides an exemption to this requirement by allowing a first-time adopter to commence capitalisation of borrowings costs incurred on qualifying assets after the recognition of an asset where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period for the recognition of assets.

- IG28. [Refer to Appendix 1]

### **Presenting Comparative Information**

- IG29. Paragraph 78 of ASLB 33 encourages, but does not require an entity to present comparative information in its transitional ASLB financial statements or its first ASLB financial statements in accordance with this ASLB. The decision to present comparative information affects not only the extent of the information presented, but also the date of adoption of ASLBs.

### *Date of Adoption of ASLBs*

- IG30. To illustrate: The end of a first-time adopter's first accrual basis

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reporting period is March 31, 20X6. The first-time adopter decides to present comparative information in those financial statements for one year only (see paragraph 78 of ASLB 33). Therefore, its date of adoption of ASLBs is the beginning of the comparative period, i.e., April 1, 20X4 (or equivalently March 31, 20X4).

### *Information Presented when a First-Time Adopter Elects to Prepare Comparative Information*

IG31. Where the first-time adopter elects to prepare comparative information, it is required to apply the accrual basis ASLBs effective for periods ending on March 31, 20X6 in:

- (a) Preparing and presenting its opening accrual basis balance sheet at April 1, 20X4; and
- (b) Preparing and presenting its:
  - (i) Balance sheet for March 31, 20X6 (including comparative amounts for the year ended March 31, 20X5);
  - (ii) Statement of income and expenditure (including comparative amounts for the year ended March 31, 20X5);
  - (iii) [Refer to Appendix 1];
  - (iv) Statement of cash flows for the year to March 31, 20X6 (including comparative amounts for the year ended March 31, 20X5);
  - (v) Disclosures (including comparative information for the year ended March 31, 20X5);
  - (vi) A comparison of budget and actual amounts for the year to March 31, 20X6; and
  - (vii) Reconciliations in accordance with paragraph 142.

### *First-Time Adopter Elects to Not Prepare Comparative Information*

IG32. Where a first-time adopter elects to not prepare comparative information, it is required to apply the accrual basis effective for periods ending on March 31, 20X6:

- (a) Preparing and presenting its opening accrual basis balance sheet at 1 April 20X5; and

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- (b) Preparing and presenting its:
  - (i) Balance sheet for March 31, 20X6;
  - (ii) Statement of income and expenditure for March 31, 20X6;
  - (iii) [Refer to Appendix 1];
  - (iv) Statement of cash flows for the year to March 31, 20X6;
  - (v) Disclosures;
  - (vi) A comparison of budget and actual amounts for the year to March 31, 20X6; and
  - (vii) Reconciliations in accordance with paragraph 142.

### *Adoption of Three Year Transitional Relief Period*

- IG33. Where the first-time adopter takes advantage of the exemptions that provide relief from the recognition and/or measurement of assets and/or liabilities, ASLB 33 requires it to only adjust comparative information for reporting periods following the date of adoption of ASLBs to the extent that reliable and relevant information is available about the items that have been recognised and/or measured.
- IG34. To illustrate: The end of a first-time adopter's first accrual basis reporting period is March 31, 20X3. The first-time adopter on the date of adoption of ASLBs on April 1, 20X1, adopts the transitional exemption providing a three year relief period for the recognition of investment property. At March 31 20X4 the first-time adopter has recognised the investment property, which is included in the balance sheet as at March 31, 20X4. Only if reliable and relevant information is available about the value of the investment property recognised during 20X3-20X4, the first-time adopter adjust the comparative information presented (i.e., for the period ending March 31, 20X3).

### **Presenting Reconciliations**

- IG35. Paragraph 142 of ASLB 33 requires a first-time adopter to present a reconciliation of its closing balances reported under its previous basis of accounting, to its net assets/equity in accordance with ASLBs for the transitional ASLB financial statements or its first ASLB financial statements. A reconciliation is presented of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of ASLBs.

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- IG36. For example, a first-time adopter, which previously applied a modified-accrual basis of accounting, adopts accrual basis ASLBs on April 1, 20X4 and elects to present comparative information as permitted in ASLB 33. The first-time adopter should, in accordance with paragraphs 142 and 143 of ASLB 33, present a reconciliation in the notes to its transitional ASLB financial statements that provides sufficient detail to enable users to understand the material adjustments to the opening balance sheet as at April 1, 20X4, and the restated comparative statement of income and expenditure, where applicable.
- IG37. Paragraph 146 further requires a first-time adopter that takes advantage of the exemptions that provide a three year transitional relief period to not recognise and/or measure items, to present a reconciliation of items that have been recognised and/or measured during the reporting period which were not recognised and/or measured in the previous financial statements.
- IG38. Following from the example in IG29, a first-time adopter adopts the exemption in ASLB 33 that allows it to not recognise investment property for a period of three years. The first-time adopter applies this exemption and only recognises the investment property at the end of year three, i.e., March 31, 20X5. As an adjustment is made to the opening balance of accumulated surplus or deficit as on April 1, 20X4 in recognising the investment property, paragraph 146 requires the first-time adopter to present a reconciliation in its notes to the financial statements for the year ending March 31, 20X5 to allow users to understand the adjustment that was made following the recognition of the investment property.

### **Deemed Cost**

- IG39. ASLB 33 allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of ASLBs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets on the date of adoption of ASLBs, or when the transitional exemptions that provided

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the first-time adopter with a three year relief period to not recognise and/or measure certain assets have expired, it recognises the effect:

As an adjustment to the opening balance of accumulated surplus or deficit in the opening balance sheet in the period in which the deemed is determined.

### *Determining a Deemed Cost During the Period of Transition*

IG40. If a first-time adopter takes advantage of the exemption in ASLB 33 that provides a three year transitional relief period to not recognise and/or measure an asset, the ASLB requires that it may determine a deemed cost for that asset during any point of time within the three year transitional relief period.

IG41. Subsequent depreciation and amortisation, if applicable, is based on that deemed cost and starts from the date of adoption of ASLBs, or when the transitional exemptions that provided the relief have expired, or when the relevant items are recognised and/or measured in accordance with the applicable ASLBs (whichever is earlier).

IG42. For example, a first-time adopter adopts ASLBs on April 1, 20X1 and adopts the exemption that provides a three year transitional relief period for the recognition of an investment property. Because the first-time adopter does not have reliable cost information about the historical cost of the investment property on the date of adoption of ASLBs it decides to determine a deemed cost for the investment property. The deemed cost for the investment property is determined during the second reporting period (i.e., 20X2-20X3) in which the first-time adopter applies the exemption. ASLB 33 allows the first-time adopter to use the deemed cost determined during 20X2-20X3 in recognising the investment property by adjusting the opening accumulated surplus and deficit on April 1, 20X2. The deemed cost as determined on April 1, 20X2 will be used in determining subsequent depreciation and in assessing impairment where the first-time adopter elects to apply the cost model as its subsequent measurement basis in applying ASLB 16.

IG43-44. [Refer to Appendix 1]

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### **ASLB 9, 'Revenue from Exchange Transactions'**

IG45. If a first-time adopter has received amounts that do not yet qualify for recognition as revenue in accordance with ASLB 9 (for example, the proceeds of a sale that does not qualify for recognition as revenue), the first-time adopter recognises the amounts received as a liability in its opening balance sheet and measures that liability at the amount received. It should derecognise the liability and recognise the revenue in its statement of income and expenditure when the recognition criteria in ASLB 9 are met.

IG46-47 [Refer to Appendix 1]

### **ASLB 14, 'Events After the Reporting Date'**

IG48. Except as described in paragraph IG49, a first-time adopter applies ASLB 14, 'Events After the Reporting Date' in determining whether:

- (a) Its opening balance sheet reflects an event that occurred after the date of transition; and
- (b) Comparative amounts in its transitional ASLB financial statements or its first ASLB financial statements, where applicable, reflect an event that occurred after the end of that comparative period.

IG49. Paragraphs 23–26 of ASLB 33 require some modifications to the principles in ASLB 14 when a first-time adopter determines whether changes in estimates are adjusting or non-adjusting events at the date of adoption of ASLBs (or, when applicable, the end of the comparative period). Cases 1 and 2 below illustrate those modifications. In case 3 below, paragraphs 23–26 of ASLB 33 do not require modifications to the principles in ASLB 14.

- (a) Case 1—If a first-time adopter's previous basis of accounting required estimates of similar items for the date of adoption of ASLBs, using an accounting policy that is consistent with ASLBs. In this case, the estimates in accordance with ASLBs need to be consistent with estimates made for that date in accordance with previous basis of accounting, unless there is objective evidence that those estimates were in error (see ASLB 3, 'Accounting Policies, Changes in Accounting Estimates and Errors'). The first-time adopter reports later revisions to those

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estimates as events of the period in which it makes the revisions, rather than as adjusting events resulting from the receipt of further evidence about conditions that existed at the date of adoption of ASLBs.

- (b) Case 2—Previous basis of accounting required estimates of similar items for the date of adoption of ASLBs, but the first-time adopter made those estimates using accounting policies that are not consistent with its accounting policies in accordance with ASLBs. In this case, the estimates in accordance with ASLBs need to be consistent with the estimates required in accordance with the previous basis of accounting for that date (unless there is objective evidence that those estimates were in error), after adjusting for the difference in accounting policies. The opening balance sheet reflects those adjustments for the difference in accounting policies. As in case 1, the first-time adopter reports later revisions to those estimates as events of the period in which it makes the revisions.
- (c) Case 3—Previous basis of accounting did not require estimates of similar items for the date of adoption of ASLBs. Estimates in accordance with ASLBs for that date reflect conditions existing at that date. In particular, estimates of market prices, interest rates or foreign exchange rates at the date of adoption of ASLBs reflect market conditions at that date. This is consistent with the distinction in ASLB 14 between adjusting events after the reporting period and non-adjusting events after the reporting period.

IG50. To illustrate: Entity A's first transitional ASLB financial statements are for the period ending March 31, 20X6 with the first-time adopter electing to present comparative information. In terms of its previous basis of accounting the following transactions and events are noted in entity A's financial statements for March 31, 20X4 and 20X5:

- (a) Estimates of accrued expenses and provisions were made at those dates;
- (b) The entity accounted on a cash basis for a defined benefit pension plan; and

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- (c) No provision was recognised for a court case arising from events that occurred in September 20X4. When the court case was concluded on June 30, 20X5, entity A was required to pay ` 1000 and paid this on July 10, 20X5.

In preparing its transitional ASLB financial statements, entity A concludes that its estimates in accordance with its previous basis of accounting of accrued expenses and provisions at March 31, 20X4 and 20X5 were made on a basis consistent with its accounting policies in accordance with ASLBs. Although some of the accruals and provisions turned out to be overestimates and others to be underestimates, entity A concludes that its estimates were reasonable and that, therefore, no error had occurred. As a result, accounting for those overestimates and underestimates involves the routine adjustment of estimates in accordance with ASLB 3, *'Accounting Policies, Changes in Accounting Estimates and Errors'*.

#### **Application of Requirements**

In preparing its opening balance sheet at April 1, 20X4 and in its comparative balance sheet at March 31, 20X5, entity A:

- (a) Does not adjust the previous estimates for accrued expenses and provisions; and
- (b) Makes estimates (in the form of actuarial assumptions) necessary to account for the pension plan in accordance with ASLB 39, *'Employee Benefits'*. Entity A's actuarial assumptions at April 1, 20X4 and March 31, 20X5 do not reflect conditions that arose after those dates. For example, entity A's:
  - (i) Discount rates at April 1, 20X4 and March 31, 20X5 for the pension plan and for provisions reflect market conditions at those dates; and
  - (ii) Actuarial assumptions at April 1, 20X4 and March 31, 20X5 about future employee turnover rates do not reflect conditions that arose after those dates—such as a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan after March 31, 20X5.

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The treatment of the court case at March 31, 20X5 depends on the reason why entity A did not recognise a provision in accordance with its previous basis of accounting at that date.

**Assumption 1** – The previous basis of accounting was consistent with ASLB 19, *‘Provisions, Contingent Liabilities and Contingent Assets’*. Entity A concluded that the recognition criteria were not met. In this case, entity A’s assumptions in accordance with ASLBs are consistent with its assumptions in accordance with its previous basis of accounting. Therefore, entity A does not recognise a provision at March 31, 20X5.

**Assumption 2** – Entity A’s previous basis of accounting was not consistent with ASLB 19. Therefore, entity A develops estimates in accordance with ASLB 19. Under ASLB 19, an entity determines whether an obligation exists at the end of the reporting period by taking account of all available evidence, including any additional evidence provided by events after the reporting period. Similarly, in accordance with ASLB 14, *‘Events after the Reporting Period’*, the resolution of a court case after the reporting period is an adjusting event after the reporting period if it confirms that the entity had a present obligation at that date. In this instance, the resolution of the court case confirms that entity A had a liability in September 20X4 (when the events occurred that gave rise to the court case). Therefore, entity A recognises a provision at March 31, 20X5. Entity A will make provision of ` 1000 paid on July 10, 20X5 in accordance with ASLB 19 and reflects market conditions at March 31, 20X5.

IG51. Paragraphs 23–26 of the ASLB 33 do not override requirements in other ASLBs that base classifications or measurements on circumstances existing at a particular date. Example include: the distinction between finance leases and operating leases (see ASLB 13, *‘Leases’*).

### **ASLB 13, ‘Leases’**

IG52. In accordance with paragraph 95 of ASLB 33 and paragraph 18 of ASLB 13, a lessee or lessor classifies leases as operating leases or finance leases on the basis of circumstances existing at the inception of the lease, on the date of adoption of accrual basis ASLBs. In some cases, the lessee and the lessor may agree to change the provisions

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of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification in accordance with ASLB 13 had the changed terms been in effect at the inception of the lease. If so, the revised agreement is considered as a new agreement over its term from the date of adoption of accrual basis ASLBs. However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased asset) or changes in circumstances (for example, default by the lessee) do not give rise to a new classification of a lease.

### **ASLB 17, '*Property, Plant and Equipment*'**

IG53. If a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting are acceptable in accordance with ASLBs, it accounts for any change in estimated useful life or depreciation pattern prospectively from when it makes that change in estimate (paragraphs 22 and 26 of ASLB 33 and paragraph 76 of ASLB 17). However, in some cases, a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with ASLBs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts accumulated depreciation in its opening balance sheet retrospectively so that it complies with ASLBs.

IG54. [Refer to Appendix 1]

IG55. Subsequent depreciation is based on that deemed cost and starts from the date for which the first-time adopter determined the deemed cost, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognise certain assets, when the exemptions providing the relief have expired, or the asset has been recognised in accordance with ASLB 17 (whichever is earlier).

IG56-57. [Refer to Appendix 1]

IG58. ASLB 17 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, ASLB 17 does not prescribe the unit of measurement for recognition of an asset, i.e., what constitutes an item of property, plant and equipment. Thus,

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judgment is required in applying the recognition criteria to an entity's specific circumstances (paragraphs 18 and 59).

### **ASLB 39, 'Employee Benefits'**

- IG59. At the date of adoption of ASLBs, a first-time adopter applies ASLB 39 in measuring defined benefits plans and other long-term employee benefits, and recognises all cumulative actuarial gains or losses from the inception of the plan until the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier).
- IG60. A first-time adopter's actuarial assumptions at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier), are consistent with actuarial assumptions made at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of ASLB 33) in accordance with its previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those assumptions were in error (paragraph 23 of the ASLB 33). Any later revisions to those assumptions are an actuarial gain or loss of the period in which the first-time adopter makes the revisions.
- IG61. A first-time adopter may need to make actuarial assumptions at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier), that were not necessary in accordance with its basis of accounting. Such

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actuarial assumptions do not reflect conditions that arose after the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier). In particular, discount rates and the fair value of plan assets at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the liabilities are recognised and/or measured in accordance with ASLB 39 (whichever is earlier), reflect market conditions at that date. Similarly, the first-time adopter's actuarial assumptions at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier), about future employee turnover rates do not reflect a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan that occurred after the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier) (paragraph 23 of ASLB 33).

- IG62. In many cases, a first-time adopter's transitional ASLB financial statements or its first ASLB financial statements will reflect measurements of employee benefit obligations at three dates (where a first-time adopter elects to present comparative information in accordance with paragraph 78 of ASLB 33): the end of the first reporting period, the date of the comparative balance sheet (where the first-time adopter elects to present comparative information) and the date of adoption of ASLBs, or where the first-time adopter takes

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advantages of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognised and/or measured in accordance with ASLB 39 (whichever is earlier). ASLB 39 encourages the first-time adopter to involve a qualified actuary in the measurement of all material post-employment benefit obligations. To minimise costs, a first-time adopter may request a qualified actuary to carry out a detailed actuarial valuation at one or two of these dates and roll the valuation(s) forward or back to the other date(s). Any such roll forward or roll back reflects any material transactions and other material events (including changes in market prices and interest rates) between those dates.

### **ASLB 21, 'Impairment of Non-Cash-Generating Assets' and ASLB 26, 'Impairment of Cash-Generating Assets'**

- IG63. Paragraphs 98 and 108 of ASLB 33 requires a first-time adopter to apply the requirements in ASLB 21 and ASLB 26 prospectively from the date of adoption of accrual basis ASLBs, or where a first-time adopter takes advantage of the exemptions that provide a three year transitional relief period to not recognise and/or measure an asset, the date when the exemptions that provided the relief expire and/or the asset is recognised and/or measured. For example, if an entity adopts accrual basis ASLBs on April 1, 20X1 and takes advantage of the three year transitional relief period to not recognise and/or measure an item or property, plant and equipment, it would not be required to assess the item of property, plant and equipment for impairment until (a) March 31, 20X4 (i.e. the date on which the transitional exemption expire) or (b) the date following the recognition of the item of property, plant and equipment if it was recognised and/or measured during the period of transition (whichever is earlier).
- IG64. The estimates used to determine whether a first-time adopter recognises an impairment loss (and to measure any such impairment loss) at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognised and/or measured in accordance with the applicable ASLB (whichever is earlier) are consistent with

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estimates made for at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of ASLB 33) the first-time adopter's previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error (paragraphs 23 and 24 of ASLB 33). The first-time adopter reports any later revisions to those estimates as an event of the period in which it makes the revisions.

IG65. In assessing whether it needs to recognise an impairment loss (and in measuring any such impairment loss) at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognised and/or measured in accordance with the applicable ASLB (whichever is earlier), the first-time adopter may need to make estimates for that date that were not necessary in accordance with its previous basis of accounting. Such estimates and assumptions do not reflect conditions that arose after the date of transition, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognised and/or measured in accordance with the applicable ASLB (whichever is earlier) (paragraph 25 of ASLB 33).

IG66-74. [Refer to Appendix 1]

### **ASLB 31, 'Intangible Assets'**

IG75. A first-time adopter's opening balance sheet excludes all intangible assets and other intangible items that do not meet the criteria for recognition in accordance with ASLB 31 at the date of adoption of ASLB, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognised and/or measured in accordance with the applicable ASLB (whichever is earlier) and includes all intangible assets that meet the recognition criteria in ASLB 31 at that date.

IG76. The criteria in ASLB 31 require an entity to recognise an intangible asset if, and only if:

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- (a) It is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- (b) The cost of the asset can be measured reliably.

ASLB 31 supplements these two criteria with further, more specific, criteria for internally generated intangible assets.

- IG77. In accordance with paragraphs 63 and 66 of ASLB 31, an entity capitalises the costs of internally generated intangible assets prospectively from the date when the recognition criteria are met. ASLB 33 allows an entity to recognise previously expensed intangible assets to the extent that the item meets the definition of an intangible asset, and the recognition criteria in ASLB 31. Thus, if an internally generated intangible asset qualifies for recognition at the date of adoption of ASLBs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognised and/or measured in accordance with the ASLB 31 (whichever is earlier) the first-time adopter recognises and/or measures the asset in its opening balance sheet even if it had recognised the related expenditure as an expense in accordance with its previous basis of accounting.
- IG78. If the asset does not qualify for recognition in accordance with ASLB 31 until a later date, its cost is the sum of the expenditure incurred from that later date.
- IG79. The criteria in paragraph IG76 also apply to intangible assets acquired separately. In many cases, contemporaneous documentation prepared to support the decision to acquire the asset will contain an assessment of the future economic benefits or service potential. Furthermore, as explained in paragraph 33 of ASLB 31, the cost of a separately acquired intangible asset can usually be measured reliably.
- IG80. [Refer to Appendix 1]
- IG81. If a first-time adopter's amortisation methods and rates in accordance with its previous basis of accounting are acceptable in accordance with ASLBs, it accounts for any change in estimated useful life or amortisation pattern prospectively from when it makes that change in estimate (paragraphs 23 and 24 of ASLB 33 and paragraph 103 of

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ASLB 31). However, in some cases, the first-time adopter's amortisation methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with ASLBs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the first-time adopter adjusts accumulated amortisation on in its opening balance sheet retrospectively so that it complies with ASLBs.

### **ASLB 35, 'Consolidated Financial Statements'**

IG82. If a first-time adopter did not consolidate a controlled entity in accordance with its previous basis of accounting, then, in its consolidated financial statements, the first-time adopter measures the controlled entity's assets and liabilities at the same carrying amounts as in the accrual basis financial statements of the controlled entity following its adoption of ASLBs, after adjusting for consolidation procedures and for the effects of the entity combination in which it acquired the controlled entity (paragraph 130 of ASLB 33). If the controlled entity has not adopted accrual basis ASLBs in its financial statements, the carrying amounts described in the previous sentence are those that ASLBs would require in those financial statements.

#### *Controlling Entity Adopts Accrual Basis ASLBs Before the Controlled Entity*

##### Background

IG83. Controlling entity A presents its (consolidated) first ASLB financial statements at year ended March 31, 20X6. Its controlled entity B, wholly owned by controlling entity A since formation, prepares information in accordance with accrual basis ASLBs for internal consolidation purposes from that date, but controlled entity B does not present its first ASLB financial statements until year ended March 20X8.

##### Application of Requirements

IG84. If controlled entity B applies paragraph 129(a) of ASLB 33, the carrying amounts of its assets and liabilities are the same in both its opening ASLB balance sheet at April 1, 20X6 and controlling entity's A consolidated balance sheet (except for adjustments for consolidation procedures) and are based on controlled entity B's date of adoption of ASLBs.

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IG85. Alternatively, controlled entity B, in accordance with paragraph 129(b) of ASLB 33, measure all its assets or liabilities based on its own date of adoption of ASLBs (April 1, 20X6). However, the fact that controlled entity B becomes a first-time adopter in 20X7-20X8 does not change the carrying amounts of its assets and liabilities in controlling entity A's consolidated financial statements.

### *Controlled Entity Adopts Accrual Basis ASLBs Before the Controlling Entity*

#### Background

IG86. Controlling entity C presents its (consolidated) transitional ASLB financial statements ASLBs in 20X7-20X8. Its controlled entity D, wholly owned by controlling entity C since formation, presented its transitional ASLB financial statements in 20X5-20X6. Until March 31 20X8, controlled entity D prepared information for internal consolidation purposes in accordance with controlling entity's C previous basis of accounting.

#### Application of Requirements

IG87. The carrying amounts of controlled entity D's assets and liabilities at April 1, 20X6 are the same in both controlling entity's C (consolidated) opening accrual basis balance sheet and controlled entity D's financial statements (except for adjustments for consolidation procedures) and are based on controlled entity D's date of adoption of ASLBs. The fact that controlling entity C becomes a first-time adopter in 20X7-20X8 does not change those carrying amounts (paragraph 129 of ASLB 33).

IG88. Paragraphs 129 and 130 of ASLB 33 do not override the following requirements:

- (a) The rest of ASLB 33 in measuring all assets and liabilities for which paragraphs 129 and 130 of ASLB 33 are not relevant.
- (b) To give all disclosures required by this ASLB as of the first-time adopter's own date of transition to ASLBs.

IG89. Paragraph 129 of ASLB 33 applies if a controlled entity becomes a first-time adopter later than its controlling entity, for example if the controlling entity previously prepared a reporting package in accordance with accrual basis ASLBs for consolidation purposes but did not present a full set of financial statements in accordance with

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ASLBs. This may be relevant not only when a controlling entity reporting package complies fully with the recognition and measurement requirements of ASLBs, but also when it is adjusted centrally for matters such as review of events after the reporting date and central allocation of pension costs. However, paragraph 129 of ASLB 33 does not permit a controlled entity to ignore misstatements that are immaterial to the consolidated financial statements of its controlling entity but material to its own financial statements.

### **Presentation and Disclosure**

IG90. Paragraphs 135 to 140 in ASLB 33 require a first-time adopter to disclose certain information when it has taken advantage of the transitional exemptions and provisions in its adoption of accrual basis ASLBs.

To illustrate:

#### **Notes to the financial statements for the year ending March 31, 20X3**

##### **Note 48 – Adoption of transitional exemptions and provisions in ASLB 33**

Entity X adopted accrual basis ASLB on April 1, 20X1 and elected to adopt the transitional exemption in ASLB 33 that allows it to apply a deemed cost and a period of up to three years in which to measure land and buildings and investment property.

Entity X took advantage of these exemptions in determining a deemed cost, and to measure its land and buildings and investment property. As a result of adopting these transitional exemptions and provisions the entity is not able to make an explicit and unreserved statement about its compliance with accrual basis ASLBs, as the adoption of these transitional exemptions affect the fair presentation of Entity X's financial statements and its ability to assert compliance with accrual basis ASLBs.

No other transitional exemptions that affect fair presentation and compliance with accrual basis ASLBs during the period of transition were adopted or applied to any other assets and/or liabilities.

During the period under review, Entity X restated its opening balance of investment property with an additional value of ` 1, 200, 000 after

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determining the deemed cost on June 30, 20X2 for the investment property under its control.

As at year end, Entity X has not yet determined a deemed cost for land and buildings and has not yet measured these assets in its financial statements. Land and buildings reflect a closing balance of ` 2, 500, 000 as at March 31, 20X3. This value was determined under Entity X's previous basis of accounting.

Entity X plans to apply a three year transitional exemption for measuring its land and buildings and in determining a deemed cost for these asset.

Entity X has appointed an appraiser to value the land and has developed a model for the measurement of buildings. The progress in determining the valuations for land and buildings is in accordance with its implementation plan.

**Summary of Transitional Exemptions and Provisions Included in ASLB 33, 'First-time Adoption of Accrual Basis ASLBs'**

IG91. The diagram below summarises the transitional exemptions and provisions included in other accrual basis ASLBs

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
ASLB 1, 'Presentation of Financial Statements'						√ To extent that 3 year relief period was adopted		<ul style="list-style-type: none"> <li>Presenting comparative info encouraged</li> </ul>
ASLB 2, 'Cash Flow Statements'	√							
ASLB 3, 'Accounting Policies, Changes in Accounting Estimates and Errors'	√							

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
ASLB 5, 'Borrowing Costs'			√					• Accounting policy to be applied prospectively
ASLB 9, 'Revenue from Exchange Transactions'	√				√ To extent that 3 year relief period was adopted for assets and/or liabilities			
ASLB 11, 'Construction Contracts'	√							
ASLB 12, 'Inventories'		√	√ Inventory not	√ Inventory recognised under				

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
			recognised under previous basis of accounting	previous basis of accounting				
ASLB 13, 'Leases'			√ Leased assets and/or liabilities not recognised under previous basis of accounting	√ Leased assets and/or liabilities recognised under previous basis of accounting				
ASLB 14, 'Events After the	√							

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
<i>Reporting Date</i>								
ASLB 16, 'Investment Property'		√	√ Investment property not recognised under previous basis of accounting	√ Investment property recognised under previous basis of accounting				
ASLB 17, 'Property, Plant and Equipment'		√	√ Property, plant and equipment not recognised under previous	√ Property, plant and equipment recognised under previous basis of accounting				

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
			basis of accounting					
ASLB 18, 'Segment Reporting'	√ No segment report to the extent that 3 year relief period was adopted							
ASLB 19, 'Provisions, Contingent Liabilities and Contingent Assets'			√ Only liabilities related to assets not recognised under previous	√ Only liabilities related to assets recognised under previous basis of accounting				

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
			basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site	to be included initial estimate of cost of dismantling/ removing item/ restoring site				
ASLB 20, 'Related Party Disclosures'						√		
ASLB 21, 'Impairment of Non-Cash-								• Prospective application

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
<i>Generating Assets'</i>								
ASLB 23, 'Revenue from Non-Exchange Transactions'			√ All non-exchange revenue not recognised under previous basis of accounting	√ All non-exchange revenue recognised under previous basis of accounting	√ To extent that 3 year relief period was adopted for assets and/or liabilities			
ASLB 24, 'Presentation of Budget Information in Financial Statements'	√							

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
ASLB 26, 'Impairment of Cash-Generating Assets'			√					• Prospective application
ASLB 27, 'Agriculture'			√ Biological and agricultural activities not recognised under previous basis of accounting	√ Biological and agricultural activities recognised under previous basis of accounting				
ASLB 31, 'Intangible Assets'		√ Intangible assets	√ Intangible assets not	√ Intangible assets				• Provision to recognise previously

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
		other than internally generated I/A	recognised under previous basis of accounting	recognised under previous basis of accounting				expensed internally generated intangible assets
ASLB 32, 'Service Concession Arrangements: Grantor'		√ Service concession asset	√ Service concession asset and related liability not recognised under previous basis of accounting	√ Service concession asset and related liability recognised under previous basis of accounting				• Provision on how to recognise related liability
ASLB 35,		√			√		√	• Provisions

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
'Consolidated Financial Statements'					To appropriately classify and identify interests in other entities			<p>when controlling and/or controlled entity adopts ASLB at different time</p> <ul style="list-style-type: none"> <li>• Exemption to not prepare financial statements as consolidated financial statements</li> <li>• (Assess if investment entity on date</li> </ul>

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
								<i>of adoption and measure at fair value at that date)</i>
ASLB 36, 'Investments in Associates and Joint Ventures'		√			√ To appropriately classify and identify interests in other entities		√	<ul style="list-style-type: none"> <li>Provisions when controlling entity and associate adopts ASLB at different time</li> <li>Exemption to not include investment in associate in consolidated</li> </ul>

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
								financial statements
		√			√ To appropriately classify and identify interests in other entities		√	<ul style="list-style-type: none"> <li>• Provisions when controlling entity and associate and jointly controlled entities adopt ASLB at different time</li> <li>• Exemption to not include interests in joint venture in</li> </ul>

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
								consolidated financial statements
ASLB 37,' Joint Arrangements'								<ul style="list-style-type: none"> <li>Provision on how to measure investment in joint venture previously accounted for using proportionate consolidation</li> </ul>
ASLB 39,' Employee Benefits'			√ defined benefit plans and other	√ for defined benefit and other long-				<ul style="list-style-type: none"> <li>Provisions on how to determine initial liability</li> </ul>

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
			long-term employee benefits not recognised under previous basis of accounting	term employee benefits recognised under previous basis of accounting				<ul style="list-style-type: none"> <li>• Provision to not separate cumulative actuarial gains and losses</li> <li>• Prospective disclosure on experience adjustments</li> </ul>
ASLB 42, 'Social Benefits'			√ liabilities for social benefits not recognised under previous	√ liabilities for social benefits recognised under previous basis of accounting				

ASLB	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/ or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
			basis of accounting					

## Appendix

### **Differentiation between transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis ASLBs**

This Appendix summarises how the transitional exemptions and provisions that a first-time adopter is required to apply in terms of this ASLB, and those that a first-time adopter may elect to apply on adoption of accrual basis ASLBs.

As the transitional exemptions and provisions that may be elected can also affect the fair presentation and the first-time adopter's ability to assert compliance with accrual basis ASLBs as explained in paragraphs 27 to 32 of ASLB 33, the Appendix makes a distinction between those transitional exemptions and provisions that affect fair presentation and the ability to assert compliance with accrual basis ASLBs, and those that do not.

<b>Transitional exemption or provision</b>	<b>Transitional exemptions or provisions that have to be applied</b>	<b>Transitional exemptions or provisions that may be applied or elected</b>	
		Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB
ASLB 1 • Present comparative information		√	Affect fair presentation and compliance with accrual basis ASLB
ASLB 4 • Cumulative transitional differences at the date of adoption		√	

**First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
ASLB 5 • Entity has taken advantage of relief period • Adopt accounting policy on date of adoption – prospective application	√		√
ASLB 9 • Relief for recognition and/or measurement of revenue related to adoption of three year relief period			√
ASLB 12 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
ASLB 13 • No recognition and/or measurement of finance lease liability and finance			√

**Compendium of Accounting Standards for Local Bodies (ASLBs)**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
lease asset if relief period for recognition and/or measurement of assets is adopted • Classification of lease based on circumstances at adoption of accrual basis ASLB	√		
ASLB 16 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
ASLB 17 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
ASLB 18 • No preparation of segment report within three years of adoption		√	

**First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
ASLB 19 • No recognition and measurement of liability relating to initial estimate of costs of dismantling and removing item if relief for recognition and/or measurement of assets are adopted			√
ASLB 20 • No disclosure of related party relationships, related party transactions and information about key management personnel			√
ASLB 21 • Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied	√		
ASLB 26 • Apply impairment provisions prospectively on	√		

**Compendium of Accounting Standards for Local Bodies (ASLBs)**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
date of adoption or when assets are recognised when relief period was applied			
ASLB 27 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
ASLB 31 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets • Recognise all internally generated intangible assets	√		√
ASLB 32 • Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets			√

**First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
and/or liabilities • Measure liability either under financial liability model or grant of a right to the operator model on date of adoption or when asset is recognised if relief period is adopted	√		
Applying deemed cost to assets and/or liabilities		√	
Applying deemed cost to assets acquired in a non-exchange transaction		√	
Using deemed cost for investments in controlled entities, jointly controlled entities and associates		√	
Preparing reconciliations during transitional period	√		
ASLB 35 • Relief to recognise and/or measure interests in controlled entity	√		√

**Compendium of Accounting Standards for Local Bodies (ASLBs)**

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
	Do not affect fair presentation and compliance with accrual basis ASLB	Do not affect fair presentation and compliance with accrual basis ASLB	Affect fair presentation and compliance with accrual basis ASLB
<ul style="list-style-type: none"> <li>• Elect to not eliminate inter-entity balances, transactions, revenue and expenses</li> <li>• Controlled entity becomes first-time adopter later or earlier than its controlling entity</li> </ul>			
<ul style="list-style-type: none"> <li>• Not present financial statements as consolidated financial statements if three year relief for recognition and/or measurement and/or elimination option was adopted</li> <li>• <i>Assess if investment entity on date of adoption and determine fair value at that date)</i></li> </ul>	√		√
<p>ASLB 36</p> <ul style="list-style-type: none"> <li>• Relief to recognise and/or measure interest in associate</li> <li>• Elect to not eliminate</li> </ul>			√





## **Appendix 1**

*Note: This Appendix is not a part of the Accounting Standard for Local Bodies. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard for Local Bodies (ASLB) 33 and the corresponding International Public Sector Accounting Standard (IPSAS) 33, 'First-Time Adoption of Accrual Basis IPSAS'.*

### **Comparison with IPSAS 33, 'First-Time Adoption of Accrual Basis IPSASs'**

1. Different terminologies have been used in ASLB 33 as compared to corresponding IPSAS 33, e.g., the terms 'balance sheet', 'statement of income and expenditure' and 'entities' have been used in place of 'statement of financial position', 'statement of financial performance' and 'public sector entities'.
2. As compared to IPSAS 33, ASLB 33 does not require to prepare the Statement of changes in net assets/ equity.
3. The following paragraphs of IPSAS 33 have been deleted. In order to maintain consistency with the corresponding IPSAS 33, the paragraph numbers have been retained:
  - (i) In respect of assets as prescribed in Paragraph 64 of ASLB, the deemed cost has been prescribed as municipal value in place of fair value as prescribed in IPSAS. In this regard, paragraph no 66, 67, 69, 70 and 148 have been deleted.
  - (ii) Paragraphs 90-93 pertaining to financial reporting in hyperinflationary economies as it may not be relevant for Local Bodies in Indian context.
  - (iii) Paragraphs 41, 111-124 pertaining to financial instruments have been deleted as ASLBs on this subject are not proposed to be formulated/ issued in the future. However, a separate Guidance on '*Financial Instruments*' is proposed to be issued that will deal with this subject in detail including the specific transitional provisions.
  - (iv) Paragraph 153 pertaining to transitional provision has been deleted as this ASLB contains all transitional provisions at one place.

## **Compendium of Accounting Standards for Local Bodies (ASLBs)**

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- (v) Paragraphs 154 & 154A-C pertaining to effective date have been deleted as ASLB 33 would become mandatory for Local Bodies in a State from the date specified by the State Government concerned.
- 4. Paragraph 2A inserted with regard to applicability of ASLBs in line with other issued ASLBs.
- 5. IPSAS 5, 'Borrowing Costs' permits 'benchmark treatment' (expense-off) and 'allowed alternative treatment' (capitalisation in case of qualifying assets). The benchmark treatment has not been retained in corresponding ASLB 5. Only the treatment prescribed under 'allowed alternative treatment' has been retained but the term 'allowed alternative treatment' has not been used in ASLB 5. (deleted paragraphs 88-89, modified paragraphs 44-45, 90).
- 6. ASLB 33 prescribes to use the requirements of ASLB 5 prospectively from the date of adoption of ASLBs.
- 7. Transitional provisions pertaining to 'Social Benefits' have been incorporated in ASLB 33.
- 8. Footnotes have been appended in ASLB 33 with regard to subjects that may not be relevant for Local Bodies in current scenario or on which ASLBs are yet to be issue.
- 9. The following paragraphs appear as 'Deleted' in IPSAS 33. In order to maintain consistency with paragraph numbers of IPSAS 33, the paragraph numbers are retained in ASLB 33:
  - (i) Paragraph
  - (ii) Paragraph 106-107
- 10. Consequential changes resulting from the above departures have been made in ASLB 33.