▼M10

(c) the recognition and measurement of exploration and evaluation assets (see IFRS 6 *Exploration for and Evaluation of Mineral Resources*); or

(d) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b) to (d).

B3. In IAS 38 *Intangible Assets* (as revised in 2004), paragraph 2 is amended to read as follows:

2. ***This Standard shall be applied in accounting for intangible assets, except:***

(a) intangible assets that are within the scope of another Standard;

(b) financial assets, as defined in IAS 39 Financial Instruments: Recognition and Measurement;

(c) the recognition and measurement of exploration and evaluation assets (see IFRS 6 Exploration for and Evaluation of Mineral Resources); and

(d) expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources.

▼M5

▼B

STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-7

Introduction of the euro

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

Reference: IAS 21, the effects of changes in foreign exchange rates.

Issue

1. From 1 January 1999, the effective start of economic and monetary union (EMU), the euro will become a currency in its own right and the conversion rates between the euro and the participating national currencies will be irrevocably fixed, i.e. the risk of subsequent exchange differences related to these currencies is eliminated from this date on.

2. The issue is the application of IAS 21 to the changeover from the national currencies of participating Member States of the European Union to the euro ('the changeover').

Consensus

3. The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover. The same rationale applies to the fixing of exchange rates when countries join EMU at later stages.

4. This means that, in particular:

(a) foreign currency monetary assets and liabilities resulting from transactions should continue to be translated into the reporting currency at the closing rate. Any resultant exchange differences should be recognised as income or expense immediately, except that an enterprise should continue to apply its existing accounting policy for exchange gains and losses related to foreign exchange contracts that are used to reduce the exchange risk on future transactions or commitments (anticipatory hedges);

▼**B**

(b) cumulative exchange differences relating to the translation of financial statements of foreign entities should continue to be classified as equity and should be recognised as income or expense only on the disposal of the net investment in the foreign entity; and

(c) exchange differences resulting from the translation of liabilities denominated in participating currencies should not be included in the carrying amount of related assets.

Date of consensus: October 1997.

Effective date: this interpretation becomes effective on 1 June 1998. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

▼**M1**

IFRS 1 — First-time adoption of International Financial Reporting Standard

International Financial Reporting Standard 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) is set out in paragraphs 1 to 47 and Appendices A-C. All the paragraphs have equal authority. Paragraphs in bold type state the main principles. Terms defined in Appendix A are in italics the first time they appear in the Standard. Definitions of other terms are given in the Glossary for International Financial Reporting Standards. IFRS 1 should be read in the context of its objective and the Basis for Conclusions, the Preface to International Financial Reporting Standards and the Framework for the Preparation and Presentation of Financial Statements. These provide a basis for selecting and applying accounting policies in the absence of explicit guidance.

INTRODUCTION

Reasons for issuing the IFRS

IN1. The IFRS replaces SIC-8 First-time Application of IASs as the Primary Basis of Accounting. The Board developed this IFRS to address concerns that:

(a) some aspects of SIC-8's requirement for full retrospective application caused costs that exceeded the likely benefits for users of financial statements. Moreover, although SIC-8 did not require retrospective application when this would be impracticable, it did not explain whether a first-time adopter should interpret impracticability as a high hurdle or a low hurdle and it did not specify any particular treatment in cases of impracticability.

(b) SIC-8 could require a first-time adopter to apply two different versions of a Standard if a new version were introduced during the periods covered by its first financial statements prepared under IASs and the new version prohibited retrospective application.

(c) SIC-8 did not state clearly whether a first-time adopter should use hindsight in applying recognition and measurement decisions retrospectively.

(d) there was some doubt about how SIC-8 interacted with specific transitional provisions in individual Standards.

Main features of the IFRS

IN2. The IFRS applies when an entity adopts IFRSs for the first time by an explicit and unreserved statement of compliance with IFRSs.

IN3. In general, the IFRS requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. In particular, the IFRS requires an entity to do the following in the opening IFRS balance sheet that it prepares as a starting point for its accounting under IFRSs:

(a) recognise all assets and liabilities whose recognition is required by IFRSs;

(b) not recognise items as assets or liabilities if IFRSs do not permit such recognition;

(c) reclassify items that it recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRSs; and