

10 TRANSITION TO IFRS BASED CODE

10.1 Transition Arrangements

10.1.1 Introduction

10.1.1.1 Authorities shall account for the transition to the IFRS-based Code of Practice on Local Authority Accounting in accordance with *IFRS 1 First-time Adoption of International Financial Reporting Standards*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

10.1.1.2 Accounting policy changes arising out of the adoption of the IFRS-based Code of Practice on Local Authority Accounting shall be accounted for retrospectively unless the Code requires an alternative treatment.

10.1.1.3 In accordance with paragraph 3.4.2.17 (f) of the Code, an authority shall present an opening balance sheet as at 1 April 2009.

10.1.1.4 This section of the Code applies to both group accounts and an authority's own single entity accounts.

Adaptation and Interpretation for the Public Sector Context

10.1.1.5 *IFRS 1* permits exemptions from the retrospective application of some requirements of other *IFRSs*. The Code requires the following exemptions to be applied; exemptions not listed in the Code shall not be applied.

10.1.1.6 Authorities shall apply the requirements of paragraph 9.1.2.51 of the Code and *IFRS 3 Business Combinations* prospectively from 1 April 2009.

10.1.1.7 Authorities shall apply the requirements of *IFRS 2 Share-based Payment* prospectively from 1 April 2009.

10.1.1.8 The depreciated historical cost of an asset as at 1 April 2009 shall be deemed to be the depreciated historical cost of that asset as at 31 March 2009 under the 2009 SORP.

10.1.1.9 In adopting *IFRIC 4 Determining Whether an Arrangement Contains a Lease*, an authority shall determine whether an arrangement existing as at 1 April 2009 contains a lease on the basis of facts and circumstances existing at that date.

10.1.1.10 An authority shall not adopt any of the transitional arrangements contained within *IFRS 1* in respect of financial instruments, as these arrangements will have been adopted by the authority when the SORP adopted the equivalent UK standards.

10.1.1.11 Where an authority is required to apply the requirements of *IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities*, it shall apply the requirements prospectively from 1 April 2009.

10.1.1.12 Where the requirements of the Code in relation to borrowing costs (see section 4.8 of the Code) amount to a change in accounting policy for an authority, the authority shall apply those requirements prospectively from 1 April 2009.

10.1.1.13 *IFRS 1* requires an authority to explain how the transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows by presenting:

- (a) reconciliations of its net worth reported under previous GAAP to its net worth under IFRSs for both of the following dates:
 - (i) the date of transition to IFRSs; and
 - (ii) the end of the latest period presented in the authority's most recent annual financial statements under previous GAAP;
- (b) a reconciliation to its total comprehensive income and expenditure under IFRSs for the latest period in the authority's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income and expenditure under previous GAAP for the same period.

The Code does not require these reconciliations to be presented. Instead, an authority shall disclose any material differences between amounts presented under the SORP and the equivalent amounts under the IFRS-based Code.

10.1.2 Accounting Requirements

10.1.2.1 [Secretariat note: To assist readers to respond the ITC, transition arrangements are shown at the end of each section of the draft Code. Transition arrangements will be included in this chapter when the Code is published.]

10.1.3 Statutory Accounting Requirements

10.1.3.1 [Secretariat note: Any statutory accounting requirements introduced to mitigate the impact of the transition to the IFRS-based Code will be included here.]

10.1.4 Disclosure Requirements

10.1.4.1 [Secretariat note: Any disclosure requirements arising out of any statutory accounting requirements introduced to mitigate the impact of the transition to the IFRS-based Code will be included here.]

10.1.5 Statutory Disclosure Requirements

10.1.5.1 An authority shall disclose any material differences between amounts presented under the SORP 2009 and the IFRS-based Code. Disclosure is required where there are material differences in the following statements:

- Balance Sheet as at 1 April 2009;
- Balance Sheet as at 31 March 2010;
- Comprehensive Income and Expenditure Statement for 2009/10.

10.1.5.2 Where no disclosure is required as any differences are not material, an authority shall include in the Notes a statement that there were no material differences on transition to the IFRS-based Code.

10.1.6 *Changes since SORP 2009*

10.1.6.1 These changes apply on transition to the IFRS-based Code only, and therefore there were no equivalent provisions in the SORP 2009.