

IFRS NEWS

REQUIRED ADJUSTMENTS IN FIRST-TIME ADOPTION OF IFRSs (IFRS 01)

IFRS News - 05/2023

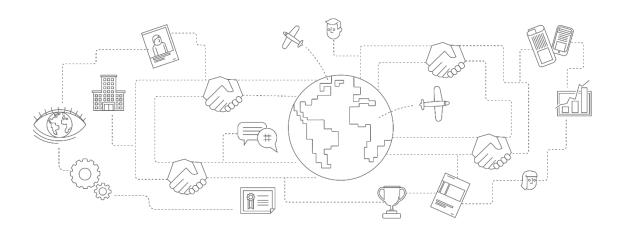


INTRODUCTION

According to the Scheme on the application of international financial reporting standards in Vietnam – Decision No. 345/QD–BTC issued on 16 March 2020, since 01 January 2022, some entities have been allowed to voluntarily apply IFRSs in the preparation and presentation of financial statements.

Therefore, the implementation of the conversion from the former accounting standard to IFRS for the first–time adoption of IFRS 01 is attractive. The objective of this standard is primarily to set regulatory requirements and procedures that are required for the first–time preparation of financial statements.

In this spotlight, RSM only concentrates on a few important required adjustments (excluding exceptions and exemptions) when the entities apply IFRSs for the first time under IFRS 01.





INTRODUCTION

Issuance time:



IFRS 01 was first issued in June 2003 to replace *SIC-8 – First-time Application of IASs as the Primary Basis of Accounting* issued in April 2001. After some minor changes to the content, the current version of IFRS 01 was reissued by the IASB in May 2020 and applies if an entity's first IFRS financial statements are for a period beginning on, or after 1January 2022.

Objective:



Ensure that the first prepared financial statements under IFRSs and the interim financial statements for the periods of that financial year include the following information:

- Transparent to users and comparable between the periods presented;
- Provide an appropriate beginning time for accounting under IFRSs.



REQUIRED ADJUSTMENTS IN FIRST-TIME ADOPTION OF IFRSs (IFRS 01)

Required adjustments **Examples** Content Recognition of some assets The entity is required to recognize assets According to IAS 16, the initial estimates cost of and liabilities in accordance and liabilities by IFRSs if they dismantling, removing the asset and restoring the site were varianced with Vietnamese when purchasing the asset are recognized in the cost of with IFRSs the fixed asset while VAS 03 does not mention this Accounting Standards at the beginning of the period in the financial statements recognition. Dismantle, restore Fixed assets Derecognition of some The entity should eliminate previous-According to the Vietnamese accounting system, the assets and liabilities if IFRSs VAS assets and liabilities from the pre-opening costs are recognized in prepayment and amortized up to 3 years. Otherwise, IFRSs does not does not permit such beginning of the period in the financial recognition statements if they do not qualify for permit this recognition, if the entity estimates the recognition under IFRSs recovery period is short, it can be directly recognized as an expense in the period.

Expenses before establishment



Asset

REQUIRED ADJUSTMENTS IN FIRST-TIME ADOPTION OF IFRSs (IFRS 01)

Required adjustments	Content	Examples
	Content	Examples
Reclassifying comparative figures of all items according to IFRSs	The entity should reclassify all items recognized and presented in accordance with Vietnamese Accounting Standards into the appropriate IFRS classification	With guidance on presenting the Income Statement under the VAS, financial income and financial expense are presented in operating profit. However, when presenting the Income Statement in accordance with IFRS practices, financial Income is presented separately and is not included in operating profit.
		Classification Expense finance
Measurement	The entity is required to revaluate the value of assets and liabilities in accordance with the effective IFRSs, except as described in paragraphs 13–19 and Appendices B–E of IFRS 01	According to IAS 36, the entity is required to assess whether there is any indication that an asset may be impaired. An impairment loss is recognized whenever recoverable amount is below carrying amount. Otherwise, Vietnamese accounting standards do not mention the impairment of assets.



CONTACT US

Ho Chi Minh City 5th Floor, Sai Gon 3 Building 140 Nguyen Van Thu Street Da Kao Ward, District 1 Ho Chi Minh City, Vietnam

Dang Xuan Canh Managing Partner Head of Audit Services T: +84 28 3827 5026 E: canh.dang@rsm.com.vn Ha Noi
25th Floor Tower A Discove

25th Floor, Tower A, Discovery Complex 302 Cau Giay Street, Dich Vong Ward Cau Giay District Hanoi, Vietnam

Nguyen Thanh Lam Partner Head of Hanoi Office T: +84 24 3795 5353 E: lam.nguyen@rsm.com.vn Danang

5th Floor, Dai Thang Building 264 Xo Viet Nghe Tinh Street Cam Le District Danang, Vietnam

Nguyen Thi Gia Lai Director Head of Danang Office T:+84 23 6730 0020 E:lai.nguyen@rsm.com.vn





rsm.global/vietnam

This newsletter is only intended for information about the new laws enacted, not for advice or applying to specific cases. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. RSM Vietnam as well as members in RSM network shall not be responsible for any loss whatsoever sustained by any person who relies on this communication. Please refer to your advisors for specific advice.

RSM Vietnam is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

