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INSIGHTS

ACCOUNTING & TECHNOLOGY

IFRS 1 first-time adoption of CIFRS in Cambodia

How a Cambodian company moves to CIFRS for the first time: the opening statement of financial position, mandatory exceptions, optional exemptions, reconciliations and the audit evidence.



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HOW DOES A CAMBODIAN COMPANY ADOPT CIFRS FOR THE FIRST TIME UNDER IFRS 1?

IFRS 1 First-time Adoption of International Financial Reporting Standards requires a first-time adopter to prepare an opening statement of financial position at the date of transition, apply the CIFRS standards in force at the reporting date retrospectively, and recognise the adjustments directly in retained earnings. The standard provides mandatory exceptions and optional exemptions, and requires reconciliations of equity and profit or loss from the previous framework to CIFRS, with explanations. CIFRS for SMEs has Section 35 Transition, which applies the same idea with a simpler set of exemptions. In Cambodia, the transition is not only an accounting exercise: the opening balances feed the first CIFRS audit, the ACAR filing and the Tax on Income reconciliation.

IN SHORT

- The date of transition is the beginning of the earliest period for which the entity presents full comparative CIFRS information.
- Prepare an opening statement of financial position at that date, recognise and measure every asset and liability under CIFRS, and adjust retained earnings.
- IFRS 1 has mandatory exceptions and optional exemptions; the exemptions are choices, not automatic adjustments.
- Reconcile equity and profit or loss from the previous framework to CIFRS, with explanations, in the first CIFRS financial statements.
- The opening balances are the first audit test under ISA 510; the tax base and the tax reconciliation are separate from the accounting transition.

The date of transition and the opening statement

A first-time adopter is an entity that presents its first annual financial statements under CIFRS. The date of transition is the beginning of the earliest period for which the entity presents full comparative information under CIFRS in those first financial statements. For a 31 December 2026 first CIFRS year with one year of comparatives, the date of transition is 1 January 2025.

At the date of transition, the entity prepares an opening statement of financial position that recognises all assets and liabilities whose recognition is required by CIFRS, derecognises items that CIFRS does not permit, reclassifies items according to CIFRS and measures all recognised assets and liabilities in accordance with CIFRS. The adjustments are recognised directly in retained earnings, or in another category of equity where appropriate.

The first CIFRS financial statements include the opening statement of financial position, the comparative period and the current period, with the disclosures required by IFRS 1. The opening statement is not a fourth statement in the annual set; it is the starting point for the retrospective application.

Mandatory exceptions and optional exemptions

IFRS 1 prohibits retrospective application in some areas because the information would be unreliable or the cost would exceed the benefit. The mandatory exceptions include estimates, derecognition of financial assets and liabilities, hedge accounting, non-controlling interests and the classification and measurement of some financial instruments. The entity applies the exception, discloses it and does not invent a retrospective answer.

The optional exemptions are choices that can simplify the transition. Common examples are using fair value as deemed cost for property, plant and equipment, investment property or biological assets; not restating business combinations before the date of transition; using the previous GAAP carrying amount for some assets and liabilities; and the cumulative translation difference exemption. Each exemption must be applied consistently and disclosed.

An exemption is not a free pass to keep an old policy. The entity must still apply CIFRS to the measurement, recognition and disclosure after the exemption, and must explain the effect. A company that uses fair value as deemed cost must support the fair value under IFRS 13 and disclose the election.

COMMON IFRS 1 ELECTIONS FOR A CAMBODIAN FIRST-TIME ADOPTER

Area	Election	Effect
Property, plant and equipment	Fair value as deemed cost	Fair value at transition becomes the new cost basis
Business combinations	No restatement before transition	Goodwill and fair value adjustments from the previous framework may be carried forward
Cumulative translation differences	Reset to zero	No recycling of pre-transition differences
Share-based payment	Exemption for some awards	Simplified transition for equity awards
Leases	Limited transition relief	Depends on the lease standard in force

Reconciliations and disclosures

IFRS 1 requires reconciliations of the entity's equity under the previous framework to its equity under CIFRS at the date of transition and at the end of the last period presented under the previous framework. It also requires a reconciliation of the profit or loss for the last period under the previous framework to the CIFRS profit or loss, and explanations of the material adjustments.

If the entity presents interim financial statements under IAS 34 for part of the period covered by the first CIFRS financial statements, it must explain how the transition from the previous framework affects the interim information. The reconciliations should be specific enough for a reader to understand each adjustment, not just a total difference.

The notes should also explain the elections, the use of deemed cost, the nature of the adjustments and any significant judgements. A reconciliation that does not explain the tax effect, the goodwill adjustment or the reclassification of a loan is not sufficient.

CIFRS for SMEs Section 35

CIFRS for SMEs Section 35 Transition to the IFRS for SMEs Accounting Standard applies to a first-time adopter of the SME standard. It uses the same opening-statement and retrospective-application model, with a simpler set of exceptions and exemptions. An entity that moves from full CIFRS to CIFRS for SMEs, or from a previous local framework to CIFRS for SMEs, applies Section 35 rather than IFRS 1.

The National Accounting Council's adoption determines the edition in Cambodia. Confirm the edition with the auditor and apply the transition requirements consistently. The SME standard is simpler, but the opening balances, the reconciliations and the audit evidence are still required.

Cambodian execution: audit, ACAR and tax

The first CIFRS audit includes the opening balances. Under ISA 510, the auditor obtains evidence that the opening balances do not contain misstatements, that the prior-period accounting policies were consistently applied or changed appropriately, and that the opening balances are presented and disclosed correctly. The opening statement is therefore a live audit document, not a spreadsheet prepared after the year-end.

The ACAR filing and the first CIFRS financial statements must agree. The opening balances and the comparative information should be consistent with the prior filings or the reconciliation should explain the difference. A change of framework can affect the prior-year comparatives and the filing, so the ACAR submission should be planned with the auditor.

The tax base does not change automatically with the accounting transition. The tax depreciation, the tax losses, the deductibility of provisions and the treatment of the transition adjustments are determined by the Law on Taxation (2023) and the GDT. The deferred tax calculation should reflect the difference between the CIFRS carrying amounts and the tax bases from the date of transition.

01 Set the date of transition and the first CIFRS reporting date.

02 Map the previous framework to CIFRS and identify the differences.

03 Prepare the opening statement and the adjustment journals.

04 Choose and document the IFRS 1 exemptions.

05 Prepare the equity and profit reconciliations.

06 Plan the ISA 510 opening-balance audit and the ACAR filing.

07 Reconcile the accounting transition to the tax returns and deferred tax.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Does IFRS 1 require restating all prior years?

No. The first CIFRS financial statements include one year of comparatives (or more if the entity chooses) and an opening statement of financial position at the date of transition. The reconciliations explain the adjustments from the previous framework; earlier periods are not restated in the same way.

Can a company use fair value as deemed cost for property, plant and equipment?

Yes, IFRS 1 permits fair value at the date of transition to be used as deemed cost for an item of property, plant and equipment. The fair value must be measured under IFRS 13, the election must be applied consistently, and the disclosure must explain the effect.

Does the transition change the tax base?

No. The tax base, tax depreciation and tax losses are determined by the Law on Taxation (2023) and the GDT, not by the CIFRS opening statement. The accounting transition can create or change deferred tax, and the tax reconciliation should be prepared separately.

What does the auditor do with the opening balances?

Under ISA 510, the auditor obtains evidence that the opening balances do not contain misstatements, that the prior-period accounting policies were consistently applied or changed appropriately, and that the opening balances are presented and disclosed correctly. The first CIFRS audit therefore covers the opening statement, not only the current year.

SOURCES

Where the rules come from

01 IFRS 1 First-time Adoption of International Financial Reporting Standards — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 35 Transition to the IFRS for SMEs Accounting Standard (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 ISA 510 Initial Audit Engagements—Opening Balances — IAASB / KICPAA

04 Law on Accounting and Auditing (Royal Kram NS/RKM/0416/006, 11 April 2016) and ACAR filing requirements (https://www.acar.gov.kh) — Kingdom of Cambodia / Accounting and Auditing Regulator

05 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation