

HKFRSs / IFRSs UPDATE

2010/05

24 May 2010

LIMITED EXEMPTION FROM COMPARATIVE HKFRS 7 DISCLOSURES FOR FIRST-TIME ADOPTERS (AMENDMENT TO HKFRS 1)

Background

In March 2009 the Hong Kong Institute of Certified Public Accountants (HKICPA) issued *Improving Disclosures about Financial Instruments* (Amendments to HKFRS 7). These amendments introduced a three tier hierarchy for certain fair value disclosures, with financial instruments being analysed among level 1 (quoted prices in active markets), level 2 (where inputs to valuations are directly or indirectly linked to quoted prices in active markets) and level 3 (where inputs to valuations are not based on observable market data).

Entities that already report in accordance with HKFRSs are required to apply these amendments for annual periods beginning on or after 1 January 2009 with earlier application permitted. However, in its first year of application of the amendments to HKFRS 7, an entity that already reports in accordance with HKFRSs is not required to provide comparative information.

To avoid the potential use of hindsight and to ensure a first-time adopter is treated no differently from current HKFRSs preparers, the HKICPA decided that first-time adopters should be permitted to use the same transitional provisions permitted for existing HKFRSs preparers that are included in related amendments to HKFRS 7. As a result, the *Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters* (Amendment to HKFRS 1) adds a paragraph to Appendix E of HKFRS 1, which covers short-term exemptions from HKFRSs, to give that relief.

Amendment

The amendment to HKFRS 1 permits a first-time adopter to apply the transitional provisions in paragraph 44G of HKFRS 7. The effect is that an entity does not need to provide comparative information for the disclosures required by the amendments to HKFRS 7 where the comparative period end is before 31 December 2009.

Effective date

The amendment to HKFRS 1 is effective for annual periods beginning on or after 1 July 2010, with earlier application being permitted. If the amendment is applied for an earlier period, an entity is required to disclose that fact.

BDO's support and assistance on HKFRSs

For any support and assistance on HKFRSs, please talk to your usual BDO contact or Stephen Chan, Partner and Head of Technical & Training at +852 2853 5820 or email StephenChan@bdo.com.hk

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Limited to discuss these matters in the context of your particular circumstances. BDO Limited, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

STATUS

Final

EFFECTIVE DATE

Annual periods beginning on or after 1 July 2010

ACCOUNTING IMPACT

Relief from the provision of certain comparative HKFRS 7 disclosures