

HKFRS / IFRS UPDATE 2012/09

HKFRSs THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2012 YEAR ENDS



In order to comply with paragraph 28 in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* entities need to disclose effects of the initial application of HKFRSs that are mandatory for the first time.

To determine the amount of the adjustment an entity shall disclose:

- a) The title of the standard
- b) When applicable, that the change in accounting policy is made in accordance with its transitional provisions
- c) The nature of the change in accounting policy
- d) When applicable, a description of the transitional provisions
- e) When applicable, the transitional provisions that might have an effect on future periods
- f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) For each financial statement line item affected
 - (ii) If HKAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share
- g) The amount of the adjustment relating to periods before those presented, to the extent practicable
- h) If retrospective application required is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The list below shows the HKFRSs that are mandatory for the first time for 31 December 2012 year ends.

1. *HKFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments)*
2. *HKFRS 7 Financial Instruments: Disclosures (Amendments - Transfers of Financial Assets)*
3. *HKAS 12 Income Taxes (Amendments)*

STATUS

Final

EFFECTIVE DATE

N/A

ACCOUNTING IMPACT

Potentially significant

HKFRS	Mandatory HKFRSs adoptions for 2012 – Standards and Amendments	Effective Date
HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i>		
1. Amendments to HKFRS 1 Issued: December 2010	<p><i>Severe hyperinflation</i></p> <p>This guidance covers how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.</p> <p><i>Fixed dates for first-time adopters</i></p> <p>References to a fixed date of 1 January 2004 for the purposes of the date from which certain derecognition transaction are required to be restated have been replaced with 'the date of transition to HKFRSs'. This amendment is intended to ease the burden of transition for companies that are adopting HKFRS now, or in the coming years.</p>	Mandatory adoption for periods beginning on or after 1 July 2011. Early adoption permitted
HKFRS 7 <i>Financial Instruments: Disclosures</i>		
2. Amendments to HKFRS 7 Issued: October 2010	<p><i>HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets</i></p> <p>An entity may enter into an arrangement, such as debt factoring, where the related accounting may or may not result in the financial assets subject to the arrangement being transferred to another party (either in whole or in part). The amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised in their entirety, and for any continuing involvement in transferred assets which are derecognised, which exists at the reporting date, irrespective of when the related transfer transaction occurred.</p> <p>The disclosures are required to be sufficient to enable users of financial statements:</p> <p>(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</p> <p>(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.</p> <p>In addition, if the total amount of proceeds from transfers of financial assets is not evenly distributed throughout the reporting period, disclosures are required of the period during which the greatest transfer activity took place, and the related gains or losses recognised from those transfers together with the amount of proceeds received</p> <p>Accounting impact: Enhanced disclosures for transfers of financial assets.</p> <p>For more information see HKFRS/IFRS Update 2010/20.</p>	Mandatory adoption for periods beginning on or after 1 July 2011. Early adoption permitted

HKFRS	Mandatory HKFRSs adoptions for 2012 – Standards and Amendments	Effective Date
HKAS 12 <i>Income Taxes</i>		
3. Amendments to HKAS 12 Issued: December 2010	<p><i>Deferred tax: Recovery of Underlying Assets</i></p> <p>Amendments have been made to HKAS 12 <i>Income Taxes</i> in respect of the measurement of deferred tax when investment property is measured using the fair value model in HKAS 40 <i>Investment Property</i>. Although HKAS 12 requires the measurement of deferred tax to be based on an entity's expected manner of recovery of the related asset or liability, it is often difficult and subjective to determine this where an investment property is measured at fair value. Consequently, an exception has been introduced to incorporate a presumption that the carrying amount of an investment property is recovered entirely through sale.</p> <p>In addition, the requirements of HK(SIC)-Interpretation 21 <i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i>, which address similar issues involving non-depreciable assets, measured using the revaluation model in HKAS 16 <i>Property, Plant and Equipment</i>, have been incorporated into HKAS 12.</p> <p>For those entities that hold investment property in jurisdictions such as Hong Kong, the measurement of deferred tax liabilities and deferred tax assets may be affected. The implications of the amendments should be considered at an early stage, including the effect of the amendments on business combinations that took place in previous reporting periods and involved the acquisition of investment property.</p> <p>Accounting impact: Significant changes to the measurement requirements of deferred tax assets / liabilities when investment properties are measured at fair value.</p> <p>For more information see HKFRS/IFRS Update 2010/22.</p>	Mandatory adoption for periods beginning on or after 1 January 2012. Early adoption permitted

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