

# HKFRS / IFRS UPDATE 2015/11

## HKFRSs/IFRSs, HK(IFRICs)/IFRICs AND AMENDMENTS THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2015 YEAR ENDS



### Background

This Update covers HKFRSs/IFRSs, HK(IFRICs)/IFRICs and amendments to HKFRSs/IFRSs that are effective for the first time in the annual financial statements of entities with 31 December 2015 year ends.

Paragraph 28 in HKAS/IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosures to be made if the initial application of HKFRSs/IFRSs, HK(IFRICs)/IFRICs and amendments has an effect on the current period or prior period (or would have an effect except that it is impracticable to determine the amount of the adjustment), or might have an effect on future periods. In most cases, retrospective application is required together with all of the related disclosures set out below. In limited cases, retrospective application is not required (for example there may be prospective application, or application to transactions that take place after a specified date) meaning that some of the disclosure requirements will not apply.

The disclosure requirements are:

- a) the title of the HKFRS/IFRS
- 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/IAS 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.

### STATUS

Final

### EFFECTIVE DATE

Various

### ACCOUNTING IMPACT

May be significant

Where applicable, the relevant BDO HKFRS/IFRS Updates have been referenced to each Amendment and HK(IFRIC)/IFRIC below. BDO HKFRS/IFRS Updates and the BDO Illustrative Financial Statements for 31 December 2015 are available for download from our website at [www.bdo.com.hk](http://www.bdo.com.hk). The 2015 version of Illustrative Financial Statements has been updated to incorporate relevant changes in accounting treatments as a consequence of the initial application of the various Annual Improvements to IFRSs and one Amendment to IFRSs listed on page 3 below.

The amendment to HKFRSs/IFRSs and the Annual Improvements to HKFRSs/IFRSs that are effective for the first time in the annual financial statements of entities with a 31 December 2015 financial year end that report in accordance with HKFRS/IFRS (all are mandatory for annual periods beginning on or after 1 January 2015) are as follows:

**1. Annual Improvements to HKFRSs/IFRSs (2010 – 2012 Cycle)**

- a. HKFRS/IFRS 2 – *Share Based Payments*
- b. HKFRS/IFRS 3 – *Business Combinations*
- c. HKFRS/IFRS 8 – *Operating Segment*
- d. HKFRS/IFRS 13 – *Fair Value Measurement*
- e. HKAS/IAS 16 – *Property, Plant and Equipment*
- f. HKAS/IAS 24 – *Related Party Disclosures*
- g. HKAS/IAS 38 – *Intangible Assets*

**2. Annual Improvements to HKFRSs/IFRSs (2011 – 2013 Cycle)**

- a. HKFRS/IFRS 1 – *First-time adoption of HKFRS/IFRS*
- b. HKFRS/IFRS 3 – *Business Combinations*
- c. HKFRS/IFRS 13 – *Fair Value Measurement*
- d. HKAS/IAS 40 – *Investment Property*

**3. Amendments to HKAS/IAS 19 – *Defined Benefit Plans: Employee Contributions***

HKFRS/IFRS	New HKFRSs/IFRSs for 31 December 2015 year ends – HKFRSs/IFRSs, HK(IFRICs)/IFRICs and Amendments	Effective Date
<b>Annual Improvements to HKFRSs/IFRSs (2010 – 2012 Cycle)</b>		
HKFRS/IFRS 2 – Share Based Payments <sup>(1)</sup>	The definitions of vesting and market conditions have been clarified by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves specifically being defined.	Mandatory adoption for periods beginning on or after 1 July 2014 Early adoption permitted.
HKFRS/IFRS 3 – Business Combinations <sup>(1)</sup>	The amendment clarifies that the classification of contingent consideration as either a liability or an equity instrument is on the basis of guidance in HKAS/IAS 32 <i>Financial Instruments: Presentation</i> . Contingent consideration that is not classified as equity is required to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.	
HKFRS/IFRS 8 – Operating Segments	When operating segments have been aggregated in determining reportable segments, additional disclosures are required. These set out the judgements that have been made by management in applying the aggregation criteria in HKFRS/IFRS 8 <i>Operating Segment</i> that are used to assess whether the aggregated segments have similar economic characteristics.  A further amendment clarifies that a reconciliation of total reportable segment assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.	
HKFRS/IFRS 13 – Fair Value Measurement <sup>(2)</sup>	The amendment clarifies that short term receivables and payables with no stated interest rate can continue to be measured at the invoice amount without discounting, where the effect of discounting is immaterial. A previous amendment had suggested that an existing practical expedient that eliminated the need to discount those items had been removed.	
HKAS/IAS 16 – <i>Property, Plant and Equipment</i> and HKAS/IAS 38 <i>Intangible Assets</i>	The computation of accumulated depreciation when items of property, plant and equipment and intangible assets are revalued has been clarified. The net carrying amount of the asset is adjusted to the revalued amount and either:  a) the gross and accumulated depreciation/amortisation amounts are adjusted; or  b) accumulated depreciation/amortisation is eliminated against the gross carrying amount.	
HKAS/IAS 24 – <i>Related Party Disclosures</i>	The amendment clarifies that an entity that provides key management personnel services to the reporting entity (or to the parent of a reporting entity) is a related party of the reporting entity. However, it is not necessary to analyse the total amount paid into the categories set out in HKAS/IAS 24.17.	

For more information see HKFRS/IFRS Update 2014/04 (click [here](#)).

<sup>(1)</sup> Amendments to HKFRS/IFRS 2 *Share Based Payments* and HKFRS/IFRS 3 *Business Combinations* apply to transactions which occur on or after 1 July 2014.

<sup>(2)</sup> The amendment to HKFRS/IFRS 13 *Fair Value Measurement* is to the Basis for Conclusions and therefore has no effective date.

HKFRS/IFRS	New HKFRSs/IFRSs for 31 December 2015 year ends – HKFRSs/IFRSs, HK(IFRICs)/IFRICs and Amendments	Effective Date
<b>Annual Improvements to HKFRSs/IFRSs (2011 – 2013 Cycle)</b>		
HKFRS/IFRS 1 – <i>First-time adoption of HKFRS/IFRS</i> <sup>(1)</sup>	<p>A first-time adopter is required to use accounting policies that comply with 'each HKFRS/IFRS effective at the end of an entity's first reporting period'. The Basis for Conclusions was amended to clarify that there is an option to use either:</p> <ul style="list-style-type: none"> <li>a) the HKFRSs/IFRSs that are mandatory at the end of that reporting period; or</li> <li>b) one or more HKFRSs/IFRSs that are not yet mandatory, if those HKFRSs/IFRSs permit early adoption.</li> </ul>	Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.
HKFRS/IFRS 3 – <i>Business Combinations</i>	<p>Certain consequential amendments were not made to HKFRS/IFRS 3 <i>Business Combinations</i> when HKFRS/IFRS 11 <i>Joint Arrangements</i> was issued. These have now been incorporated, meaning that:</p> <ul style="list-style-type: none"> <li>a) the formation of all types of joint arrangement as defined in HKFRS/IFRS 11 <i>Joint Arrangements</i> are excluded from the scope of HKFRS/IFRS 3 <i>Business Combinations</i>; and</li> <li>b) it is clarified that the scope exception applies only to the accounting by the joint arrangement in its own financial statements, and not the accounting by the parties to the joint arrangement for their interests.</li> </ul>	
HKFRS/IFRS 13 – <i>Fair Value Measurement</i>	<p>HKFRS/IFRS 13 <i>Fair Value Measurement</i> contains an exception that permits the fair value of a group of financial assets and financial liabilities to be measured on a net basis (the 'portfolio exception'). The amendment clarifies that the portfolio exception applies to all contracts within the scope of the financial instruments standards, including certain contracts for the purchase or sale of non-financial items that are scoped into those standards.</p>	
HKAS/IAS 40 – <i>Investment Property</i>	<p>The amendment clarifies the interrelationship between HKFRS/IFRS 3 <i>Business Combinations</i> and HKAS/IAS 40 <i>Investment Property</i> when determining whether the acquisition of an investment property constitutes an asset purchase or a business combination. It is noted that judgement is required based on the guidance in HKFRS/IFRS 3 <i>Business Combinations</i> and HKAS/IAS 40.7-15, and that this judgement is separate from the question of distinguishing between investment property and owner occupied property.</p>	

For more information see BDO HKFRS/IFRS Update 2014/05 (click [here](#)).

<sup>(1)</sup> The amendment to HKFRS/IFRS 1 *First-time adoption of HKFRS/IFRS* is to the Basis for Conclusions and therefore has no effective date.

HKFRS/IFRS	New HKFRSs/IFRSs for 31 December 2015 year ends – HKFRSs/IFRSs, HK(IFRICs)/IFRICs and Amendments	Effective Date
<b>Amendments to HKAS/IAS 19</b>		
<b>Defined Benefit Plans: Employee Contributions</b>	<p>The amendment to HKAS/IAS 19 introduces a narrow scope amendment that:</p> <ul style="list-style-type: none"> <li>a) provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service</li> <li>b) clarifies the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with HKAS/IAS 19.70.</li> </ul> <p>Contributions that are independent of the number of years of service include:</p> <ul style="list-style-type: none"> <li>a) contributions that are based on a fixed percentage of salary</li> <li>b) contributions of a fixed amount throughout the service period</li> <li>c) contributions that are dependent on the employee's age.</li> </ul>	Mandatory adoption for periods beginning on or after 1 July 2014 Early adoption permitted.

For more information see BDO HKFRS/IFRS Update 2014/03 (click [here](#)).

## BDO's support and assistance on HKFRS/IFRS

For any support and assistance on HKFRS/IFRS, please talk to your usual BDO contact or email [info@bdo.com.hk](mailto:info@bdo.com.hk)

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