

# HKFRSs/IFRSs UPDATE 2011/05

## AMENDMENTS TO HKAS 1: PRESENTATION OF FINANCIAL STATEMENTS



On 14 July 2011, the Hong Kong Institute of Certified Public Accountants (HKICPA) issued "Amendments to HKAS 1 (Revised) Presentation of financial statements – Presentation of items of other comprehensive income". This Amendment is close to a textual copy of the amendments to IAS 1 "Presentation of financial statements" issued by the International Accounting Standards Board in June 2011. The differences are minor text added in the Amendment to HKAS 1 to clarify the intended requirement. Therefore, unless otherwise specified, this Update is also a summary of the key amendments to IAS 1.

### Overview

The Amendment focuses on improving how items of other comprehensive income (OCI) are presented. There are two major changes resulting from the Amendment:

- Items of OCI should be grouped and presented in two categories
  - (i) Those that might subsequently be reclassified to profit or loss; and
  - (ii) Those that will not be reclassified.
- If items of OCI are presented before tax with one amount shown for the aggregate amount of income tax relating to those items, the related tax effect is now required to be allocated and disclosed separately for each of category (i) and (ii) above.

The Amendment also changes the terminology used to describe the statement showing the entity's financial performance.

More details about these changes are available in the sections below.

### New terminology

The Amendment uses the title "statement of profit or loss and other comprehensive income" to refer to the single statement showing the entity's performance for the period. The statement comprises two sections, being the profit or loss section and the other comprehensive income section. This change in terminology, however, does not limit entities from using other titles to describe the statement or presenting the entity's profit or loss in a separate statement (ie generally referred to as two statement approach) as allowed by the extant HKAS 1.

If the entity presents its profit or loss in a separate statement (statement of profit or loss), the separate statement of profit or loss would immediately precede the "statement of profit or loss and other comprehensive income". The first line appearing in the "statement of profit or loss and other comprehensive income" is the entity's profit or loss for the year (see amended HKAS 1.10A\*). This presentation method is consistent with current practice.

Paragraph 81A of amended HKAS 1 requires showing the following total amounts in the statement of profit or loss and other comprehensive income (no matter the entity presents a single statement or adopts the two statement approach):

- (a) profit or loss
- (b) total other comprehensive income
- (c) comprehensive income for the period (ie the sum of (a) and (b) above).

The extant HKAS 1 also requires showing items (a) and (c). Presenting item (b), total other comprehensive income, is a new requirement though it is a common current practice.

### STATUS

Final

### EFFECTIVE DATE

Annual periods beginning on or after 1 July 2012, with earlier application permitted

### ACCOUNTING IMPACT

The presentation of profit or loss and other comprehensive income

\* Unlike the amendments to HKAS 1, amended IAS 1.10A does not specify this presentation requirement. Instead the illustrative example in the amendment to IAS 1 is prepared following the same structure as in amended HKAS 1.10A.

## Presenting OCI in statement of profit or loss and other comprehensive income

### *Grouping of items of OCI*

The Amendment requires entities to present line items for OCI amounts by nature, and to group the items into two categories

- (i) Those that might be subsequently reclassified to profit or loss as specified by other HKFRSs; and
- (ii) Those that would not be reclassified.

This new presentation requirement (ie by nature and grouping) also applies to the entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method. In situation where the entity and its associate or jointly controlled entity have OCI of same nature, in our view, the respective amounts should be presented in separate lines.

The extant HKAS 1 does not specify how to present the entity's share of OCI of associates and joint ventures accounted for using the equity method. Following the illustration in the extant HKAS 1, the common current practice is to present the entity's share in an aggregate amount. Therefore the new presentation method would improve information transparency to financial statement users.

### *Income tax relating to OCI*

The extant HKAS 1 permits entities to present items of OCI either net of related tax effects, or before tax with one amount shown for the aggregate amount of income tax relating to those items. Entities will continue to have this choice of tax presentation. However, if an entity presents OCI items before related tax effects then tax is required to be allocated and disclosed separately for each of the two OCI categories (ie categories (i) and (ii) above).

Please note that this new requirement on presenting income tax does not affect the extant practice of presenting the entity's share of OCI of associates and jointly controlled entities net of tax effect.

The Appendix of this Update illustrates the presentation of profit or loss and other comprehensive income in one statement prepared under the amended HKAS 1 with OCI presented before tax effect. Expenses in this illustration are analysed by function. Note that entities should analyse expenses either by their nature or function within the entity, whichever provides information that is reliable and more relevant (see HKAS 1.99). The Amendment does not change this principle.

## Effective date and transition

The amendments to HKAS1 are effective for annual periods beginning on or after 1 July 2012, with early adoption permitted. If an entity applies the amendments for an earlier period it is required to disclose that fact.

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## Appendix

### Illustrative statement of profit or loss and other comprehensive income

		20X3	20X2
Profit or loss section	Revenue	xxx	xxx
	Cost of sales	(xxx)	(xxx)
	Gross profit	xxx	xxx
	Other income	xx	xx
	Administrative expenses	(xx)	(xx)
	Other expenses	(xx)	(xx)
	Finance costs	(xx)	(xx)
	Share of profit of associates	xxx	xxx
	<b>Profit before tax</b>	xxx	xxx
	Income tax expense	(xx)	(xx)
	<b>PROFIT FOR THE YEAR</b>	xxx	xxx
Other comprehensive income section	<b>Other comprehensive income:</b>		
	New ⇨ <b>Items that will not be reclassified to profit or loss:</b>		
	Gains on revaluation of property held for own use	xx	xx
	Share of gain on property revaluation of associates	xx	xx
	New ⇨ Income tax relating to items that will not be reclassified	(xx)	(xx)
		xx	xx
	New ⇨ <b>Items that may be reclassified subsequently to profit or loss:</b>		
	Exchange differences on translating foreign operations	xx	xx
	Available-for-sale financial assets	xx	xx
	New ⇨ Income tax relating to items that may be reclassified	(xx)	(xx)
		xx	xx
New ⇨ <b>Other comprehensive income for the year, net of tax</b>	xxx	xxx	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		x,xxx	x,xxx
Profit attributable to:			
Owners of the parent	xxx	xxx	
Non-controlling interests	xxx	xxx	
	xxx	xxx	
Total comprehensive income attributable to:			
Owners of the parent	xxx	xxx	
Non-controlling interests	xxx	xxx	
	x,xxx	x,xxx	