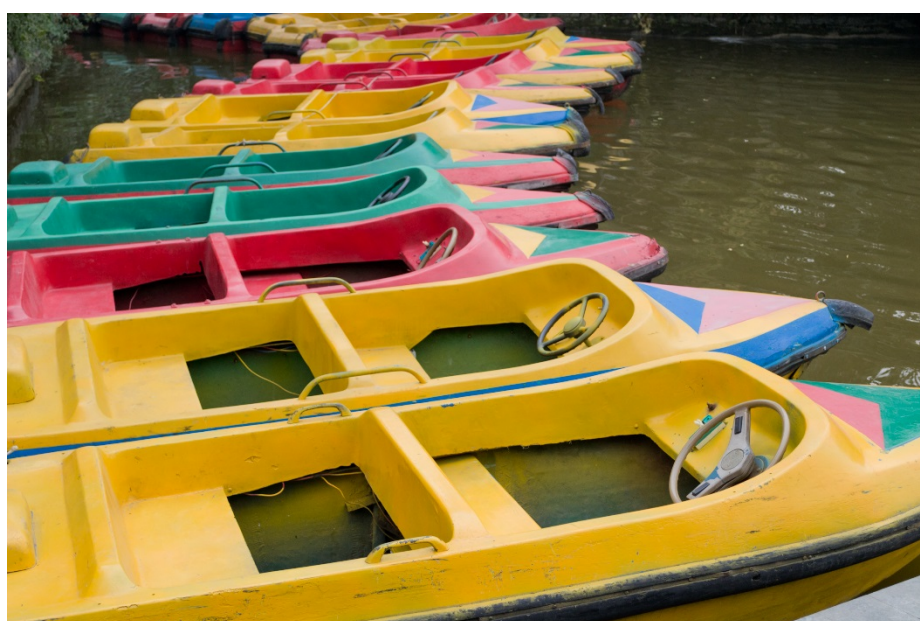


HKFRS / IFRS UPDATE 2017/10

December 2017

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HKFRSs/IFRSs, HK(IFRICs)/IFRICs AND AMENDMENTS THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2017 YEAR ENDS



STATUS

Final

EFFECTIVE DATE

1 January 2017

ACCOUNTING IMPACT

May be significant.

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 2017 year ends.

Paragraph 28 of 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 some cases, retrospective application is required together with all of the related disclosures set out below. In other 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 is required but 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.

Where applicable, the relevant BDO publications have been referenced to each new pronouncement.

The BDO HKFRS/IFRS Update and BDO Illustrative Financial Statements for 31 December 2017 can be found on our website at www.bdo.com.hk.

HKFRSs/IFRSs, amendments 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 2017 financial year end that report in accordance with HKFRS/IFRS (all are mandatory for annual periods beginning on or after 1 January 2017) are as follows:

1. **Amendment to HKAS/IAS 7 - *Disclosure Initiative***
2. **Amendment to HKAS/IAS 12 - *Recognition of Deferred Tax Assets for Unrealised Losses***
3. **Amendment to HKFRS/IFRS 12 - *Annual Improvements to HKFRSs/IFRSs 2014-2016 Cycle***

| HKFRS/IFRS | New HKFRSs/IFRSs for 31 December 2017 year ends – HKFRSs/IFRSs, HK(IFRICs)/IFRICs and Amendments | Effective Date |
|---|---|---|
| 1. Amendment to HKAS/IAS 7 Issued: January 2016 | <p><i>Amendment to HKAS/IAS 7 – Disclosure Initiative</i></p> <p>These amendments aim to improve disclosures about an entity's debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to comply with this disclosure would be to present a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities. The reconciliation would include:</p> <ul style="list-style-type: none"> • Opening balance • Movements in the period including: <ul style="list-style-type: none"> – Changes from financing cash flows – Changes arising from obtaining or losing control of subsidiaries or other businesses, – Other non-cash exchanges (e.g. changes in foreign exchange rates, new finance leases and changes in fair value); • Closing balance. <p>Note 43 of BDO's illustrative financial statements for the year ended 31 December 2017 includes an example of such a reconciliation (click here).</p> | Mandatory adoption for periods beginning on or after 1 January 2017. Early adoption permitted. |

| HKFRS/IFRS | New HKFRSs/IFRSs for 31 December 2017 year ends – HKFRSs/IFRSs, HK(IFRICs)/IFRICs and Amendments | Effective Date |
|---|---|--|
| 2. Amendment to HKAS/IAS 12 Issued: January 2016 | <p><i>Amendment to HKAS/IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses</i></p> <p>The amendment to HKAS/IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired (for example, an investment in a fixed rate bond where the fair value has declined due to changes in interest rates, but the asset is not considered to have become impaired in value). Deductible temporary differences arise from unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale, or by holding it to maturity. Therefore, entities are required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met.</p> | <p>Mandatory adoption for periods beginning on or after 1 January 2017.</p> <p>Early adoption permitted.</p> |
| 3. Amendment to HKFRS/IFRS 12 Issued: December 2016 | <p><i>Amendment to HKFRS/IFRS 12 - Annual Improvements to HKFRSs/IFRSs 2014-2016 Cycle</i></p> <p>The scope of HKFRS/IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those in paragraphs B10 to B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with HKFRS/IFRS 5. The IASB noted that the disclosure objective of IFRS 12 is relevant to interests in other entities regardless of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations.</p> <p>For more information see BDO HKFRS/IFRS Update 2017/05 (click here).</p> | <p>Mandatory adoption for periods beginning on or after 1 January 2017.</p> <p>Early adoption permitted.</p> |

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