



- Both the cash flow statement and changes in equity are done only for the cumulative YTD period that is for the first 9 months of this year, compared to the first 9 months of last year, irrespective of whether the entity reported as at 31 March 2005 or 30 June 2005 (IAS 34.20(c) and (d)).
- It is only in respect of the income statement that the current 3rd quarter is shown (and its comparative is the comparable 3rd quarter last year, not the 2nd quarter this year), and even in this case the income statement for the year to date is also shown (i.e. the first 9 months), together with the comparable first 9 months last year.

While we note from D18.3 and BC 5 that IFRIC has considered the YTD principle, we are concerned that insufficient weight has been given to it. In particular BC 4 gives a specific example where applying the requirement of D18 would be in direct contradiction to the YTD principle and the BC5 justifies the conclusions of D18 by describing the YTD principle as “a more general statement” of lesser importance that the requirement to follow same accounting policies as annual financial statements.

In our view, given the requirements in IAS 34.28 and the illustration of the application of those requirements in IAS 34.30(a), the only interpretation of the current IAS 34 that IFRIC can issue on this matter would be to reinforce the YTD principle. i.e. that impairments in a half-year interim report should be reported consistently on the basis of the accounting policies without any regard to whether an entity published an interim report after the first quarter. It follows that if, when applying the same accounting policies that would be applied to the annual report, the entity reaches the conclusion that no impairment loss would be recognised as a result of events during that interim 6 month period (as per the example in BC 4 of D18), then the cumulative YTD income statement should not include an impairment loss. If this is the case, and a first quarter has been reported which included an impairment loss then, as clearly stated in IAS 34.30(a), this YTD position is achieved by way of change in estimate reported in the 2nd quarter.

If you have any questions on our comments, please do not hesitate to contact me at patricia@hkicpa.org.hk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patricia McBride', written in a cursive style.

Patricia McBride
Director, Standard Setting
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