



Improvements to Hong Kong Financial Reporting Standards (2010)

HKICPA Standard Setting Department Staff Summary (June 2010)

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The HKICPA Standard Setting Department welcomes your comments and feedback, which should be sent to commentletters@hkicpa.org.hk.

Introduction

1. *Improvements to HKFRSs 2010* is effective for annual periods beginning on or after 1 January 2011 (unless otherwise specified), the same effective date as *Improvements to IFRSs 2010*. Earlier application is permitted.

Reasons for issuing *Improvements to HKFRSs*

2. The objective of the Hong Kong Institute of Certified Public Accountants (HKICPA) in issuing *Improvements to HKFRSs 2010* is to maintain international convergence arising from the issuance of *Improvements to IFRSs 2010* by the International Accounting Standards Board (IASB).

The IASB uses the annual improvements project to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project.

The IASB's objective is to ease the burden for all concerned by presenting the amendments in a single document rather than as a series of piecemeal changes.

Main features of *Improvements to HKFRSs 2010*

3. The following table lists the HKFRSs and topics addressed by the amendments.

HKFRS	Subject of amendment
HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i>	Accounting policy changes in the year of adoption
	Revaluation basis as deemed cost
	Use of deemed cost for operations subject to rate regulation
HKFRS 3 <i>Business Combinations</i>	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS
	Measurement of non-controlling interests
	Un-replaced and voluntarily replaced share-based payment awards
HKFRS 7 <i>Financial Instruments: Disclosures</i>	Clarifications of disclosures
HKAS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity
HKAS 27 <i>Consolidated and Separate Financial Statements</i>	Transition requirements for amendments made as a result of HKAS 27 (as amended in 2008) to HKAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> , HKAS 28 <i>Investments in Associates</i> and HKAS 31 <i>Interests in Joint Ventures</i>
HKAS 34 <i>Interim Financial Reporting</i>	Significant events and transactions
HK(IFRIC)-Int 13 <i>Customer Loyalty Programmes</i>	Fair value of award credits



Revaluation basis as deemed cost

4. In particular, *Improvements to HKFRSs 2010* extended the scope of paragraph D8 of HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* for the use of the deemed cost exemption for an event-driven fair value. In some jurisdictions, local law requires an entity to revalue its assets and liabilities to fair value for a privatisation or initial public offering (IPO) and to treat the revalued amounts as deemed cost for the entity's previous GAAP. Before the amendment made in May 2010, if that revaluation occurred after the entity's date of transition to HKFRSs, the entity could not have used that revaluation as deemed cost for HKFRSs. Therefore, the entity would have had to prepare two sets of measurements for its assets and liabilities—one to comply with HKFRSs, and one to comply with local law.
5. The IASB considered this unduly onerous. Therefore, *Improvements to HKFRSs 2010* amended paragraph D8 to allow an entity to recognise an event-driven fair value measurement as deemed cost when the event occurs, provided that this is during the periods covered by its first HKFRS financial statements. In addition, the same relief should apply to an entity that adopted HKFRSs in periods before the effective date of HKFRS 1 or applied HKFRS 1 in a previous period, provided the measurement date is within the period covered by its first HKFRS financial statements.

Other references on *Improvements to IFRSs 2010*

1. BDO HKFRSs/IFRSs Update – *Improvements to HKFRSs 2010*
http://www.bdo.com.hk/file_publication.php/86/2010%2004%20Improvements%20to%20HKFRSs%202010.pdf
2. Deloitte IAS Plus on *Improvements to IFRSs 2010*
http://www.deloitte.com/assets/Dcom-China/Local%20Assets/Documents/Services/Audit/IAS%20newsletter%202010/cn_audit_CN1005improvements_180510.pdf
3. Grant Thornton – *Improvements to HKFRSs 2010*
<http://www.gthk.com.hk/web/en/publications/FRP/Focus>
4. KPMG IFRS Briefing Sheet on *Improvements to IFRSs 2010*
<http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/IFRS-Briefing-Sheet/Documents/IFRS-Briefing-Sheet-O-1005-185.pdf>

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