Hong Kong Institute of Certified Public Accountants
香港會計師公會

HKFRS 18 NAVIGATOR
BEYOND THE HEADLINES: CHANGES TO OTHER HKFRS ACCOUNTING STANDARDS

AUGUST 2026 ISSUE 7

Discussions about HKFRS 18 *Presentation and Disclosure in Financial Statements* have largely centered on its major changes, including the new structure of the statement of profit or loss, management-defined performance measures (MPMs), and enhanced aggregation and disaggregation requirements. Equally important, however, are the consequential amendments that HKFRS 18 introduces to several other HKFRS Accounting Standards.

This issue highlights several key standards affected by those amendments and discusses practical considerations that entities should address before HKFRS 18 becomes effective on 1 January 2027.

STATEMENT OF CASH FLOWS

HKFRS 18 introduces consequential amendments to HKAS 7 *Statement of Cash Flows* to reduce diversity in practice and improve comparability. Key changes include:

- requiring entities to use the operating profit or loss subtotal as the starting point for reporting cash flows from operating activities using the indirect method; and
- removing the presentation alternatives for interest and dividend cash flows.

The changes to the classification requirements for interest and dividend cash flows are summarised below:

<table>
<tr><th rowspan="3">Cash flow item</th><th colspan="3">Classification in the statement of cash flows</th></tr>
<tr><th rowspan="2">Current HKAS 7</th><th colspan="2">Amended HKAS 7</th></tr>
<tr><th>Entities without specified main business activities</th><th>Entities with specified main business activities</th></tr>
<tr><td>Interest received</td><td>Operating or investing</td><td>Investing</td><td rowspan="3">• If the related interest income, interest expense or dividend income is classified entirely within a single category in the statement of profit or loss, classify the related cash flow as arising from the associated activity.
• If the related interest income, interest expenses or dividend income is classified in more than one category in the statement of profit or loss[1], apply an accounting policy to classify the total of each type of cash flow in one of the associated activities.</td></tr>
<tr><td>Interest paid</td><td>Operating or financing</td><td>Financing</td></tr>
<tr><td>Dividends received</td><td>Operating or investing</td><td>Investing</td></tr>
<tr><td>Dividends paid</td><td>Operating or financing</td><td colspan="2">Financing</td></tr>
</table>

[1] See HKFRS 18 Navigator Issue 3 for discussion of the assessment of specified main business activities and the classification of specified income and expenses in the statement of profit or loss.

Potential impacts

- Entities should review their current classification of interest and dividend cash flows and assess the impact of the amended HKAS 7 requirements, including any necessary reclassifications.
- Entities may need to update cash flow reporting processes and chart-of-account mappings to accommodate the new classification requirements and the requirement to use operating profit or loss as the starting point when applying the indirect method.
- Entities with specified main business activities should assess whether existing systems can appropriately identify and track interest- and dividend-related cash flows to support classification that is consistent with the related income and expenses presented in the statement of profit or loss.

EARNINGS PER SHARE

In addition to basic and diluted earnings per share, HKAS 33 *Earnings per Share* currently permits entities to disclose additional amount per share calculated based on a reported component of the statement of comprehensive income.

HKFRS 18 amends HKAS 33 to permit an entity to disclose additional amount per share only if the numerator is either a total or subtotal specified in HKFRS 18 or an MPM[2] as defined in HKFRS 18.

Where an entity discloses an additional amount per share, the amendments require it to:

- disclose the additional basic and diluted amount per share with equal prominence;
- calculate the additional amount per share using the weighted average number of ordinary shares determined in accordance with HKAS 33;
- disclose the additional amount per share in the notes and not in the primary financial statements; and
- provide the disclosures required by HKFRS 18 for MPMs when the numerator is an MPM.

[2] See HKFRS 18 Navigator Issue 4 for discussion of MPM.

Potential impacts

- Entities that currently disclose additional amount per share should assess whether those measures continue to comply with the amended requirements of HKAS 33.
- Entities may need to reconsider the basis on which additional amount per share measures are calculated and presented, particularly where the numerator is not a subtotal specified by HKFRS 18 or an MPM.
- Where additional amount per share is calculated based on MPMs, entities should assess whether systems and processes are capable of supporting the related HKFRS 18 disclosure requirements.

INTERIM FINANCIAL REPORTING

HKAS 34 *Interim Financial Reporting* was amended to reflect the requirements of HKFRS 18 by:

- aligning presentation requirements with HKFRS 18, including the required categories and subtotals in the statement of profit or loss;
- requiring the application of the aggregation and disaggregation principles in HKFRS 18; and
- requiring disclosures about MPMs.

Transition provisions

For entities preparing condensed interim financial statements in the first year of applying HKFRS 18:

- present the headings and subtotals required by HKFRS 18 in the condensed interim statement of profit or loss;
- provide reconciliations, for each line item presented in the interim statement of profit or loss, between amounts previously presented under HKAS 1 *Presentation of Financial Statements* and the restated amounts presented under HKFRS 18 for the comparative periods immediately preceding the current and cumulative current periods in which HKFRS 18 is first applied; and
- similar reconciliations are permitted, but not required, for the current period or earlier comparative periods.

RELOCATION OF CERTAIN REQUIREMENTS

As part of the restructuring of presentation and disclosure requirements, certain requirements previously contained in HKAS 1 have been relocated to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, including:

- the concepts of true and fair view and compliance with HKFRS Accounting Standards;
- the going concern assessment;
- the accrual basis of accounting;
- disclosures about an entity's selection and application of accounting policies; and
- disclosures about sources of estimation uncertainty.

To better reflect its revised content, the title of HKAS 8 will be changed to ***Basis of Preparation of Financial Statements*** when HKFRS 18 becomes effective.

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LOOKING AHEAD: WHAT'S NEXT IN OUR SERIES

The IFRS Interpretations Committee has issued several agenda decisions arising from implementation questions on IFRS 18. These publications provide useful insights into the practical application of the Standard.

The next issue will explore some of these agenda decisions in more detail.

H1

1. Getting ready
2. Navigating the new structure
3. Defining what you do: Determination of main business activities
4. Management-defined Performance Measures
5. Insights for financial institutions

Q3

6. A deep-dive into income, expenses & information grouping
7. **Beyond the headlines: Changes to other HKFRS Accounting Standards**

Q4

8. Navigating IFRS agenda decisions on HKFRS 18
9. From theory to practice