

# MEMBERS' HANDBOOK

## Update No. 68

(Issued August 2009)

This Update contains:

- Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* – Additional Exemptions for First-time Adopters

Document Reference and Title	Instructions	Explanations
<b>VOLUME II</b>		
<a href="#">Contents of Volume II</a>	Discard the existing pages i to ii and replace with the new pages i to ii.	Revised contents pages
<b>HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)</b>		
HKFRS 1 <a href="#">First-time Adoption of Hong Kong Financial Reporting Standards</a> (Standard)	Replace cover page and pages 3 and 26 with revised cover page, pages 3 and 26. Insert page 27 after page 26.	Amendments to HKFRS 1 <i>Additional Exemptions for First-time Adopters</i> – Note 1
	Replace pages 19 and 23 with revised pages 19 and 23.	Editorial changes – Note 2
HKFRS 1 <a href="#">First-time Adoption of Hong Kong Financial Reporting Standards</a> (Basis for Conclusions)	Replace cover page and page 3 with revised cover page and page 3. Insert pages 28-30 after page 27.	Amendments to HKFRS 1 <i>Additional Exemptions for First-time Adopters</i> – Note 1
HKFRS 1 <a href="#">First-time Adoption of Hong Kong Financial Reporting Standards</a> (Implementation Guidance)	Replace cover page and pages 3 and 33 with revised cover page and pages 3 and 33. Insert page 34 after page 33.	Amendments to HKFRS 1 <i>Additional Exemptions for First-time Adopters</i> – Note 1

### Notes:

1. Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* address the retrospective application of HKFRSs to particular situations and are aimed at ensuring that entities applying HKFRSs will not face undue cost or effort in the transition process.

The amendments:

- exempt entities using the full cost method from retrospective application of HKFRSs for oil and gas assets.
- exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* when the application of their other accounting requirements produced the same result.

An entity shall apply the above-mentioned amendments for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose the fact.

- 2 The Institute has taken this opportunity to incorporate amendments resulting from the issuance of HK(IFRIC)-Int 18 *Transfers of Assets from Customers* into the text of this Standard for greater clarity.



## MEMBERS' HANDBOOK CONTENTS OF VOLUME II

(Updated to August 2009)

		<i>Issue/(Review date)</i>
<b>PREFACE AND FRAMEWORK</b>		
PREFACE	<a href="#">Preface to Hong Kong Financial Reporting Standards</a> .....	10/06(12/07)
FRAMEWORK	<a href="#">Framework for the Preparation and Presentation of Financial Statements</a> ..	9/04(12/07)
<b>HONG KONG ACCOUNTING STANDARDS (HKAS)</b>		
HKAS 1	<a href="#">Presentation of Financial Statements</a> .....	11/05(12/07)
HKAS 1 Revised	<a href="#">Presentation of Financial Statements</a> .....	12/07 (7/09)
HKAS 2	<a href="#">Inventories</a> .....	3/04(10/08)
HKAS 7	<a href="#">Cash Flow Statements</a> .....	12/04(5/09)
HKAS 8	<a href="#">Accounting Policies, Changes in Accounting Estimates and Errors</a> .....	9/04(10/08)
HKAS 10	<a href="#">Events after the Balance Sheet Date</a> .....	3/04(12/08)
HKAS 11	<a href="#">Construction Contracts</a> .....	12/04(12/07)
HKAS 12	<a href="#">Income Taxes</a> .....	11/04(7/09)
HKAS 14	<a href="#">Segment Reporting</a> .....	11/04(3/08)
HKAS 16	<a href="#">Property, Plant and Equipment</a> .....	11/05(10/08)
HKAS 17	<a href="#">Leases</a> .....	12/04(5/09)
HKAS 18	<a href="#">Revenue</a> .....	11/04(5/09)
HKAS 19	<a href="#">Employee Benefits</a> .....	12/04(10/08)
HKAS 20	<a href="#">Accounting for Government Grants and Disclosure of Government Assistance</a> .....	12/04(10/08)
HKAS 21	<a href="#">The Effects of Changes in Foreign Exchange Rates</a> .....	3/04(10/08)
HKAS 23	<a href="#">Borrowing Costs</a> .....	12/04(12/07)
HKAS 23 Revised	<a href="#">Borrowing Costs</a> .....	6/07(10/08)
HKAS 24	<a href="#">Related Party Disclosures</a> .....	12/04(12/07)
HKAS 26	<a href="#">Accounting and Reporting by Retirement Benefit Plans</a> .....	8/04
HKAS 27	<a href="#">Consolidated and Separate Financial Statements</a> .....	11/05(3/08)
HKAS 27 Revised	<a href="#">Consolidated and Separate Financial Statements</a> .....	3/08(12/08)
HKAS 28	<a href="#">Investments in Associates</a> .....	3/04(10/08)

		<i>Issue/(Review date)</i>
HKAS 29	<a href="#">Financial Reporting in Hyperinflationary Economies</a> .....	3/04(10/08)
HKAS 31	<a href="#">Interests in Joint Ventures</a> .....	12/04(10/08)
HKAS 32	<a href="#">Financial Instruments: Presentation</a> .....	11/04(10/08)
HKAS 33	<a href="#">Earnings per Share</a> .....	3/04(3/08)
HKAS 34	<a href="#">Interim Financial Reporting</a> .....	10/04(10/08)
HKAS 36	<a href="#">Impairment of Assets</a> .....	8/04(5/09)
HKAS 37	<a href="#">Provisions, Contingent Liabilities and Contingent Assets</a> .....	11/04(3/08)
HKAS 38	<a href="#">Intangible Assets</a> .....	8/04(5/09)
HKAS 39	<a href="#">Financial Instruments: Recognition and Measurement</a> .....	1/06(5/09)
HKAS 40	<a href="#">Investment Property</a> .....	11/05(10/08)
HKAS 41	<a href="#">Agriculture</a> .....	12/04(10/08)
<b>HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)</b>		
HKFRS 1	<a href="#">First-time Adoption of Hong Kong Financial Reporting Standards</a> .....	5/06(12/08)
HKFRS 1 Revised	<a href="#">First-time Adoption of Hong Kong Financial Reporting Standards</a> .....	12/08(8/09)
HKFRS 2	<a href="#">Share-based Payment</a> .....	4/04(7/09)
HKFRS 3	<a href="#">Business Combinations</a> .....	11/05(3/08)
HKFRS 3 Revised	<a href="#">Business Combinations</a> .....	3/08
HKFRS 4	<a href="#">Insurance Contracts</a> .....	3/06(3/09)
HKFRS 5	<a href="#">Non-current Assets Held for Sale and Discontinued Operations</a> .....	8/04(5/09)
HKFRS 6	<a href="#">Exploration for and Evaluation of Mineral Resources</a> .....	2/05(12/08)
HKFRS 7	<a href="#">Financial Instruments: Disclosures</a> .....	9/05(3/09)
HKFRS 8	<a href="#">Operating Segments</a> .....	3/07(5/09)
IMPROVEMENTS TO HKFRSs	<a href="#">Improvements to HKFRSs</a> .....	10/08
IMPROVEMENTS TO HKFRSs 2009	<a href="#">Improvements to HKFRSs 2009</a> .....	5/09

HKFRS 1 (Revised)  
~~Issued December 2008~~ Revised August 2009

---

Effective for annual periods  
beginning on or after 1 July 2009

*Hong Kong Financial Reporting Standards 1 (Revised)*

---

# First-time Adoption of Hong Kong Financial Reporting Standards



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

## CONTENTS

	<i>paragraphs</i>
<b>INTRODUCTION</b>	<b>IN1–IN7</b>
<b>HONG KONG FINANCIAL REPORTING STANDARD 1 FIRST-TIME ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS</b>	
<b>OBJECTIVE</b>	<b>1</b>
<b>SCOPE</b>	<b>2–5</b>
<b>RECOGNITION AND MEASUREMENT</b>	<b>6–19</b>
Opening HKFRS statement of financial position	<b>6</b>
Accounting policies	<b>7–12</b>
Exceptions to the retrospective application of other HKFRSs	<b>13–17</b>
Estimates	<b>14–17</b>
Exemptions from other HKFRSs	<b>18–19</b>
<b>PRESENTATION AND DISCLOSURE</b>	<b>20–33</b>
Comparative information	<b>21–22</b>
Non-HKFRS comparative information and historical summaries	<b>22</b>
Explanation of transition to HKFRSs	<b>23–33</b>
Reconciliations	<b>24–28</b>
Designation of financial assets or financial liabilities	<b>29</b>
Use of fair value as deemed cost	<b>30</b>
Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates	<b>31</b>
Interim financial reports	<b>32–33</b>
<b>EFFECTIVE DATE</b>	<b>34–39</b>
<b>WITHDRAWAL OF HKFRS 1 (ISSUED 2003)</b>	<b>40</b>
<b>APPENDICES</b>	
<b>A Defined terms</b>	
<b>B Exceptions to the retrospective application of other HKFRSs</b>	
<b>C Exemptions for business combinations</b>	
<b>D Exemptions from other HKFRSs</b>	
<b>E Short-term exemptions from HKFRSs</b>	
<b>F Comparison with International Financial Reporting Standards</b>	
<del><b>G Amendments resulting from other HKFRSs</b></del>	
<b><u>G Amendments to HKFRS 1 – Additional Exemptions for First-time Adopters</u></b>	
<b>BASIS FOR CONCLUSIONS</b>	
<b>IMPLEMENTATION GUIDANCE</b>	
<b>TABLE OF CONCORDANCE</b>	

## Appendix G

### Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* (issued in August 2009) - effective for annual periods beginning on or after 1 January 2010

The following sets out amendments required for this Standard resulting from amendments to HKFRS 1 that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Standard and this appendix will be deleted. In the amended paragraphs shown below, new text is underlined and deleted text is struck through.

A heading and paragraphs 31A and 39A are added.

#### Presentation and disclosure

##### Explanation of transition to HKFRSs

##### Use of deemed cost for oil and gas assets

31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.

#### Effective date

39A *Additional Exemptions for First-time Adopters* (Amendments to HKFRS 1), issued in August 2009, added paragraphs 31A, D8A, D9A and D21A and amended paragraph D1(c), (d) and (l). An entity shall apply those amendments for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

#### Exemptions from other HKFRSs

In Appendix D paragraph D1(c), (d) and (l) and a heading are amended (new text is underlined and deleted text is struck through). Paragraphs D8A, D9A and D21A are added.

D1 An entity may elect to use one or more of the following exemptions:

(a) ...

(c) ~~fair value or revaluation as~~ deemed cost (paragraphs D5–D8A);

(d) leases (paragraphs D9 and D9A);

(e) ...

(l) decommissioning liabilities included in the cost of property, plant and equipment (paragraphs D21 and D21A);

(m) ...

## **Fair value or revaluation as deemed cost**

**D8A** Under some other accounting requirements exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to HKFRSs on the following basis:

- (a) exploration and evaluation assets at the amount determined under the entity's previous GAAP; and
- (b) assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to HKFRSs in accordance with HKFRS 6 *Exploration for and Evaluation of Mineral Resources* or HKAS 36 respectively and, if necessary, reduce the amount determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas.

## **Leases**

**D9A** If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by HK(IFRIC)-Int 4 but at a date other than that required by HK(IFRIC)-Int 4, the first-time adopter need not reassess that determination when it adopts HKFRSs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying HKAS 17 *Leases* and HK(IFRIC)-Int 4.

## **Decommissioning liabilities included in the cost of property, plant and equipment**

**D21A** An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centres that include all properties in a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or HK(IFRIC)-Int 1:

- (a) measure decommissioning, restoration and similar liabilities as at the date of transition to HKFRSs in accordance with HKAS 37; and
- (b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to HKFRSs determined under the entity's previous GAAP.



## Appendix D

### Exemptions from other HKFRSs

*This appendix is an integral part of the HKFRS.*

- D1 An entity may elect to use one or more of the following exemptions:
- (a) share-based payment transactions (paragraphs D2 and D3);
  - (b) insurance contracts (paragraph D4);
  - (c) fair value or revaluation as deemed cost (paragraphs D5–D8);
  - (d) leases (paragraph D9);
  - (e) employee benefits (paragraphs D10 and D11);
  - (f) cumulative translation differences (paragraphs D12 and D13);
  - (g) investments in subsidiaries, jointly controlled entities and associates (paragraphs D14 and D15);
  - (h) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs D16 and D17);
  - (i) compound financial instruments (paragraph D18);
  - (j) designation of previously recognised financial instruments (paragraph D19);
  - (k) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph D20);
  - (l) decommissioning liabilities included in the cost of property, plant and equipment (paragraph D21);
  - (m) financial assets or intangible assets accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements* (paragraph D22); ~~and~~
  - (n) borrowing costs (paragraph D23); and
  - (o) transfers of assets from customers (paragraph D24).

An entity shall not apply these exemptions by analogy to other items.

#### Share-based payment transactions

- D2 A first-time adopter is encouraged, but not required, to apply HKFRS 2 Share-based Payment to equity instruments that were granted on or before 7 November 2002. A first-time adopter is also encouraged, but not required, to apply HKFRS 2 to equity instruments that were granted after 7 November 2002 and vested before the later of (a) the date of transition to HKFRSs and (b) 1 January 2005. However, if a first-time adopter elects to apply HKFRS 2 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in HKFRS 2. For all grants of equity instruments to which HKFRS 2 has not been applied (eg equity instruments granted on or before 7 November 2002), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of HKFRS 2. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which HKFRS 2 has not been applied, the entity is not required to apply paragraphs 26–29 of HKFRS 2 if the modification occurred before the date of transition to HKFRSs.

- (b) an entity is permitted to designate, at the date of transition to HKFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of HKAS 39 at that date.

### **Fair value measurement of financial assets or financial liabilities at initial recognition**

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of HKAS 39 paragraph AG76 and in paragraph AG76A, in either of the following ways:

- (a) prospectively to transactions entered into after 25 October 2002; or  
 (b) prospectively to transactions entered into after 1 January 2004.

### **Decommissioning liabilities included in the cost of property, plant and equipment**

D21 HK(IFRIC)-Int 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to HKFRSs. If a first-time adopter uses this exemption, it shall:

- (a) measure the liability as at the date of transition to HKFRSs in accordance with HKAS 37;  
 (b) to the extent that the liability is within the scope of HK(IFRIC)-Int 1, estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and  
 (c) calculate the accumulated depreciation on that amount, as at the date of transition to HKFRSs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with HKFRSs.

### **Financial assets or intangible assets accounted for in accordance with HK(IFRIC)-Int 12**

D22 A first-time adopter may apply the transitional provisions in HK(IFRIC)-Int 12.

### **Borrowing costs**

D23 A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of HKAS 23, as revised in 2007. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or the date of transition to HKFRSs, whichever is later.

### **Transfers of assets from customers**

D24 A first-time adopter may apply the transitional provisions set out in paragraph 22 of HK(IFRIC)-Int 18 *Transfers of Assets from Customers*. In that paragraph, reference to the effective date shall be interpreted as 1 July 2009 or the date of transition to HKFRSs, whichever is later. In addition, a first-time adopter may designate any date before the date of transition to HKFRSs and apply HK(IFRIC)-Int 18 to all transfers of assets from customers received on or after that date.

HKFRS 1 (Revised) BC  
~~Issued December 2008~~ Revised August 2009

---

Effective for annual periods  
beginning on or after 1 July 2009

*Basis for Conclusions on  
Hong Kong Financial Reporting Standards 1 (Revised)*

---

# First-time Adoption of Hong Kong Financial Reporting Standards



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

<b>Other possible exemptions rejected</b>	<b>BC64–BC73</b>
Embedded derivatives	BC65–BC66
Hyperinflation	BC67
Intangible assets	BC68–BC71
Transaction costs: financial instruments	BC72–BC73
<b>Retrospective designation</b>	<b>BC74–BC83A</b>
Hedge accounting	BC75–BC80
Available-for-sale financial assets	BC81–BC83A
<b>Estimates</b>	<b>BC84</b>
<b>PRESENTATION AND DISCLOSURE</b>	<b>BC85–BC96</b>
<b>Comparative information</b>	<b>BC85–BC89A</b>
<b>Historical summaries</b>	<b>BC90</b>
<b>Explanation of transition to IFRSs</b>	<b>BC91–BC95</b>
<b>Interim financial reports</b>	<b>BC96</b>
<b><u>APPENDIX</u></b>	
<b><u>Amendments to Basis for Conclusions on HKFRS 1 – <i>Additional Exemptions for First-time Adopters</i></u></b>	

## Appendix

### **Amendments to Basis for Conclusions on HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* – Additional Exemptions for First-time Adopters (issued in August 2009) - effective for annual periods beginning on or after 1 January 2010**

*The following sets out amendments required for this Basis for Conclusions resulting from amendments to HKFRS 1 that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Conclusions and this appendix will be deleted. In the amended paragraphs shown below, new text is underlined and deleted text is struck through.*

Paragraph BC30 and a heading are amended (new text is underlined and deleted text is struck through). Paragraphs BC47A–BC47E, BC63CA, BC63DA and BC63DB are added.

#### **Exemptions from other IFRSs**

BC30 An entity may elect to use one or more of the following exemptions:

- (a) ...
- (b) ~~fair value or revaluation as~~ deemed cost (paragraphs BC41-BC47E);
- (c) ...
- (j) changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment (paragraphs BC63C and BC63CA);
- (k) leases (paragraphs BC63D-BC63DB);
- (l) ...

#### **Fair value or revaluation as dDeemed cost**

BC47A Under their previous GAAP many oil and gas entities accounted for exploration and development costs for properties in development or production in cost centres that include all properties in a large geographical area. (In some jurisdictions, this is referred to as full cost accounting.) Those entities will in most cases have to determine the carrying amounts for oil and gas assets at the date of transition to IFRSs. Information about oil and gas assets recorded in an accounting system using this method of accounting will almost always be at a larger unit of account than the unit of account that is acceptable under IFRSs. Amortisation at the IFRS unit of account level would also have to be calculated (on a unit of production basis) for each year, using a reserves base that has changed over time because of changes in factors such as geological understanding and prices for oil and gas. In many cases, particularly for older assets, this information may not be available. The Board was advised that even if such information is available the effort and associated cost to determine the opening balances at the date of transition would usually be very high.

BC47B IFRS 1 permits an entity to measure an item of property, plant and equipment at its fair value at the date of transition to IFRSs and to use that fair value as the item's deemed cost at that date. Determining the fair value of oil and gas assets is a complex process that begins with the difficult task of estimating the volume of reserves and resources. When the fair value amounts must be audited, determining significant inputs to the estimates generally requires the use of qualified external experts. For entities with many oil and gas assets, the use of this fair value as deemed cost alternative would not meet the Board's stated intention of avoiding excessive cost (see paragraph BC41).

**BC47C** The Board decided that for oil and gas assets in the development or production phases, it would permit entities that used the method of accounting described in paragraph BC47A under their previous GAAP to determine the deemed cost at the date of transition to IFRSs using an allocation of the amount determined for a cost centre under the entity's previous GAAP on the basis of the reserves associated with the oil and gas assets in that cost centre.

**BC47D** The deemed cost of oil and gas assets determined in this way may include amounts that would not have been capitalised in accordance with IFRSs, such as some overhead costs, costs that were incurred before the entity obtained legal rights to explore a specific area (and cannot be capitalised in accordance with IAS 38 *Intangible Assets*) and, most significantly, unsuccessful exploration costs. This is a consequence of having included these costs in the single carrying amount under the method of accounting described in paragraph BC47A. To avoid the use of deemed costs resulting in an oil and gas asset being measured at more than its recoverable amount, the Board decided that oil and gas assets should be tested for impairment at the date of transition to IFRSs.

**BC47E** Not all oil and gas entities used the method of accounting described in paragraph BC47A under their previous GAAP. Some used a method of accounting that requires a unit of account that is generally consistent with IFRSs and does not cause similar transition issues. Therefore, the Board decided that the exemption would apply only to entities that used the method of accounting described in paragraph BC47A under their previous GAAP.

### **Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment**

**BC63CA** Paragraph D21 of the IFRS exempts from the requirements of IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* changes in decommissioning costs incurred before the date of transition to IFRSs. Use of this exemption would require detailed calculations that would not be practicable for entities that used the method of accounting described in paragraph BC47A under their previous GAAP. The Board noted that adjustments to liabilities as a result of initial adoption of IFRSs arise from events and transactions before the date of transition to IFRSs and are generally recognised in retained earnings. Therefore, the Board decided that, for entities that used the method of accounting described in paragraph BC47A, any adjustment for a difference between decommissioning, restoration and similar liabilities measured in accordance with IAS 37 and the liability determined under the entity's previous GAAP should be accounted for in the same manner.

### **Leases**

**BC63DA** IFRIC 4 permits an entity to apply its requirements to arrangements existing at the start of the earliest period for which comparative information is presented on the basis of facts and circumstances existing at the start of that period. Before adopting IFRSs, a jurisdiction might adopt a national standard having the same effect as the requirements of IFRIC 4, including the same transitional provisions. An entity in that jurisdiction might then apply requirements having the same effect as the requirements of IFRIC 4 to some or all arrangements (even if the wording of those requirements is not identical). However, the entity might apply the requirements at a date different from the date in the transitional provisions of IFRIC 4. IFRS 1 would require such an entity to reassess that accounting retrospectively on first-time adoption. This might result in additional costs, with no obvious benefits. Accordingly, the Board decided that if a first-time adopter made the same determination under previous GAAP as that required by IFRIC 4 but at a date other than that required by IFRIC 4, the first-time adopter need not reassess that determination when it adopts IFRSs.

BC63DB The Board considered a more general modification to IFRS 1. It considered whether to modify IFRS 1 so that entities need not reassess, at the date of transition to IFRSs, prior accounting if that prior accounting permitted the same prospective application as IFRSs with the only difference from IFRSs being the effective date from when that accounting was applied. In this regard, the Board noted that any such proposal must apply to assessments resulting in the *same* determination, rather than *similar* determinations, because it would be too difficult to determine and enforce what constitutes a sufficient degree of similarity. The Board noted that many of the circumstances in which this situation might arise have been dealt with in IFRS 1 or other IFRSs. Accordingly, the Board decided to focus on IFRIC 4 only.

HKFRS 1 IG (Revised)  
~~Issued December 2008~~ Revised August 2009

---

Effective for annual periods  
beginning on or after 1 July 2009

*Guidance on Implementing  
Hong Kong Financial Reporting Standards 1(Revised)*

---

# First-time Adoption of Hong Kong Financial Reporting Standards



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



<b>LIST OF EXAMPLES</b>	<i>after paragraph</i>
<b>1 Estimates</b>	<b>IG3</b>
<b>2 Business combination</b>	<b>IG22</b>
<b>3 Business combination—restructuring provision</b>	<b>IG22</b>
<b>4 Business combination—intangible assets</b>	<b>IG22</b>
<b>5 Business combination—goodwill deducted from equity and treatment of related intangible assets</b>	<b>IG22</b>
<b>6 Business combination—subsidiary not consolidated in accordance with previous GAAP</b>	<b>IG22</b>
<b>7 Business combination—finance lease not capitalised in accordance with previous GAAP</b>	<b>IG22</b>
<b>8 Parent adopts HKFRSs before subsidiary</b>	<b>IG29</b>
<b>9 Subsidiary adopts HKFRSs before parent</b>	<b>IG29</b>
<b>10 Interim financial reporting</b>	<b>IG38</b>
<b>11 Reconciliations of equity and profit or loss</b>	<b>IG63</b>
<b>201 Changes in existing decommissioning, restoration and similar liabilities</b>	<b>IG203</b>
<b>202 Determining whether an arrangement contains a lease</b>	<b>IG205</b>

**APPENDIX**

**Amendments to Implementation Guidance on HKFRS 1 – Additional Exemptions for First-time Adopters**

**TABLE OF CONCORDANCE**

## Appendix

### **Amendments to Implementation Guidance on HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* – Additional Exemptions for First-time Adopters (issued in August 2009) - effective for annual periods beginning on or after 1 January 2010**

*The following sets out amendments required for this Guidance resulting from amendments to HKFRS 1 that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Guidance and this appendix will be deleted. In the amended paragraphs shown below, new text is underlined and deleted text is struck through.*

Paragraphs IG8 and IG9 are amended (new text is underlined and deleted text is struck through). Paragraph IG206 is added.

#### **HKAS 16 *Property, Plant and Equipment***

IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:

- (a) fair value at the date of transition to HKFRSs (paragraph D5 of the HKFRS), in which case the entity gives the disclosures required by paragraph 30 of the HKFRS;
- (b) a revaluation in accordance with previous GAAP that meets the criteria in paragraph D6 of the HKFRS; ~~or~~
- (c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of the HKFRS); ~~or~~
- (d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of the HKFRS.

IG9 Subsequent depreciation is based on that deemed cost and starts from the date for which the entity established the ~~fair value measurement or revaluation~~ deemed cost.

#### **HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease***

IG206 Paragraph D9A of HKFRS 1 provides a transitional exemption in addition to that discussed in paragraph IG205. The exemption in paragraph D9A applies only to arrangements that were assessed in the same manner as required by HK(IFRIC)-Int 4. If arrangements exist at the date of transition to HKFRSs that an entity did not assess under previous GAAP in the same manner as required by HK(IFRIC)-Int 4 to determine whether they contain a lease, the entity may apply the transition exemption discussed in paragraph IG205.

## Table of Concordance

This table shows how the contents of the superseded version of HKFRS 1 and the revised version of HKFRS 1 correspond.

Superseded HKFRS 1 paragraph	Revised HKFRS 1 paragraph	Superseded HKFRS 1 paragraph	Revised HKFRS 1 paragraph	Superseded HKFRS 1 paragraph	Revised HKFRS 1 paragraph
1	1	26	B1	47G	35
2	2	27	B2	47H	None
3	3	27A	B3	47I	36
4	4	28	B4	47J	37
5	5	29	B5	47K	38
6	6	30	B6	47L	39
7	7	31	14	Appendix A	Appendix A
8	8	32	15	Appendix B	Appendix C
9	9	33	16	None	13
10	10	34	17	None	18
11	11	34A	None	None	40
12	12	34B	None		
13	D1	34C	B7		
14	19	35	20		
15	None	36	21		
16	D5	36A	None		
17	D6	36B	None		
18	D7	36C	None		
19	D8	37	22		
20	D10	38	23		
20A	D11	39	24		
21	D12	40	25		
22	D13	41	26		
23	D18	42	27		
23A	D14	43	28		
23B	D15	43A	29		
24	D16	44	30		
25	D17	44A	31		
25A	D19	45	32		
25B	D2	46	33		
25C	D3	47	34		
25D	D4	47A	None		
25E	D21	47B	None		
25F	D9	47C	None		
25G	D20	47D	None		
25H	D22	47E	None		
25I	D23	47F	None		