

MEMBERS' HANDBOOK

Update No. 80

(Issued 12 April 2010)

<i>Document Reference and Title</i>	<i>Instructions</i>	<i>Explanations</i>
VOLUME II		
Contents of Volume II	Insert the revised pages i and iii. Discard the replaced pages i and iii.	Revised contents pages
HONG KONG INTERPRETATIONS (HK-Int)		
HK-Int 1 <i>The Appropriate Accounting Policies for Infrastructure Facilities</i>	Discard the existing interpretation	Interpretation withdrawn – Note

Note

HK-Int 1 was originally developed as guidance on the appropriate method of amortising infrastructure facilities. In particular, HK-Int 1 confirmed that the sinking fund method is not allowed. Moreover, as the phrase "consumption of economic benefits" used in HKAS 38 *Intangible Assets* was subject to debate at the time of issuing HK-Int 1, the Institute did not rule out either the straight-line depreciation method or the units-of-usage depreciation method prior to it obtaining clarification from the IFRIC.

With the issuance of HK (IFRIC) Int -12 *Service Concession Arrangements* in March 2007, an amendment to HKAS 38 *Intangible Assets* in October 2008 and the IFRIC's rejection notice in January 2010 – in response to the Institute's agenda request regarding the meaning of "consumption of economic benefits" in IAS 38 *Intangible Assets*, various aspects of depreciation of property, plant and equipment and amortisation of intangible assets that are covered in HK-Int 1 have become outdated. The new pronouncements are summarised below:

- The sinking fund method is not allowed. Paragraphs BC 64 - 65 of HK(IFRIC) Int-12 explicitly states that interest methods of amortisation (which would include the sinking fund method) are not permitted under both HKAS 38 and HK(IFRIC) Int -12.

- HKAS 38 has been amended in October 2008 to delete the restriction in paragraph 98 relating to the use of a unit of production method in circumstances where it resulted in a lower amount of accumulated amortisation than under the straight line method.
- The IFRIC decided not to issue guidance on the meaning of "consumption of economic benefits" when determining the appropriate amortisation method for an intangible asset with a finite useful life. In its agenda decision issued in January 2010 the IFRIC noted that the determination of the amortisation method is a matter of judgment. Management should therefore use judgment in selecting the amortisation method that best reflects the pattern of consumption of the expected future economic benefits of the asset. In addition, in accordance with paragraph 122 of IAS 1 *Presentation of Financial Statements*, significant judgements made in determining the amortisation methods should be disclosed in the notes to the financial statements.

These pronouncements are consistent with the current application of HK-Int 1 but contain additional clarification and explanation. In order to eliminate textual differences from IFRS, the Institute has therefore taken this opportunity to withdraw HK-Int 1. The withdrawal is effective for financial periods commencing on or after 1 January 2010.



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