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

MEMBERS' HANDBOOK

Update No. 117

(Issued 6 June 2012)

This Update contains:
- *Annual Improvements 2009-2011 Cycle*

Document Reference and Title	***Instructions***	***Explanations***
VOLUME II		
Contents of Volume II	Discard the existing pages i to iii and replace with the new pages i to iii.	Revised contents pages
HONG KONG ACCOUNTING STANDARDS (HKAS)		
HKAS 1 (Revised) *Presentation of Financial Statements*	Replace the cover page, pages 4 and 62 with revised cover page, pages 4 and 62. Insert pages 60A-60C after page 60 and 90A-90B after page 90.	*Annual Improvements 2009-2011 Cycle* – Note
HKAS 16 *Property, Plant and Equipment*	Replace the cover page, pages 2, 4 and 22 with revised cover page, pages 2, 4 and 22. Insert page 21A after page 21 and page 29A after page 29.	*Annual Improvements 2009-2011 Cycle* – Note
HKAS 32 *Financial Instruments: Presentation* (Standard)	Replace the cover page and page 2 with revised cover page and page 2. Insert page 28CA after page 28C.	*Annual Improvements 2009-2011 Cycle* – Note
HKAS 32 *Financial Instruments: Presentation* (Basis for Conclusions)	Insert page 25A after page 25.	*Annual Improvements 2009-2011 Cycle* – Note
HKAS 34 *Interim Financial Reporting*	Replace the cover page and page 3 with revised cover page and page 3. Insert pages 23-25 after page 22.	*Annual Improvements 2009-2011 Cycle* – Note

HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)

HKFRS 1 (Revised) *First-time Adoption of Hong Kong Financial Reporting Standards* (Standard)	Replace the cover page with revised cover page. Insert pages 30A-30B after page 30.	*Annual Improvements 2009-2011 Cycle* – Note
HKFRS 1 (Revised) *First-time Adoption of Hong Kong Financial Reporting Standards* (Basis for Conclusions)	Replace the cover page and page 3 with revised cover page and page 3. Insert pages 34-36 after page 33.	*Annual Improvements 2009-2011 Cycle* – Note

HONG KONG (IFRIC) INTERPRETATIONS (HK(IFRIC)-Int)

HK(IFRIC)-Int 2 *Members' Shares in Co-operative Entities and Similar Instruments*	Replace the cover page and pages 2-3 with revised cover page and pages 2-3. Insert page 9A after page 9.	*Annual Improvements 2009-2011 Cycle* – Note

Note:

BACKGROUND ABOUT *ANNUAL IMPROVEMENTS TO HKFRSs 2009-2011 CYCLE*:

Annual Improvements 2009-2011 Cycle sets out a collection of amendments to HKFRSs which is issued in response to the International Accounting Standards Board's (IASB) annual improvements project to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project.

The amendments contained in *Annual Improvements 2009-2011 Cycle* are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier.

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

HKFRS	**Subject of amendment**
HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*	Repeated application of IFRS 1
	Borrowing costs
HKAS 1 *Presentation of Financial Statements*	Clarification of the requirements for comparative information
HKAS 16 *Property, Plant and Equipment*	Classification of servicing equipment
HKAS 32 *Financial Instruments: Disclosures*	Tax effect of distribution to holders of equity instruments
HKAS 34 *Interim Financial Reporting*	Interim financial reporting and segment information for total assets and liabilities

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

MEMBERS' HANDBOOK
CONTENTS OF VOLUME II

(Updated to June 2012)

Note: * *With effect from 24 May 2005, all Interpretations that are developed locally by the Institute are named Hong Kong Interpretations.*

HKAS 1 (Revised)
Revised ~~April~~ June 2012

Effective for annual periods
beginning on or after 1 January 2009

Hong Kong Accounting Standard 1 (Revised)

Presentation of Financial Statements

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Hong Kong Accounting Standard 1 *Presentation of Financial Statements* (HKAS 1) is set out in paragraphs 1–140 and Appendices A, ~~and~~ D and E. All the paragraphs have equal authority. HKAS 1 should be read in the context of its objective and the Basis for Conclusions, the *Preface to Hong Kong Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting.* HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

This revised Standard was issued in December 2007 and revised in ~~April~~ June 2012. It supersedes HKAS 1, issued in 2004, as amended in 2005.

Appendix E

Amendments resulting from other HKFRSs

The following sets out amendments required for this Standard resulting from other newly issued HKFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Standards and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

Paragraphs 10, 38 and 41 are amended. Paragraphs 39 and 40 are deleted. Paragraphs 38A–38D, 40A–40D and 139L are added (even though the content of paragraphs 38A and 38B is based on previous paragraphs 39 and 40 that have now been deleted) as well as the headings before paragraphs 38, 38C and 40A. New text is underlined and deleted text is struck through.

Complete set of financial statements

10 **A complete set of financial statements comprises:**

(a) a statement of financial position as at the end of the period;

(b) a statement of profit or loss and other comprehensive income for the period;

(c) a statement of changes in equity for the period;

(d) a statement of cash flows for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~

<u>(ea)</u> <u>comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and</u>

(f) a statement of financial position as at the beginning of the ~~earliest comparative~~ <u>preceding</u> period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements <u>in accordance with paragraphs 40A–40D</u>.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Comparative information

<u>*Minimum comparative information*</u>

38 **Except when HKFRSs permit or require otherwise, an entity shall ~~disclose~~ <u>present</u> comparative information in respect of the ~~previous~~ <u>preceding</u> period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information ~~when~~ <u>if</u> it is relevant to ~~an~~ understanding ~~of~~ the current period's financial statements.**

38A An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

38B In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

38C An entity may present comparative information in addition to the minimum comparative financial statements required by HKFRSs, as long as that information is prepared in accordance with HKFRSs. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.

38D For example, an entity may present a third statement of profit of loss and other comprehensive income (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third statement of cash flows or a third statement of changes in equity (ie an additional financial statement comparative). The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of profit or loss and other comprehensive income.

39 [Deleted] ~~An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:~~

~~(a) the end of the current period,~~

~~(b) the end of the previous period (which is the same as the beginning of the current period), and~~

~~(c) the beginning of the earliest comparative period.~~

40 [Deleted] ~~In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.~~

Change in accounting policy, retrospective restatement or reclassification

40A An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

40B In the circumstances described in paragraph 40A, an entity shall present three statements of financial position as at:

(a) the end of the current period;

(b) the end of the preceding period; and

(c) the beginning of the preceding period.

40C When an entity is required to present an additional statement of financial position in accordance with paragraph 40A, it must disclose the information required by paragraphs 41–44 and HKAS 8. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

40D The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).

41 ~~When the~~ If an entity changes the presentation or classification of items in its financial statements, ~~the entity~~ it shall reclassify comparative amounts unless reclassification is impracticable. When ~~the~~ an entity reclassifies comparative amounts, ~~the entity~~ it shall disclose(including as at the beginning of the preceding period):

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

Transition and effective date

139L *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39–40 and added paragraphs 38A–38D and 40A–40D. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Appendix

Amendments resulting from other Basis for Conclusions

The following sets out amendments required for this Basis for Conclusions resulting from other newly issued IFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Basis for Conclusions and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

This Basis for Conclusions accompanies, but is not part of, the amendment

Paragraphs BC32A–BC32G and headings are added.

Comparative information

Clarification of requirements for comparative information

BC32A In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the requirements for providing comparative information for:

(a) the comparative requirements for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and

(b) the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements.

Opening statement of financial position

BC32B In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the appropriate date for the opening statement of financial position. The Board decided to amend the current requirements in IAS 1 that relate to the presentation of a statement of financial position for the beginning of the earliest comparative period presented in cases of changes in accounting policies, retrospective restatements or reclassifications to clarify that the appropriate date for the opening statement of financial position is the beginning of the preceding period.

BC32C The Board also decided to change the previous requirements so that related notes to this opening statement of financial position are no longer required to be presented. The Board's decision to give this relief was based on the fact that circumstances in which an entity changes an accounting policy, or makes a retrospective restatement or a reclassification in accordance with IAS 8, are considered narrow, specific and limited. However, the circumstances in which an entity chooses to provide additional financial statements (ie on a voluntary basis) can be viewed as more generic and may arise for different reasons. Accordingly, this relief is not available when additional financial statements are provided on a voluntary basis.

BC32D The Board added the guidance in paragraph 40A(a) to clarify when an opening statement of financial position provides useful information and, should therefore be required. Paragraph 40A(b) is a reminder that the concept of materiality should be considered in applying the guidance in paragraph 40A(a). The Board noted that the entity would still be required to disclose the information required by IAS 8 for changes in accounting policies and retrospective restatements.

Comparative information beyond minimum requirements

BC32E In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the requirements for providing comparative information. Specifically, the Board was asked to consider whether an entity should be required to present a complete set of financial statements when it provides financial statements beyond the minimum comparative information requirements (ie additional comparative information). In response to this request, the Board decided to clarify that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements. The Board also noted that additional comparative information might include:

(a) information that is presented voluntarily, beyond the information that is included within a complete set of financial statements; or

(b) comparative information that is required by law or other regulations but that is not required by IFRSs.

BC32F The Board also decided to amend paragraphs 38–41 of IAS 1 to clarify that, when additional comparative information (that is not required by IFRSs) is provided by an entity, this information should be presented in accordance with IFRSs and the entity should present comparative information in the related notes for that additional information. The Board determined that requiring full notes for additional information in accordance with paragraph 38C is necessary to ensure that the additional information that the entity provides is balanced and results in financial statements that achieve a fair presentation.

BC32G In the light of the concerns raised by interested parties, the Board decided that the amendments should be introduced through the Annual Improvements process instead of through the Financial Statement Presentation project, so that the changes could be made more quickly.

HKAS 16
Revised ~~March 2010~~June 2012

Hong Kong Accounting Standard 16

Property, Plant and Equipment

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Hong Kong Accounting Standard 16 *Property, Plant and Equipment* (HKAS 16) is set out in paragraphs 1-83 and the Appendi~~x~~ces B and C. All the paragraphs have equal authority. HKAS 16 should be read in the context of its objective and the Basis for Conclusions, the *Preface to Hong Kong Financial Reporting Standards* and the *Conceptual Framework for ~~the Preparation and Presentation of Financial Statements~~Financial Reporting*. HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Appendix C

Amendments resulting from other HKFRSs

The following sets out amendments required for this Standard resulting from other newly issued HKFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Standards and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

Paragraph 8 is amended (new text is underlined and deleted text is struck through) and paragraph 81G is added.

Recognition

8 ~~Spare~~ Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this HKFRS ~~are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, and stand-by equipment qualify as property, plant and equipment~~ when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. ~~an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.~~

Effective date

81G *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph 8. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

CONTENTS

paragraphs

Appendix

Amendments resulting from other Basis for Conclusions

The following sets out amendments required for this Basis for Conclusions resulting from other newly issued IFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Basis for Conclusions and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

The Basis for Conclusions accompanies, but is not part of, the amendment.

A heading and paragraph BC12A are added.

Recognition

Classification of servicing equipment

BC12A In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board responded to a request to address a perceived inconsistency in the classification requirements for servicing equipment. Paragraph 8 of IAS 16 was unclear on the classification of servicing equipment as inventory or property, plant and equipment and led some to think that servicing equipment used during more than one period would be classified as part of inventory. The Board decided to clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they are classified as inventory. In the light of respondents' comments to the June 2011 exposure draft, the Board did not make explicit reference to the classification of particular types of equipment, because the definition of property, plant and equipment already provides sufficient guidance. The Board also deleted from paragraph 8 the requirement to account for spare parts and servicing equipment as property, plant and equipment only if they were used in connection with an item of property, plant and equipment because this requirement was too restrictive when compared with the definition of property, plant and equipment.

HKAS 32
Revised ~~December 2011~~June 2012

Effective for annual periods
beginning on or after 1 January 2005

Hong Kong Accounting Standard 32

Financial Instruments: Presentation

An entity shall apply amendments resulting from *Improvements to HKFRSs* issued in May 2010 for annual periods beginning on or after 1 July 2010.

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

Annual Improvement 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

Paragraphs 35, 37 and 39 are amended (new text is underlined and deleted text is struck through) and paragraphs 35A and 97M are added.

Presentation

Interest, dividends, losses and gains (see also paragraph AG37)

35 Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognised ~~debited~~ by the entity directly ~~to~~ in equity~~, net of any related income tax benefit~~. Transaction costs of an equity transaction shall be accounted for as a deduction from equity~~, net of any related income tax benefit~~.

35A Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with HKAS 12 *Income Taxes*.

37 An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity ~~(net of any related income tax benefit)~~ to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

39 The amount of transaction costs accounted for as a deduction from equity in the period is disclosed separately ~~under~~ in accordance with HKAS 1. ~~The related amount of income taxes recognised directly in equity is included in the aggregate amount of current and deferred income tax credited or charged to equity that is disclosed under HKAS 12 *Income Taxes*.~~

Effective date and transition

97M *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraphs 35, 37 and 39 and added paragraph 35A. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

The Basis for Conclusions accompanies, but is not part of, the amendment.

A heading and paragraphs BC33A–BC33C are added.

Income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction

BC33A In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed perceived inconsistencies between IAS 12 *Income Taxes* and IAS 32 *Financial Instruments: Presentation* with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. Paragraph 52B of IAS 12 requires the recognition of the income tax consequences of dividends in profit or loss except when the circumstances described in paragraph 58(a) and (b) of IAS 12 arise. However, paragraph 35 of IAS 32 required the recognition of income tax relating to distributions to holders of an equity instrument in equity (prior to the amendment).

BC33B The Board noted that the intention of IAS 32 was to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. Consequently, the Board decided to add paragraph 35A to IAS 32 to clarify this intention.

BC33C The Board noted that this amendment is not intended to address the distinction between income tax consequences of dividends in accordance with paragraph 52B, and withholding tax for dividends in accordance with paragraph 65A, of IAS 12. In this respect, the Board observed that the income tax consequences of distributions to holders of an equity instrument are recognised in profit or loss in accordance with paragraph 52B of IAS 12. Consequently, to the extent that the distribution relates to income arising from a transaction that was originally recognised in profit or loss, the income tax on the distribution should be recognised in profit or loss. However, if the distribution relates to income or to a transaction that was originally recognised in other comprehensive income or equity, the entity should apply the exception in paragraph 58(a) of IAS 12, and recognise the income tax consequences of the distribution outside of profit or loss. The Board also observed that, in accordance with paragraph 65A, when an entity pays dividends to its shareholders the portion of the dividends paid or payable to taxation authorities as withholding tax is charged to equity as part of the dividends.

HKAS 34
Revised ~~April~~ June 2012

Effective for annual periods
beginning on or after 1 January 2005

Hong Kong Accounting Standard 34

Interim Financial Reporting

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CONTENTS

Hong Kong Accounting Standard 34 *Interim Financial Reporting* (HKAS 34) is set out in paragraphs 1-49. All the paragraphs have equal authority. HKAS 34 should be read in the context of its objective and the Basis for Conclusions, the *Preface to Hong Kong Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting* . HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Appendix E
Amendments resulting from other HKFRSs

The following sets out amendments required for this Standard resulting from other newly issued HKFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Standards and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

Paragraphs 5 and 16A are amended (new text is underlined and deleted text is struck through). Paragraphs 52 and 53 are added.

Content of an interim financial report

5 HKAS 1 ~~(as revised in 2007)~~ defines a complete set of financial statements as including the following components:

(a) a statement of financial position as at the end of the period;

(b) a statement of profit or loss and other comprehensive income for the period;

(c) a statement of changes in equity for the period;

(d) a statement of cash flows for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~

(ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of HKAS 1; and

(f) a statement of financial position as at the beginning of the ~~earliest comparative~~ preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D of HKAS 1.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.

(a) …

(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if HKFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):

(i) …

(iv) a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if ~~for which~~ there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

(v) …

(h) …

Effective date

52 *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph 5 as a consequential amendment derived from the amendment to HKAS 1 *Presentation of Financial Statements*. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

53 *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph 16A. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Appendix F
Amendments resulting from other Basis for Conclusions

The following sets out amendments required for this Basis for Conclusions resulting from other newly issued IFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Basis for Conclusions and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

This Basis for Conclusions accompanies, but is not part of, the amendment.

Paragraphs BC5 and BC6 are added and headings are added.

Content of an interim financial report

BC5 As part of *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board amended paragraph 5 to achieve consistency with paragraphs 10(ea) and 10(f) of IAS 1 *Presentation of Financial Statements*.

Selected explanatory notes

BC6 In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board decided to clarify the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8 *Operating Segments*. The amendment clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if:

(a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and

(b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

HKFRS 1 (Revised)
Revised ~~March~~ June 2012

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

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香港會計師公會

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

Paragraphs 21 and D23 are amended (new text is underlined and deleted text is struck through). Paragraphs 4A–4B, 23A–23B, 39P, 39Q and 39R are added.

Scope

4A Notwithstanding the requirements in paragraphs 2 and 3, an entity that has applied HKFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with HKFRSs, must either apply this HKFRS or else apply HKFRSs retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Estimates and Errors* as if the entity had never stopped applying HKFRSs.

4B When an entity does not elect to apply this HKFRS in accordance with paragraph 4A, the entity shall nevertheless apply the disclosure requirements in paragraphs 23A–23B of HKFRS 1, in addition to the disclosure requirements in HKAS 8.

Presentation and disclosure

Comparative information

21 ~~To comply with HKAS 1, an~~ An entity's first HKFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

Explanation of transition to HKFRSs

23A An entity that has applied HKFRSs in a previous period, as described in paragraph 4A, shall disclose:

(a) the reason it stopped applying HKFRSs; and

(b) the reason it is resuming the application of HKFRSs.

23B When an entity, in accordance with paragraph 4A, does not elect to apply HKFRS 1, the entity shall explain the reasons for electing to apply HKFRSs as if it had never stopped applying HKFRSs.

Effective date

39P *Annual Improvements 2009–2011 Cycle*, issued in June 2012, added paragraphs 4A–4B and 23A–23B. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

39Q *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph D23. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

39R *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph 21. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

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.~~ A first-time adopter can elect to apply the requirements of HKAS 23 from the date of transition or from an earlier date as permitted by paragraph 28 of HKAS 23. From the date on which an entity that applies this exemption begins to apply HKAS 23, the entity:

(a) shall not restate the borrowing cost component that was capitalised under previous GAAP and that was included in the carrying amount of assets at that date; and

(b) shall account for borrowing costs incurred on or after that date in accordance with HKAS 23, including those borrowing costs incurred on or after that date on qualifying assets already under construction.

HKFRS 1 (Revised) BC
Revised ~~March~~ June 2012

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

Appendix

Amendments resulting from other Basis for Conclusions

The following sets out amendments required for this Basis for Conclusions resulting from other newly issued IFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Basis for Conclusions and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

This Basis for Conclusions accompanies, but is not part of, the amendment.

A heading, paragraphs BC6A-BC6E, BC63EA-BC63EB and BC89B-BC89C are added.

Scope

Repeated application of IFRS 1

BC6A In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify whether an entity may apply IFRS 1:

(a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or

(b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.

For example, an entity may have applied IFRS 1 in a previous reporting period to meet listing requirements in a foreign jurisdiction. The entity then delists and no longer presents financial statements in accordance with IFRSs. In a subsequent reporting period, the reporting requirements in the entity's local jurisdiction may change from national GAAP to IFRSs. Consequently, the entity is again required to present its financial statements in accordance with IFRSs.

BC6B The Board noted that the scope of IFRS 1 focuses on whether an entity's financial statements are its first IFRS financial statements (a term defined in Appendix A). If an entity's financial statements meet the definition of 'first IFRS financial statements', the entity is required to apply IFRS 1 in accordance with paragraph 2(a). However, use of the term 'first' raises the question whether IFRS 1 can be applied more than once.

BC6C In the June 2011 exposure draft the Board proposed to clarify that an entity is required to apply IFRS 1 when the entity's most recent previous annual financial statements do not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity has applied IFRS 1 in a reporting period before the period reported in the most recent previous annual financial statements. However, in the light of respondents' comments on the June 2011 exposure draft, the Board decided that an entity that meets the criteria for applying IFRS 1 and that has applied IFRSs in a previous reporting period (regardless of whether it used IFRS 1 or SIC-8 *First-Time Application of IASs*, if either, when previously adopting) may choose to apply IFRS 1 when it re-adopts IFRSs. The Board decided that the entity should be allowed, rather than required, to apply IFRS 1 because, as explained in paragraph IN5 of IFRS 1, IFRS 1 grants limited exemptions from some requirements of IFRSs on the assumption that the cost of complying with some IFRSs would be likely to exceed the benefits to users of financial statements. However, the costs of applying IFRSs in full might not exceed the benefits of doing so for an entity that had previously applied IFRSs. Consequently, the Board concluded that an entity returning to IFRSs might determine that the benefits of applying IFRSs as if it had continued to do so without interruption would exceed the costs of preparing such information, and that an entity should not be prohibited from following that approach. In applying such an approach, an entity should apply IFRSs retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Estimates and Errors* as if the entity had never stopped applying IFRSs. The Board noted that hindsight is not applied by an entity in preparing IFRS financial statements, whether that entity is applying IFRS 1, or whether that entity applies IFRSs retrospectively as if the entity had never stopped applying them in accordance with IAS 8. The Board noted that paragraphs 14–17 of IFRS 1 and paragraph 53 of IAS 8 provide guidance in this regard.

BC6D The Board also noted that, in accordance with paragraph 2 of IFRS 1, an entity that has never applied IFRSs in the past would continue to be required to apply IFRS 1 in its first IFRS financial statements.

BC6E The Board also decided that the entity shall disclose the reason why it stopped applying IFRSs and the reason why it is resuming reporting in accordance with IFRSs. The Board thinks that this disclosure requirement provides users with useful information and would discourage the intentional omission of the statement of compliance with IFRSs solely to allow an entity to take advantage of the exemptions in IFRS 1. The Board also decided that an entity that does not elect to apply IFRS 1 shall explain the reasons why it has elected to apply IFRSs as if it had never stopped applying them. The Board believes that this disclosure ensures that useful information will be provided to users.

Borrowing costs

BC63E ...

BC63EA In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed some concerns that were raised by first-time adopters about the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs. Interested parties found it unclear whether borrowing costs capitalised in accordance with previous GAAP should be retained, restated or eliminated in the opening statement of financial position. Interested parties also questioned the accounting, after the date of transition, for borrowing costs that relate to such qualifying assets when these qualifying assets are under construction at the date of transition. They wanted clarification as to whether the first-time adopter should apply the requirements of IAS 23 *Borrowing Costs* or whether it should continue applying its previous GAAP even if that previous GAAP is not consistent with IAS 23.

BC63EB The Board clarified that when the entity chooses to apply the exemption in paragraph D23 of IFRS 1, the borrowing costs that were capitalised in accordance with previous GAAP should be carried forward in the opening statement of financial position. This is because gathering the information for capitalisation of borrowing costs under IAS 23 and identifying and eliminating the amounts (if any) capitalised in past years under previous GAAP may be costly. In addition, the Board clarified that an entity should account for borrowing costs that are incurred after the date of transition and that relate to qualifying assets under construction at the date of transition in accordance with IAS 23, regardless of whether the entity capitalised or recognised in profit and loss borrowing costs under previous GAAP. The Board determined that this requirement would ensure useful information to users of financial statements. A first-time adopter could also choose to apply the requirements of IAS 23 from a date earlier than the date of transition, in which case it should account for borrowing costs in accordance with IAS 23 on or after the earlier date selected.

Presentation and disclosure

Comparative information

BC89B In the light of respondents' comments on the June 2011 exposure draft *Improvements to IFRSs*, the Board amended paragraph 21 as part of *Annual Improvements 2009–2011 Cycle* (issued in May 2012) because it considered that the requirements for comparative information for a first-time adopter should be different from the requirements for comparative information for an existing preparer. The Board noted that a first-time adopter should not be exempted from presenting three statements of financial position and related notes because it might not have presented this information previously on a basis consistent with IFRSs.

BC89C In addition, the Board considered that a first-time adopter may provide additional comparative information that is presented in accordance with previous GAAP to help the user understand the effects of the transition to IFRSs in accordance with paragraph 22 of IFRS 1. For example, a law or a regulator requires an entity to present the first comparative financial statements in accordance with both IFRSs and previous GAAP and the second comparative in accordance with previous GAAP only. The presentation of this information is an exception from the requirement in paragraph 38C of IAS 1 (to allow an entity to present comparative information in addition to the minimum comparative information required by IFRSs).

HK(IFRIC)-Int 2
Revised ~~July 2010~~June 2012

Effective for annual periods beginning on or after 1 January 2005

HK(IFRIC) Interpretation 2

Members' Shares in Co-operative Entities and Similar Instruments

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CONTENTS

paragraphs

HK(IFRIC) INTERPRETATION 2
MEMBERS' SHARES IN CO-OPERATIVE ENTITIES AND SIMILAR INSTRUMENTS

HK(IFRIC) Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* (HK(IFRIC)-Int 2) is set out in paragraphs 1–14A and the Appendi~~x~~ces. HK(IFRIC)-Int 2 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to Hong Kong Financial Reporting Standards*.

Appendix

Amendments resulting from other HKFRSs

The following sets out amendments required for this Standard resulting from other newly issued HKFRSs that are not yet effective. Once effective, the amendments set out below will be incorporated into the text of this Standards and this appendix will be deleted.

Annual Improvements 2009-2011 Cycle – effective for annual periods beginning on or after 1 January 2013

In the rubric 'paragraphs 1–16' is amended to 'paragraphs 1–17'.

Paragraph 11 is amended (deleted text is struck through) and paragraph 17 is added.

Conclusions

11 As required by paragraph 35 of HKAS 32, distributions to holders of equity instruments are recognised directly in equity~~, net of any income tax benefits~~. Interest, dividends and other returns relating to financial instruments classified as financial liabilities are expenses, regardless of whether those amounts paid are legally characterised as dividends, interest or otherwise.

Effective date

17 *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph 11. An entity shall apply that amendment retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. If an entity applies that amendment to HKAS 32 as a part of the *Annual Improvements 2009–2011 Cycle* (issued in June 2012) for an earlier period, the amendment in paragraph 11 shall be applied for that earlier period.