



專業培訓中心  
Professional Training Center

## Common Application Issues on HKFRS

Date 20 February 2014

Time 19:00 – 21:00

Venue Duke of Windsor Social Service Building



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# HKAS 1

## Clarification of Requirements for Comparative Information (Included in Annual Improvements 2009-2011 Cycle and effective from 1 Jan 13)

- Minimum comparative information required is comparative in respect of previous **preceding** period for all amounts reported in current period. For example, 7 months ended 31 Jul 2013 full set accounts:
  - statement of financial position – 31 Jul 13 and 31 Dec 12
  - other statements – 7 months ended 31 Jul 13 and year ended 31 Dec 12

# HKAS 1

- Present additional comparative information:
  - prepared under HKFRS
  - may include one or more primary statements i.e. no need all 4 statements together
  - with notes
- Need third statement of financial position if:
  - apply accounting policy retrospectively, retrospective restatement or reclassification; and
  - **material effect** on third statement of financial position

## HKAS 1

- Date of third statement of financial position is beginning of preceding period (i.e. 1 Jan 12 for Y.E. 31 Dec 13 accounts) whether or not present additional comparative information
- Third statement of financial position not requires notes except for information required by HKAS 8
- Need notes for third statement of financial position of first HKFRS financial statements under HKFRS 1

## HKAS 1

- 66**
- Classify asset as current if:
    - expect to realise asset, or intends to sell or consume it, in normal operating cycle
    - hold asset primarily for trading
    - expect to realise asset within 12 months after reporting period or
    - cash or cash equivalent unless restricted for use for at least 12 months after reporting period
  - Classify all other assets as non-current

## HKAS 1

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- Classify liability as current if:
  - expect to settle liability in normal operating cycle
  - hold liability primarily for trading
  - liability due within 12 months after reporting period or
  - no unconditional right to defer settlement for at least 12 months after reporting period. Conversion terms of liability not affect classification
- Classify all other liabilities as non-current

## HKAS 1

### Example

- Loan due from subsidiary to parent
- Repayable on demand
- Subsidiary has no cash and therefore parent not expects subsidiary can repay within 1 year

## HKAS 1

### Answer

- Non-current asset in parent's statement of financial position
- Current liability in subsidiary's statement of financial position

## HKAS 34

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- HKAS 34 applies if required or elects to **publish** interim financial report

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- Interim financial report means financial report (complete set or condensed) for interim period
- Interim period is financial reporting period shorter than full financial year

## HKAS 34

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- Complete set interim accounts include all disclosures required by HKAS 34

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- If publishes complete set interim accounts, form and content conform to HKAS 1

## HKAS 34

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- 6 months ended 30 Jun 13 interim reports include interim accounts (condensed or complete set) for periods as follows:
  - statement of financial position – 30 Jun 13 and 31 Dec 12
  - statement of profit or loss and other comprehensive income – 3 months ended 30 Jun 13 and 30 Jun 12 + 6 months ended 30 Jun 13 and 30 Jun 12
  - statement of changes in equity and cash flows – 6 months ended 30 Jun 13 and 30 Jun 12

## HKAS 34

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- If estimate of amount reported in an interim period (e.g. 6 months ended 30 Jun 13) changed significantly during final interim period (i.e. 6 months ended 31 Dec 13)
- Separate financial report not published for that final interim period
- Nature and amount of change disclosed in annual accounts (i.e. year ended 31 Dec 13)

## HKAS 39

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- Significant or prolonged decline in FV of equity investment below cost is objective evidence of impairment

### **IFRIC Guidance in July 2009**

- Either significant or prolonged decline requires recognition of impairment on AFS equity instruments
- Decline in line with market not relevant
- Anticipated market recovery not relevant
- Determination of significant or prolonged decline requires judgement

## HKFRS 3

### 2(b) & B7

- HKFRS 3 not apply to acquisition of assets (not business)
- Cost allocated to identifiable assets and liabilities on basis of their relative fair values
- No goodwill recorded
- Acquisition of subsidiary ≠ acquisition of business
- Business includes input and process

## HKFRS 3

### Example 1

- Company X acquires 100% equity of subsidiary Y with cash consideration of HK\$9 million
- Subsidiary Y holds 2 assets and has no business

Asset A		Asset B	
Fair value	= HK\$8 million	Fair value	= HK\$2 million
Cost allocated	= HK\$7.2 million	Cost allocated	= HK\$1.8 million



## HKFRS 3

### Example 2

- Company X acquires 100% equity of subsidiary Y with cash consideration of HK\$9 million
- Subsidiary Y holds 1 property and 1 debtor, and has no business

Property		Debtor	
Fair value	= HK\$8 million	Fair value	= HK\$2 million
Cost allocated	= HK\$7.2 million	Cost allocated	= HK\$1.8 million

- Record day 1 gain on debtor

## HKFRS 3

### Example 3

- Company X acquires 100% equity of subsidiary Y with cash consideration of HK\$9 million
- Subsidiary Y holds 1 property and cash, and has no business

Property		Cash	
Fair value	= HK\$8 million	Fair value	= HK\$2 million
Cost allocated	= HK\$7.2 million	Cost allocated	= HK\$1.8 million

- Record day 1 gain on cash??

## HKAS 21

### 15

- Balance with foreign operation with settlement neither planned nor likely to occur in foreseeable future is, in substance, net investment in foreign operation
- Include long-term receivables or loans
- Not include trade receivables or payables

### 15A

- May be any subsidiary of group

## HKAS 21

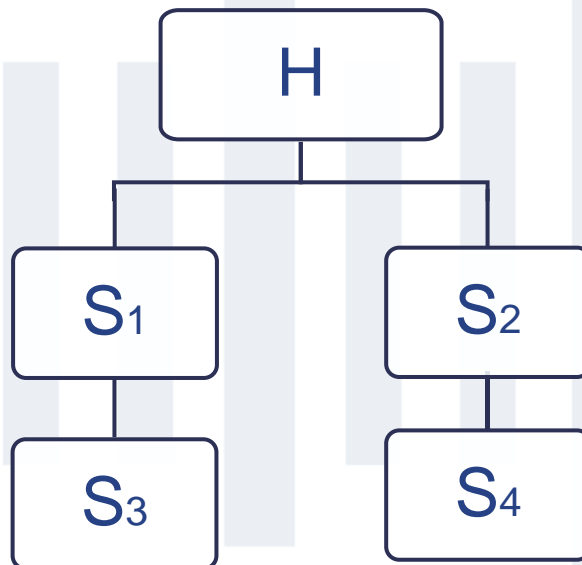
### 32

- Exchange differences recognised in profit or loss in separate company accounts
- In consolidated accounts, such exchange differences recognised initially in other comprehensive income and reclassified to profit or loss on disposal of net investment

### 33

- Can be any currency

## HKAS 21



## HKAS 33

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- Options and warrants dilutive when exercise price < average market price during period

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- Convertible instruments antidilutive when dividend/interest (net of tax) per ordinary share saved > basic EPS

## HKAS 33

Example	Profit HK\$	# of shares	EPS cents
Basic EPS	4,000,000	100,000,000	4.00
CB 1	200,000	20,000,000	1.00
CB 2	500,000	20,000,000	2.50
CB 3	700,000	20,000,000	3.50
Diluted EPS	5,400,000	160,000,000	3.38

## HKAS 33

Example	Profit HK\$	# of shares	EPS cents
Basic EPS	4,000,000	100,000,000	4.00
CB 1	200,000	20,000,000	1.00
	4,200,000	120,000,000	3.50
CB 2	500,000	20,000,000	2.50
Diluted EPS	4,700,000	140,000,000	3.36
CB 3	700,000	20,000,000	3.50
Anti-diluted	5,400,000	160,000,000	3.38

# Q&A Section ?