

Amendments to HKAS 7 - Disclosure Initiative

Introduction

The Amendments to HKAS 7 “Statement of Cash Flows” are part of the IASB’s Disclosure Initiative project which aims to improve disclosures in financial statements. The Amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Effective Date

An entity shall apply the Amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When an entity first applies the Amendments, it is not required to provide comparative information for preceding periods.

Summary of Amendments



An entity shall disclose the following changes in liabilities arising from financing activities:

- ▶ changes from financing cash flows;
- ▶ changes arising from obtaining or losing control of subsidiaries or other businesses;
- ▶ the effect of changes in foreign exchange rates;
- ▶ changes in fair values; and
- ▶ other changes.

Liabilities arising from financing activities are liabilities for which cash flows are classified in the statement of cash flows as cash flows from financing activities. In addition, the new disclosure requirements also apply to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets are included in cash flows from financing activities.

The Amendments do not require a specific format for the new disclosure requirements but suggest that one way to fulfil the new disclosure requirements is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.

If an entity provides the disclosures of liabilities arising from financing activities in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

The Amendments contain the following reconciliation to illustrate how to comply with the new disclosure requirements:

	At 1 Jan 20X2	Cash flows	Non-cash changes			At 31 Dec 20X2
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	22,000	(1,000)	-	-	-	21,000
Short-term borrowings	10,000	(500)	-	200	-	9,700
Lease liabilities	4,000	(800)	300	-	-	3,500
Assets held to hedge long-term borrowings	(675)	150	-	-	(25)	(550)
Total liabilities from financing activities	<u>35,325</u>	<u>(2,150)</u>	<u>300</u>	<u>200</u>	<u>(25)</u>	<u>33,650</u>

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