

# *Annual Improvements to HKFRSs 2015-2017 Cycle*

## **Introduction**

Annual Improvements to HKFRSs 2015-2017 Cycle is a series of amendments to HKFRSs in response to the International Accounting Standards Board's annual improvements project to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in the form of a single document rather than as a series of piecemeal changes, the International Accounting Standards Board aims to ease the burden of change for all concerned.

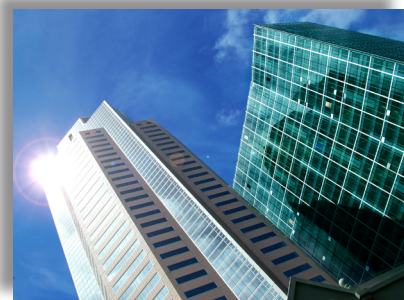
This series of amendments consists of 4 changes to 4 HKFRSs.

### **HKFRS 3 “Business Combinations”**

#### **Previously held interest in a joint operation**

The amendments clarified that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall remeasure its entire previously held interest in the joint operation at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

An entity shall apply the amendments to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

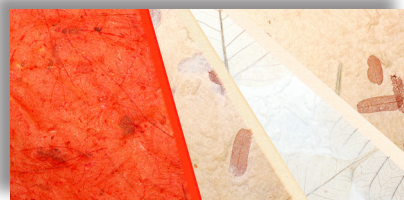


### **HKFRS 11 “Joint Arrangements”**

#### **Previously held interest in a joint operation**

The amendments clarified that when a party obtains joint control of a joint operation in which the activity of the joint operation constitutes a business, the party's previously held interests in the joint operation are not remeasured.

An entity shall apply the amendments to transactions in which it obtains joint control on or after the beginning of the annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.



## HKAS 12 “Income Taxes”

### Income tax consequences of payments on financial instruments classified as equity

The amendments clarified that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity shall apply the amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.



## HKAS 23 “Borrowing Costs”

### Borrowing costs eligible for capitalisation

Paragraph 14 of HKAS 23 requires that when an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation. The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally.

An entity shall apply the amendments to borrowing costs incurred on or after the beginning of the annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.



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