Aoba Newsletter – Hong Kong

Aoba Business Consulting Limited
31st May, 2017

Annual Improvements to HKFRSs 2014-2016 Cycle

【Overview】

Annual Improvements to HKFRSs 2014-2016 Cycle is a series of amendments to Hong Kong Financial Reporting Standards (HKFRSs) in response to the International Accounting Standards Board's annual improvements project to make necessary, but non-urgent, amendments to HKFRSs that will not be included as part of any other project.

Standards covered in this cycle are as follows:

- HKFRS 1: First-time Adoption of Hong Kong Financial Reporting Standards
- HKFRS 12: Disclosure of Interests in Other Entities
- Hong Kong Accounting Standard (HKAS) 28: Investments in Associates and Joint Ventures

【HKFRS 1: First-time Adoption of Hong Kong Financial Reporting Standards】

Highlight

The short-term exemptions relating to the disclosures about financial instruments, employee benefits and investment entities for first-time adopters provided in the standard were considered no longer applicable. Those reliefs were removed from the standard.

Effective date

An entity shall apply those amendments for annual periods beginning on or after 1st January, 2018.

【HKFRS 12: Disclosure of Interests in Other Entities】

Highlight

HKFRS 12 states that an entity is not required to disclose summarised financial information for interest in a subsidiary, a joint venture or an associate classified as held for sale. On the other hand, HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" states that disclosure requirements in other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require specific disclosures. This makes it unclear whether all other requirements in HKFRS 12 apply to interests in entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

This improvement clarifies that, except for the disclosure of summarised financial information, the requirements in HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

Effective date

An entity shall apply those amendments retrospectively for annual periods beginning on or after 1st January, 2017.

【HKAS 28: Investments in Associates and Joint Ventures】

Highlight

When an investment in an associate or joint venture is held by, or is held indirectly through, a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect, in accordance with HKAS 28, to measure that investment at fair value through profit or loss. However, the standard does not mention whether the entity is able to choose between applying the equity method or measuring the investment at fair value for each investment, or whether instead the entity applies the same accounting method to all of its investments in associates and joint ventures.

This improvement clarifies that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. It further clarifies the choice for an entity that is not an investment entity, which applies to the equity method, to retain the fair value measurement applied by its associates and joint ventures (that are investment entities) is available, at initial recognition, for each investment entity associate or joint venture.

Effective date

An entity shall apply those amendments retrospectively for annual periods beginning on or after 1st January, 2018.

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About Aoba & Hopkins Group:

The Aoba & Hopkins Group consists of CPA firms and full service consulting firms located in Hong Kong, Guangzhou and Beijing that have been providing quality and efficient professional services to our valued clients aboard and at home since 1989.

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