

# Tech Q&A

In preparing financial statements for the year ending 31 December 2012, what new or revised HKFRSs must I consider?

The Institute has issued the following new and revised standards and interpretations that are applicable to December 2012 year-end and may have a significant impact to preparers:

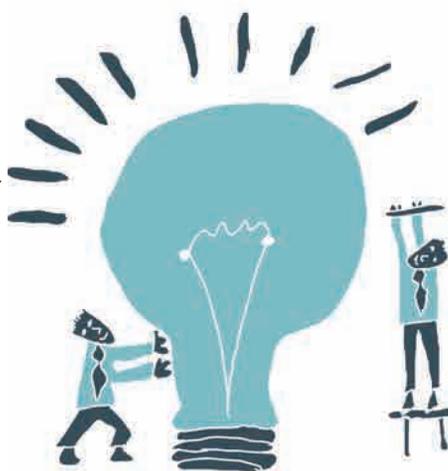
- Amendment to HKFRS 1 *First-time Adoption of HKFRSs* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to HKFRS 7 *Financial Instruments: Disclosures* – Transfers of Financial Assets
- Amendments to HKAS 12 – Deferred Tax: Recovery of Underlying Assets

Regarding the amendments to HKAS 12 – Deferred Tax: Recovery of Underlying Assets, in general the measurement of deferred tax assets and liabilities under HKAS 12 is based on the expected manner of recovery or settlement of the underlying asset or liability. The amendments to the standard provide an exception to this measurement principle with respect to investment property measured using the fair value model in accordance with HKAS 40 *Investment Property*. Under the exception, the standard contains a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.

This presumption is rebutted if the investment property is depreciable and is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The rebuttable presumption contained in the standard also applies when a deferred tax liability or a deferred tax asset arises from measuring investment property in a business combination if the entity will use the fair value model when subsequently doing so.

As a result of the amendments, HK(SIC)-21 *Income Taxes – Recovery of Revalued Non-*



*Depreciable Assets* would no longer apply. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC)-21, which is accordingly withdrawn.

In accordance with paragraph 30 of HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, when an entity has not applied a new or revised HKFRS (including standard and interpretation) that has been issued but is not yet effective, the entity shall disclose this fact. It shall also provide known or reasonably estimable information relevant to assessing the possible impact that application of the new HKFRS will have on the entity's financial statements in the period of initial application.

New or revised standards and interpretations that have been issued by the Institute as of 31 December 2012 but have yet to be effective are listed as follows:

- Amendments to HKFRS 1 – Government Loans
- Amendments to HKFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities
- HKFRS 9 *Financial Instruments*

- Amendments to HKFRS 9 and HKFRS 7 – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
- HKFRS 10 *Consolidated Financial Statements*
- HKFRS 11 *Joint Arrangements*
- HKFRS 12 *Disclosure of Interests in Other Entities*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
- HKFRS 13 *Fair Value Measurement*
- Amendments to HKAS 1 (revised) *Presentation of Financial Statements* – Presentation of Items of Other Comprehensive Income
- HKAS 19 (2011) *Employee Benefits*
- HKAS 27 (2011) *Separate Financial Statements*
- HKAS 28 (2011) *Investments in Associates and Joint Ventures*
- Amendments to HKAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities
- HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements 2009-2011 Cycle*

The Institute has compiled a list to summarize those new and revised HKFRSs issued that are applicable to December 2012 year-end and after. It can be found on our website's technical resources section – the staff summary of financial reporting standards.



Send your questions and comments to [commentletters@hki.org.hk](mailto:commentletters@hki.org.hk). The standard setting team will answer these questions in accordance with its policy, posted on the Institute's website.