

Issuance of Annual Improvements to HKFRSs 2012-2014 Cycle

This article addresses the amendments likely to be of interest to preparers of financial statements.

The objective in issuing annual improvements to Hong Kong Financial Reporting Standards is to make necessary, but non-urgent, amendments to HKFRSs that will not be included as part of any other project.

The table (right) lists the HKFRSs and topics addressed by the Annual Improvements to HKFRSs 2012-2014 Cycle, effective for annual periods beginning on or after 1 January 2016.

HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - Changes in methods of disposal

The amendment clarifies the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders.

The amendment states that if an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal. Therefore, there is no interruption of the application of the requirements in HKFRS 5 when an entity moves from one method of disposal to the other without any time lag.

The amendment also clarifies that any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. As a result, the determination of the 12-month period should not restart when such a change in the method of disposal occurs, but should instead continue to be the same as initially determined by management in its assessment of whether the sale and/or distribution to owners is highly probable.

HKFRS 7 *Financial Instruments: Disclosures* - Applicability of the amendments to HKFRS 7 to condensed interim financial statements

The amendment addresses the applicability

Annual Improvements to HKFRSs 2012-2014 Cycle

Standards	Subjects of amendment
HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Changes in methods of disposal
HKFRS 7 <i>Financial Instruments: Disclosures</i>	<ul style="list-style-type: none"> • Servicing contracts • Applicability of amendments to HKFRS 7 to condensed interim financial statements
HKAS 19 <i>Employee Benefits</i>	Discount rate: regional market issue
HKAS 34 <i>Interim Financial Reporting</i>	Disclosure of information "elsewhere in the interim financial report"

of the amendments to HKFRS 7 *Disclosure - Offsetting Financial Assets and Financial Liabilities* to condensed interim financial statements.

The International Accounting Standards Board was asked to clarify the meaning of the reference to "interim periods within those annual periods," used in paragraph 44R of HKFRS 7. There was uncertainty about whether the disclosures required by paragraphs 13A-13F and B40-B53 of HKFRS 7 were required to be included in condensed interim financial statements prepared in accordance with HKFRS and, if so, whether those disclosures should be presented in every set of condensed interim financial statements, or only in those interim financial statements presented in the first year in which the disclosure requirements are effective or for which disclosure would be required under the principles in HKAS 34 *Interim Financial Reporting*.

As a result, the amendment clarifies that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements prepared in accordance with HKAS 34 when its inclusion would be required in accordance with the general requirements

of that HKFRS (that is, HKAS 34 requires the disclosure of information in condensed interim financial statements when its omission would make the condensed interim financial statements misleading).

HKAS 34 *Interim Financial Reporting* - Disclosure of information "elsewhere in the interim financial report"

The amendment to HKAS 34 clarifies that the interim disclosures required by paragraph 16A shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is considered to be incomplete.



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