Taking stock and moving forward with financial reporting standards

The Institute is holding the Annual Accounting Update 2019 to share implementation experience issues arising from three recently effective standards and information about other recent developments in standard setting.

For financial reporting-focused accountants, staying abreast with the latest developments in reporting standards is vital. The upcoming Annual Accounting Update 2019 will cover Hong Kong Financial Reporting Standard (HKFRS) 9 Financial Instruments, HKFRS 15 Revenue from Contracts with Customers, which are in their second effective year, and HKFRS 16 Leases, in its first year, as well as other recent developments in standard setting. With preparers of financial statements and accounting practitioners adjusting to these standards and their impacts on financial reports, the conference will help them to better apply their professional judgement.

HKFRS 9 fundamentally changed the accounting requirement for classification of financial assets. It also introduces a new impairment model that requires entities to consider not only historical loss and current information, but also reasonable and supportable forward-looking information when measuring expected credit losses. The standard also brought certain changes to the measurement of financial instruments, for example, all unquoted equity investments have to be measured at fair value.

HKFRS 15 introduces the core principle that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This may significantly affect how and when an entity recognizes revenue. The standard specifies the accounting of certain costs incurred in relation to a contract, for example, incremental costs of obtaining and fulfilling a contract with a customer. The standard also requires more extensive qualitative and quantitative disclosures.

HKFRS 16 introduces a single lease accounting model and requires a lessee to recognize almost all leases on the balance sheet, reflecting their right to use the underlying assets as right-of-use assets and the corresponding lease liabilities representing the obligations to make lease payments. The standard changes the definition of a lease and contains new disclosure requirements for lessees. In order to recognize the right-of-use assets and the lease liabilities, entities have to apply their judgement to determine their incremental borrowing rate and lease term, which can be challenging.

To further support the application of these standards, the IFRS Interpretations Committee has responded to questions raised about the standards and provided interpretations to assist with their implementation.

The conference

The conference will take place on the morning of 16 November at InterContinental Hong Kong. It will focus on common misconceptions about the requirements of these standards and application issues rather than the basic principles of the standards. The speakers are seasoned technical professionals, two current members of the Institute’s Financial Reporting Standards Committee – including the deputy chairman – and the former chairman of the committee. The speakers will also cover related agenda decisions recently issued by the IFRS Interpretations Committee, which include information to help companies applying the standards, and to address issues arising after the standards introduction.

I will discuss other recent developments in standard setting. This will cover high-level updates on new and upcoming standards, regulatory updates including amendments to the Companies Ordinance, and major standard setting projects of the International Accounting Standards Board and the Institute including business combinations under common control, goodwill and impairment and the comprehensive review on the IFRS for SMEs standard. Finally, the conference will end with a question and answer session for participants to raise questions about anything discussed.

After attending the conference, you will know more about typical implementation issues, measures to resolve them, and recent developments in standard setting. The event will be recorded and made available as an e-learning course soon after, so members who are unable to attend won’t miss out on important information. Find out more details on the Institute’s website.