

# HKAS 1 and HKFRS 8

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## Today's Agenda

HKAS 1 *Presentation of Financial Statements* (revised in 2007)

HKFRS 8 Operating Segments

Amendments to HKAS 1 and HKFRS 8



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# Today's Agenda

HKAS 1 *Presentation of Financial Statements* (revised in 2007)



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## Presentation of Financial Statements

### Case



- BASF Group, one of the largest chemical companies in the world, began to use a new term “other comprehensive income” in its financial statements of 2005 and explained as follows:
  - In equity, the new item “other comprehensive Income” is presented to account for changes that do not affect income .....
  - Certain expenses and income have been recorded according to IFRS outside of the income statement. Included among these are
    - translation adjustments,
    - valuation of securities at fair value and
    - changes in the fair value of derivatives held to hedge future cash flows.

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# Presentation of Financial Statements

## Case



- The requirements of reporting “comprehensive income” should be dated back to 1997
  - When Financial Accounting Standards Board (“FASB”) in the United States issued the Statement of Financial Accounting Standards (“SFAS”) No. 130 *Reporting Comprehensive Income*.
- From 2009, the entity adopting the IFRSs in preparing and presenting its financial statements has to present its
  - “other comprehensive income” and
  - “total comprehensive income”.
- In its annual report of 2007, BASF Group briefed the goal of the new requirement as follows:
  - IAS 1 *Presentation of Financial Statements* was amended by the IASB as of September 6, 2007.
  - The goal is to ease the analysis and comparison of financial statements.

# Today's Agenda

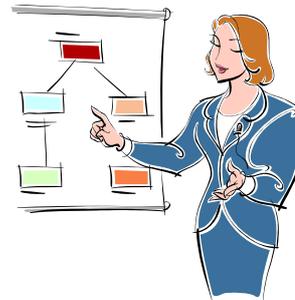
## I. Introduction

## II. Complete Set of Financial Statements

## III. General Features of Financial Statements

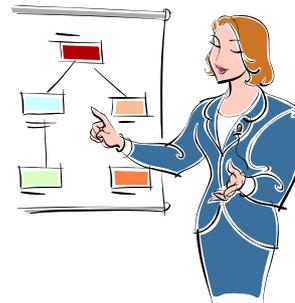
## IV. Structure & Contents of Financial Statements

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes



# Today's Agenda

## I. Introduction



## I. Introduction

- An entity is required to apply HKAS 1 *Presentation of Financial Statements* in preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards.
  - General purpose financial statements can also be referred to as financial statements and are defined as:
    - those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.



# I. Introduction

- To provide information about
  - financial position,
  - financial performance,
  - and
  - cash flows of an entity,



That is useful to a wide range of users in making economic decisions

- To also show the results of management's stewardship of the resources entrusted to it

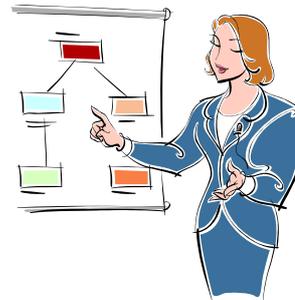
- To meet this objective, financial statements provide information about the entity's:

- Assets
- Liabilities
- Equity
- Income and expenses, including gains and losses
- Other changes in equity
- Cash flows

Thus, we have .....

# Today's Agenda

## II. Complete Set of Financial Statements



## II. Complete Set of Fin. Statements

- A complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information; and
- a statement of financial position as at the beginning of the earliest comparative period

Previously, we call it "Balance Sheet"

Previously, we call it "Income Statement"

3 years' "balance sheets"

- when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or
- when it reclassifies items in its financial statements.

- An entity may use titles for the statements other than those used in HKAS 1.

## II. Complete Set of Fin. Statements

### Complete Set of Financial Statements

		Previous title or changes
Statement of Financial Position as at the end of the period		Previous title: "Balance Sheet"
To use a single statement to present all items of income and expense	To use two statements to present all items of income and expense	
Statement of Comprehensive Income for the period	Income Statement for the period	No title change
	Statement of Comprehensive Income for the period	New statement
Statement of Changes in Equity for the period		No title change (but restructured)
Statement of Cash Flows for the period		Previous title: "Cash Flow Statement"
Notes		No title change
A statement of financial position as at the beginning of the earliest comparative period, if required		New requirement

## II. Complete Set of Fin. Statements

### Case



- HKEx early adopted HKAS1 (revised) in 2007 and states in 2007 Annual Report that:
  - The early adoption of these HKFRSs does not have any financial impact to the Group's accounting policies.
  - HKAS 1 Revised affects certain disclosures of the financial statements. Under the revised standard,
    - the Profit and Loss Account is renamed as the "Income Statement",
    - the Balance Sheet is renamed as the "Statement of Financial Position" and
    - the Cash Flow Statement is renamed as the "Statement of Cash Flows".

## II. Complete Set of Fin. Statements

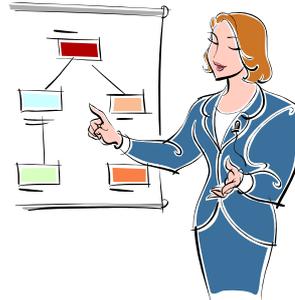
### Case



- Hong Kong Housing Society (a non-government entity) also early adopted HKAS1 (revised) in 2008 and states in 2008 Annual Report that:
  - HKAS 1 (Revised), which is effective for accounting periods beginning on or after 1st January 2009, affects certain disclosures of the financial statements.
  - Under the revised standard,
    - the Income and Expenditure Account is renamed as the "Statement of Comprehensive Income",
    - the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows".
  - All income and expenses arising from transactions are presented under the "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Net Assets".

# Today's Agenda

## III. General Features of Financial Statements



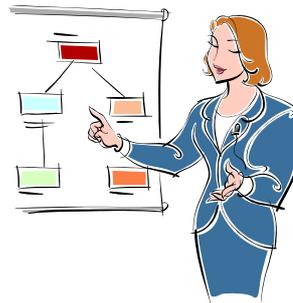
## III. General Features of Fin. Statements

- HKAS 1 sets out certain general features that financial statements must possess and these general features include:
  - a. True and fair view (fair presentation) and compliance with HKFRSs,
  - b. Going concern,
  - c. Accrual basis of accounting,
  - d. Materiality and aggregation,
  - e. Offsetting,
  - f. Frequency of reporting,
  - g. Comparative information, and
  - h. Consistency of presentation.



# Today's Agenda

## IV. Structure & Contents of Financial Statements



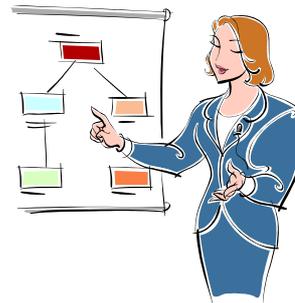
## IV. Structures & Content of Fin. Statements

- In order to distinguish the financial statements from other information in the same published document, an entity is required to clearly identify the financial statements and distinguish these two types of information.
- An entity is required to clearly identify each financial statement and the notes.
- It is also required to display the following information prominently, and repeat it when necessary for the information presented to be understandable:
  1. the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
  2. whether the financial statements are of an individual entity or a group of entities;
  3. the date of the end of the reporting period or the period covered by the set of financial statements or notes;
  4. the presentation currency, as defined in HKAS 21; and
  5. the level of rounding used in presenting amounts in the financial statements.

# Today's Agenda

## IV. Structure & Contents of Financial Statements

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes



# Complete Set of Fin. Statements

## Complete Set of Financial Statements

		Previous title or changes
<p style="text-align: center;">Statement of Financial Position as at the end of the period</p>		Previous title: "Balance Sheet"
To use a single statement to present all items of income and expense	To use two statements to present all items of income and expense	
<p style="text-align: center;">Statement of Comprehensive Income for the period</p>	<p style="text-align: center;">Income Statement for the period</p>	No title change
	<p style="text-align: center;">Statement of Comprehensive Income for the period</p>	New statement
<p style="text-align: center;">Statement of Changes in Equity for the period</p>		No title change (but restructured)
<p style="text-align: center;">Statement of Cash Flows for the period</p>		Previous title: "Cash Flow Statement"
<p style="text-align: center;">Notes</p>		No title change
<p style="text-align: center;">A statement of financial position as at the beginning of the earliest comparative period, if required</p>		New requirement

# 1. Statement of Financial Position

## Complete Set of Financial Statements

Statement of Financial Position  
as at the end of the period

Previous title  
or changes

Previous title:  
"Balance Sheet"

# 1. Statement of Financial Position

- The "statement of financial position" is previously titled as "balance sheet".
- HKAS 1 revises its title to align with the contents and function of the statement
- An entity can still choose to use title other than the one used in HKAS 1.
- Certain minimum line items are required to present on the face of the statement of financial position
- Other items can be presented either on the face or in the notes to the statement.



# 1. Statement of Financial Position

- As a minimum, the statement of financial position shall include line items that present the following amounts:
  1. property, plant and equipment;
  2. investment property;
  3. intangible assets;
  4. financial assets;
  5. investments accounted for using the equity method;
  6. biological assets;
  7. inventories;
  8. trade and other receivables;
  9. cash and cash equivalents;
  10. the total of assets classified as held for sale and assets included in disposal groups classified as held for sale;
  11. trade and other payables;
  12. provisions;
  13. financial liabilities;
  14. liabilities and assets for current tax;
  15. deferred tax liabilities and deferred tax assets;
  16. liabilities included in disposal groups classified as held for sale;
  17. non-controlling interests, presented within equity; and
  18. issued capital and reserves attributable to owners of the parent.

# 1. Statement of Financial Position

## Case

### Consolidated statement of financial position



	Note	2008 \$'000	2007 \$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	19(a)	311,179	317,065
Lease premium for land	21	60,199	60,708
Financial assets of Margin Funds on derivatives contracts	22	-	456,396
Available-for-sale financial assets	23	-	25,270
Deferred tax assets	31(e)	4,429	3,610
Other financial assets		47,172	19,177
Other assets		3,207	3,212
		<b>426,186</b>	<b>885,438</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, prepayments and deposits	24	8,526,557	18,364,129
Lease premium for land	21	509	509
Tax recoverable		-	148
Financial assets of Clearing House Funds	25	393,202	361,506
Cash and cash equivalents of Clearing House Funds	25	843,109	1,841,508
		<b>1,236,311</b>	<b>2,203,014</b>
Financial assets of Margin Funds on derivatives contracts	22	19,655,161	18,790,237
Cash and cash equivalents of Margin Funds on derivatives contracts	22	22,184,833	36,182,526
		<b>41,839,994</b>	<b>54,972,763</b>

# 1. Statement of Financial Position

- An entity can present additional line items, headings and subtotals on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.
- An entity makes the judgement about whether to present additional items separately on the basis of an assessment of:
  1. the nature and liquidity of assets;
  2. the function of assets within the entity; and
  3. the amounts, nature and timing of liabilities.
- The use of different measurement bases for different classes of assets suggests that their nature or function of the assets differs.
  - In consequence, an entity presents the assets with different measurement basis as separate line items.

# 1. Statement of Financial Position

## Current/Non-current Distinction

- In presenting the assets and liabilities on the face of the statement of financial position, an entity is required to present
  - current and non-current assets, and
  - current and non-current liabilities,as separate classifications in its statement of financial position in accordance with HKAS 1.
- When a presentation of assets and liabilities in the statement of financial position based on liquidity provides information that is reliable and more relevant,
  - an entity is required to present all assets and liabilities in order of liquidity in the statement.

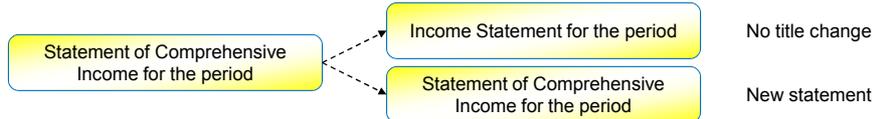
## 2. Statement of Comprehensive Income

### Complete Set of Financial Statements

Previous title  
or changes

To use a single statement to present  
all items of income and expense

To use two statements to present all  
items of income and expense



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## 2. Statement of Comprehensive Income

- HKAS 1 revised in 2007 has restructured the presentation of items of income and expense and changes in equity.
- Historically,
  - HKAS 1 required the presentation of an “income statement” that included items of income expense recognised in profit or loss.
  - The items of income and expense not recognised in profit or loss and the items of owner changes in equity, for example the dividend distribution, were presented in “statement of changes in equity”.
  - The statement of changes in equity in substance had included
    - profit or loss for a period,
    - other items of income and expense not recognised in profit or loss during a period, the effects of changes in accounting policies and correction of errors, and
    - items of owner changes in equity.

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## 2. Statement of Comprehensive Income

- As part of the improvement project in presenting financial performance of an entity,
  - HKAS 1 revised in 2007
    - Defines clearly that owners are holders of instruments classified as equity.
    - Requires that changes in equity (same as net assets) of an entity during a period are separated into two categories:
      - Non-owner changes in equity** – represent all other changes in equity that are also the items of income and expense recognised during a period
      - Owner changes in equity** – represent changes arising from transactions with owners in their capacity as owners

Non-owner changes

Owner changes

## 2. Statement of Comprehensive Income

- Changes in equity in a period
- HKAS 1 requires that
    - The non-owner changes in equity during a period are further separated into two categories:
      - Components of “profit or loss”; and
      - Components of “other comprehensive income”.
    - All owner changes in equity must be
      - presented separately from non-owner changes in equity and
      - presented in the statement of changes in equity.

Non-owner changes

Owner changes

## 2. Statement of Comprehensive Income

Changes in equity in a period

Components of profit or loss
Components of other comprehensive income

Non-owner changes

**Two-Statement Approach**

**Single Statement Approach**

- HKAS 1 requires an entity to present such non-owner changes in equity in a period in the statement of comprehensive income by using either:
  1. Single statement approach – present all items of income and expense recognised in a period in a single statement of comprehensive income, or
  2. Two-statement approach – present all items of income and expense recognised in a period in 2 statements:
    - a. a statement displaying components of profit or loss (i.e. a separate income statement) and
    - b. a second statement
      - beginning with profit or loss and
      - displaying components of other comprehensive income (i.e. a statement of comprehensive income)

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## 2. Statement of Comprehensive Income

Changes in equity in a period

Components of profit or loss
Components of other comprehensive income
Components of owner changes in equity

Non-owner changes

Owner changes

**Two-Statement Approach**

**Single Statement Approach**

Presented in separate income statement

Presented in statement of comprehensive income

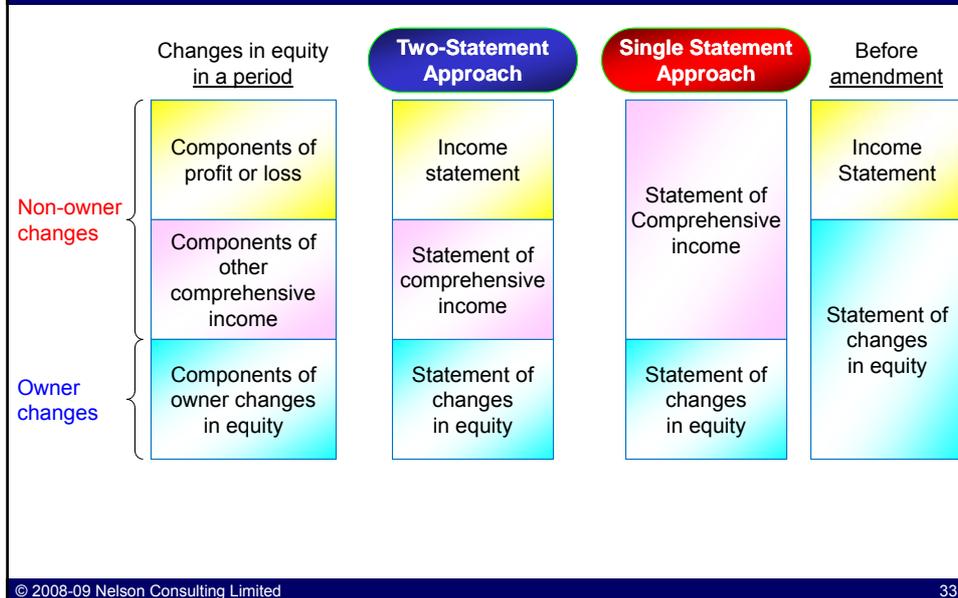
Presented in statement of comprehensive income

Presented in statement of changes in equity

Presented in statement of changes in equity

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## 2. Statement of Comprehensive Income



## 2. Statement of Comprehensive Income

### Case



### Sberbank (Savings Bank of the Russian Federation)

- One of the largest banks in Russian Federation and principally owned by the Central Bank of the Russian Federation, Sberbank states in its 2008 IFRS financial statements as follows:
  - The Group decided to early adopt revised IAS 1, Presentation of Financial Statements, in its consolidated financial statements for the year ended 31 Dec. 2008 .....
  - The main change is the replacement of the consolidated statement of income by a consolidated statement of comprehensive income and consolidated balance sheet with a consolidated statement of financial position .....
  - The presentation of comparative figures has been adjusted retrospectively.

## 2. Statement of Comprehensive Income

### Case



- HKEx early adopted HKAS1 (revised) in 2007 and states in 2007 Annual Report that:
  - All income and expenses arising from transactions with non-owners (ie, the non-owner movements of equity) are presented
    - under the “Income Statement” and “Statement of Comprehensive Income”, and
    - the total carried to the “Statement of Changes in Equity”,
  - while the owner changes in equity are presented
    - in the “Statement of Changes in Equity”.

## 2. Statement of Comprehensive Income

### Components of profit or loss

- Profit or loss
  - is the total of income less expenses, excluding the components of other comprehensive income.
  - All items of income and expense are recognised in a period in profit or loss unless an HKFRS requires or permits otherwise.
- Minimum line items to be disclosed in the statement of comprehensive income in respect of the component of profit or loss include:
  1. revenue
  2. finance costs
  3. share of the profit or loss of associates and joint ventures accounted for using the equity method
  4. tax expenses
  5. profit or loss .....

## 2. Statement of Comprehensive Income

- Other comprehensive income
  - Comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other HKFRSs.

Components of  
other  
comprehensive  
income

## 2. Statement of Comprehensive Income

### Example

- The components of other comprehensive income include:
  1. changes in revaluation surplus recognised in accordance with HKAS 16 *Property, Plant and Equipment*;
  2. changes in revaluation surplus recognised in accordance with HKAS 38 *Intangible Assets*;
  3. actuarial gains and losses on defined benefit plans recognised in accordance with HKAS 19 *Employee Benefits*;
  4. gains and losses arising from translating the financial statements of a foreign operation in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates*;
  5. gains and losses on remeasuring available-for-sale financial assets in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*; and
  6. the effective portion of gains and losses on hedging instruments in a cash flow hedge recognised in accordance with HKAS 39.

## 2. Statement of Comprehensive Income

Components of other comprehensive income

- Other comprehensive income
  - their components classified by nature to be reported in the statement of comprehensive income and to be presented either:
    1. net of related tax effects, or
    2. before related tax effects with one amount shown for the aggregate amount of income tax relating to those components.
  - the amount of income tax relating to each component, including reclassification adjustments, either
    1. in the statement of comprehensive income or
    2. in the notes.

## 2. Statement of Comprehensive Income

### Example

- The presentation of components of other comprehensive income in a single statement approach is illustrated in HKAS 1 net of tax effects or before tax effects with one amount shown as an item as follows:

<u>Net of related tax effects</u>	<u>2009</u>	<u>2008</u>
Other comprehensive income for the year, after tax:		
Exchange differences on translating foreign operations	\$ 4,000	\$ 8,000
Available-for-sale financial assets	(18,000)	20,000
Cash flow hedges	(500)	(3,000)
Gains on property revaluation	600	2,700
Actuarial gains (losses) on defined benefit pension plans	(500)	1,000
Share of other comprehensive income of associates	<u>400</u>	<u>(700)</u>
Other comprehensive income for the year, net of tax	<u>(14,000)</u>	<u>28,000</u>

## 2. Statement of Comprehensive Income

### Example

*Before related tax effects with one amount shown for the aggregate amount of income tax relating to those components*

	<u>2009</u>	<u>2008</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	\$ 5,334	\$ 10,667
Available-for-sale financial assets	(24,000)	26,667
Cash flow hedges	(667)	(4,000)
Gains on property revaluation	933	3,367
Actuarial gains (losses) on defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates	400	(700)
Income tax relating to components of other comprehensive income	<u>4,667</u>	<u>(9,334)</u>
Other comprehensive income for the year, net of tax	<u>(14,000)</u>	<u>28,000</u>

## 2. Statement of Comprehensive Income

### Example

- Disclosure of tax effects relating to each component of other comprehensive income can be made in the statement of comprehensive income or in the notes. HKAS 1 sets out an example to disclose the tax effects relating to each comprehensive income as follows:

	<u>2009</u>		
	Before-tax Amount	Tax (expense) benefit	Net-of-tax amount
Exchange differences on translating foreign operations	\$ 5,334	\$ (1,334)	\$ 4,000
Available-for-sale financial assets	(24,000)	6,000	(18,000)
Cash flow hedges	(667)	167	(500)
Gains on property revaluation	933	(333)	600
Actuarial gains (losses) on defined benefit pension plans	(667)	167	(500)
Share of other comprehensive income of associates	<u>400</u>	<u>—</u>	<u>400</u>
Other comprehensive income	<u>(18,667)</u>	<u>4,667</u>	<u>(14,000)</u>

## 2. Statement of Comprehensive Income

Components of  
other  
comprehensive  
income

- Other comprehensive income also comprises “reclassification adjustments”.
  - Reclassification adjustments are defined as:
    - amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.
- An entity is required to disclose reclassification adjustments relating to components of other comprehensive income either:
  - in the statement of comprehensive income, or
  - in the notes (then presents the components of other comprehensive income after any related reclassification adjustments in the statement of comprehensive income)

## 2. Statement of Comprehensive Income

### Example

- **Reclassification adjustments arise, for example:**
  1. on disposal of a foreign operation (see HKAS 21);
  2. on derecognition of available-for-sale financial assets in accordance with HKAS 39; and
  3. when a hedged forecast transaction affects profit or loss in accordance with HKAS 39 in relation to cash flow hedges.
- **Reclassification adjustments do not arise:**
  1. on changes in revaluation surplus recognised in accordance with HKAS 16 or HKAS 38; or
  2. on actuarial gains and losses on defined benefit plans recognised in accordance with HKAS 19.
- These two components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised. Actuarial gains and losses are reported in retained earnings in the period that they are recognised as other comprehensive income.

## 2. Statement of Comprehensive Income

- In the statement of comprehensive income (i.e. single statement approach), an entity is required to at least include some line items that present the amounts for the period
- For example, the following amounts should be presented:
  1. revenue
  2. finance costs
  3. profit or loss
  4. each component of other comprehensive income classified by nature
  5. total comprehensive income

### Single Statement Approach

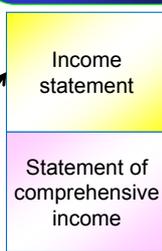


Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.

## 2. Statement of Comprehensive Income

Under the Two-Statement Approach, these items are presented in the separate income statement.

### Two-Statement Approach



1. revenue
2. finance costs
3. profit or loss
4. each component of other comprehensive income classified by nature
5. total comprehensive income

Under the Two-Statement Approach, these items are presented in the statement of comprehensive income.

## 2. Statement of Comprehensive Income

### Example

#### Statement of comprehensive statement (under Two-Statement Approach)

	2009	2008
Profit for the year	\$ <u>121,250</u>	\$ <u>65,500</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	5,334	10,667
Available-for-sale financial assets	(24,000)	26,667
Cash flow hedges	(667)	(4,000)
Gains on property revaluation	933	3,367
Actuarial gains (losses) on defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates	400	(700)
Income tax relating to components of other comprehensive income	<u>4,667</u>	<u>(9,334)</u>
Other comprehensive income for the year, net of tax	<u>(14,000)</u>	<u>28,000</u>
Total comprehensive income for the year	<u>107,250</u>	<u>93,500</u>
Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Non-controlling interest	<u>21,450</u>	<u>18,700</u>
	<u>107,250</u>	<u>93,500</u>

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## 2. Statement of Comprehensive Income

### Case

#### Consolidated statement of comprehensive income



	2008 \$'000	2007 \$'000
Profit attributable to shareholders	5,128,924	6,169,278
Other comprehensive income:		
Available-for-sale financial assets:		
Change in fair value during the year	111,494	63,421
Change in fair value on maturity	(54,451)	(9,951)
Less: Reclassification adjustment:		
Gains included in profit or loss on disposal	(4,678)	-
Deferred tax	(8,565)	(8,460)
	<u>43,800</u>	45,010
Cash flow hedges:		
Fair value gains of hedging instruments	-	132
Less: Reclassification adjustments:		
Gains reclassified to profit or loss as information technology and computer maintenance expenses	-	(70)
Gains reclassified to profit or loss as net investment income	-	(62)

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## 2. Statement of Comprehensive Income

- Information can be presented in the notes
  - In addition to the minimum line items presented on the face of the statement of comprehensive income and separate income statement (if presented), when items of income or expense are material,
    - an entity is required to disclose their nature and amount separately.
  - An entity is required to present an analysis of expenses recognised in profit or loss using a classification based on either
    - their “nature” (i.e. “nature of expense method”) or
    - their “function” (i.e. “function of expense method”) within the entity, whichever provides information that is reliable and more relevant.
  - An entity classifying expenses by function is required to disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

## 2. Statement of Comprehensive Income

### Example

Statement of changes in equity is illustrated in HKAS 1 as follows:

	Share capital	Retained earnings	Available- for-sale financial assets	Revaluation surplus	Total
Balance at 1 January 2006	\$ 600,000	\$118,100	\$ 1,600	\$ –	\$ 719,700
Changes in accounting policy	–	400	–	–	400
Restated balance	600,000	118,500	1,600	–	720,100
Changes in equity for 2006					
Dividends	–	(10,000)	–	–	(10,000)
Total comprehensive income for the year	–	53,200	16,000	1,600	70,800
Balance at 31 December 2006	600,000	161,700	17,600	1,600	780,900
Changes in equity for 2007					
Issue of share capital	50,000	–	–	–	50,000
Dividends	–	(15,000)	–	–	(15,000)
Total comprehensive income for the year	–	96,600	(14,400)	800	83,000
Transfer to retained earnings	–	200	–	(200)	–
Balance at 31 December 2007	650,000	243,500	3,200	2,200	898,900

## 3. Statement of Changes in Equity

Complete Set of Financial Statements

Previous title  
or changes

Statement of Changes in Equity for the period

No title change  
(but restructured)

## 3. Statement of Changes in Equity



Two-Statement  
Approach

Single Statement  
Approach

- HKAS 1 revised in 2007
  - revises the coverage and contents of the statement of changes in equity, and
  - clarified all changes in equity arising from transactions with owners in their capacity as owners to be presented in that statement and separately from non-owner changes in equity

Owner  
changes

Components of  
owner changes  
in equity

Statement of  
changes  
in equity

Statement of  
changes  
in equity

### 3. Statement of Changes in Equity

- HKAS 1 requires an entity to present the following items in its statement of changes in equity:
  1. total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest;
  2. for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with HKAS 8; and
  3. for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
    - a. profit or loss;
    - b. each item of other comprehensive income; and
    - c. transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

### 3. Statement of Changes in Equity

- An entity is also required to present, either in the statement of changes in equity or in the notes,
  - the amount of dividends recognised as distributions to owners during the period, and
  - the related amount per share.



# Statement of Cash Flows & Notes

## Complete Set of Financial Statements

Previous title  
or changes

Statement of Cash Flows for the period

Previous title: "Cash  
Flow Statement"

Notes

No title change

## 4. Statement of Cash Flows

- Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows.
- An entity is required to present a statement of cash flows and HKAS 7 sets out requirements for the presentation and disclosure of cash flow information.



## 5. Notes

- Notes of the financial statements are one of the integral parts of the financial statements.
- All HKFRSs requires certain information and details to be disclosed in the notes while HKAS 1 specifies the overall structure of the notes and some other minimum disclosures that are not listed in any specific HKFRS, including:
  - disclosure of accounting policies,
  - management judgements (apart from those involving estimations),
  - sources of estimation uncertainty,
  - capital disclosure, and
  - other disclosures.

## Today's Agenda

HKFRS 8 Operating Segments



## Background

- HKFRS 8 arises from the IASB's consideration of
  - FASB Statement No. 131 *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131 of United States) issued in 1997, compared with IAS 14 *Segment Reporting*, which is similar to HKAS 14.
- HKFRS 8 achieves convergence with the requirements of SFAS 131.
  - The wording of HKFRS 8 is the same as that of SFAS 131 except for changes necessary to make the terminology consistent with that in other HKFRSs.



## Agenda for HKFRS 8



1. Core Principle and Scope

2. Operating Segments

3. Reportable Segments

4. Disclosure

5. Measurement

6. Entity-Wide Disclosures

7. Transition and Effective Date

# 1. Core Principle and Scope

## Core Principle

- An entity shall disclose information to enable users of its financial statements to evaluate
  - the nature and financial effects of the business activities in which it engages and
  - the economic environments in which it operates.



# 1. Core Principle and Scope

## Scope

- HKFRS 8 applies to:
  - the separate or individual financial statements of an entity with listed debt and equity
  - the consolidated financial statements of a group with a parent with listed debt and equity
  - The segment information of an entity which chooses to follow HKFRS 8
- If a financial report contains both the parent's consolidated financial statements and separate financial statements,
  - segment information is required only in the consolidated financial statements.



## 2. Operating Segments

- An **operating segment** is a component of an entity:
  - a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
  - b) whose operating results are regularly reviewed by the entity's **chief operating decision maker** to
    - make decisions about resources to be allocated to the segment and
    - assess its performance, and
  - c) for which discrete financial information is available.

A business activity might have not yet earned any revenue

For example: CEO, COO, or a group of executive directors

Not necessary be geographical areas or products

**Operating Segments**



- Not every part of an entity is necessarily an operating segment or part of an operating segment, say corporate headquarter

## 2. Operating Segments

### Example

- The characteristics of an operating segment may apply to two or more overlapping sets of components for which managers are held responsible.
- That structure is sometimes referred to as a matrix form of organisation.

- In some entities,
  - some managers are responsible for different product and service lines worldwide,
  - whereas other managers are responsible for specific geographical areas.
- The chief operating decision maker regularly reviews the operating results of both sets of components, and financial information is available for both.
- In that situation, the entity shall determine which set of components constitutes the operating segments by reference to the core principle.

## 2. Operating Segments

### Case



#### Annual Report 2006

- IFRS 8 'Operating Segments' (IFRS 8), which replaces IAS 14 'Segment Reporting' (IAS 14), was issued on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2009.
- This standard specifies how an entity should report information about its **operating segments**,
  - based on information about the components of the entity that management uses to make operating decisions.
- HSBC currently presents two sets of **segments** in accordance with IAS 14,
  - one geographical and one based on customer groups, which reflect the way the businesses of the Group are managed.
- HSBC currently expects to adopt IFRS 8 with effect from 1 January 2009, and will accordingly present segmental information which reflects the operating segments used to make operating decisions at that time.

HKFRS 8

HKAS 14

## 2. Operating Segments

### Case



#### Interim Report 2009

- HKFRS 8 requires segment disclosure
  - to be based on the way the Group's chief operating decision maker regards and manages the Group,
  - with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters.
- This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related services.
- The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management.

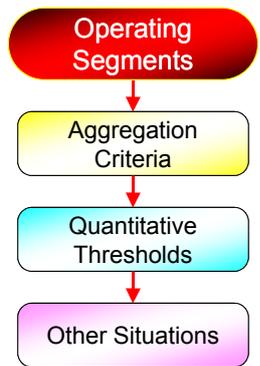
HKFRS 8

HKAS 14

### 3. Reporting Segments



#### Reportable Segment



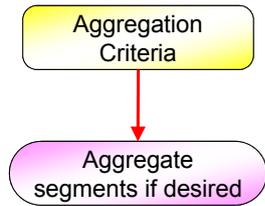
- An entity shall report separately information about each operating segment that
  - a) has been identified as operating segment or results from aggregating two or more of those segments under the aggregation criteria, and
  - b) exceeds the quantitative thresholds (“10% or more test”).
- There are also other situations in which separate information about an operating segment shall be reported.

### 3. Reporting Segments

- Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics.
  - For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar.

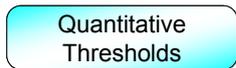


### 3. Reporting Segments



- Two or more operating segments may be aggregated into a single operating segment if
  - aggregation is consistent with the core principle of HKFRS 8,
  - the segments have similar economic characteristics, and
  - the segments are similar in each of the following respects:
    - a) the nature of the products and services;
    - b) the nature of the production processes;
    - c) the type or class of customer for their products and services;
    - d) the methods used to distribute their products or provide their services; and
    - e) if applicable, the nature of the regulatory environment, e.g., banking or public utilities.

### 3. Reporting Segments

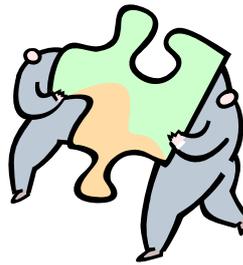


- An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds:
  - a) Its reported revenue (including both sales to external customers and intersegment sales or transfers) is 10% or more of the combined revenue (internal and external) of all operating segments.
  - b) The absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of
    - i) the combined reported profit of all operating segments that did not report a loss and
    - ii) the combined reported loss of all operating segments that reported a loss.
  - c) Its assets are 10% or more of the combined assets of all operating segments.

## 3. Reporting Segments

- Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed,
  - if management believes that information about the segment would be useful to users of the financial statements.

Quantitative  
Thresholds



## 3. Reporting Segments



Other Situations

### Combination of Segments

- An entity may combine information (combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds) to produce a reportable segment
  - only if the operating segments
    - have similar economic characteristics and
    - share a majority of the aggregation criteria.
- If the total external revenue reported by operating segments constitutes **less than 75%** of the entity's revenue,
  - additional operating segments shall be identified as reportable segments (even if they do not meet the quantitative thresholds) until at least 75% of the entity's revenue is included in reportable segments.

## 3. Reporting Segments



Other Situations

### Not Reportable Segments

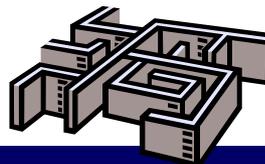
- Information about other business activities and operating segments that are not reportable
  - shall be combined and disclosed in an “all other segments” category separately from other reconciling items in the reconciliations required by HKFRS 8.28.
- The sources of the revenue included in the “all other segments” category shall be described.
- If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance,
  - information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability

## 3. Reporting Segments

Other Situations

### Restate Comparatives for New Segments

- If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds,
  - segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment,
    - even if that segment did not satisfy the criteria for reportability in the prior period,
    - unless the necessary information is not available and the cost to develop it would be excessive.

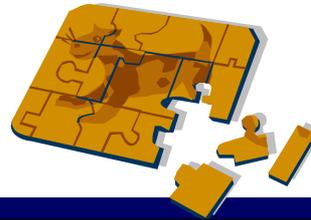


## 3. Reporting Segments

### Practical Limit in No. of Reportable Segments

- There may be a practical limit to the number of reportable segments that an entity separately discloses beyond which segment information may become too detailed.
- Although no precise limit has been determined, as the number of segments that are reportable in accordance HKFRS 8 increases above ten,
  - the entity should consider whether a practical limit has been reached.

Other Situations



## 4. Disclosure

- To give effect to the core principle, an entity shall disclose the following for each period for which an income statement is presented:
  - a) general information as described in HKFRS 8;
  - b) information about
    - reported segment profit or loss, including specified revenues and expenses included in reported segment profit or loss,
    - segment assets, and
    - the basis of measurement; and
  - c) reconciliations of the totals of
    - segment revenues,
    - reported segment profit or loss,
    - segment assets, and
    - other material segment itemsto corresponding entity amounts.



General Information

Other Information

Reconciliations

## 4. Disclosure – Reconciliations

- Reconciliations of balance sheet amounts for reportable segments
  - to the entity's balance sheet amounts are required for each date at which a balance sheet is presented.
- Previously reported information for prior periods shall be restated.



Reconciliations

## 4. Disclosure – General Information

- An entity shall disclose the following general information:
  - a) factors used to identify the entity's reportable segments, including the basis of organisation, for example,
    - whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and
    - whether operating segments have been aggregated, and
  - b) types of products and services from which each reportable segment derives its revenues.

General Information



## 4. Disclosure – General Information

### Example

#### Factors that management used to identify the entity's reportable segments

- Tony Corporation's reportable segments are strategic business units that offer different products and services.
  - They are managed separately because each business requires different technology and marketing strategies.
  - Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.



## 4. Disclosure – General Information

### Example

#### Description of the types of products and services from which each reportable segment derives its revenues

- Tony Corporation has five reportable segments: car parts, motor vessels, software, electronics and finance.
  - The car parts segment produces replacement parts for sale to car parts retailers.
  - The motor vessels segment produces small motor vessels to serve the offshore oil industry and similar businesses.
  - The software segment produces application software for sale to computer manufacturers and retailers.
  - The electronics segment produces integrated circuits and related products for sale to computer manufacturers.
  - The finance segment is responsible for portions of the company's financial operations including financing customer purchases of products from other segments and property lending operations.



## 4. Disclosure – Other Information

- An entity shall report a measure of profit or loss and total assets for each reportable segment.
- An entity shall report a measure of liabilities for each reportable segment if such an amount is regularly provided to the chief operating decision maker.

Other Information



## 4. Disclosure – Other Information

- An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:
  - a) revenues from external customers;
  - b) revenues from transactions with other operating segments of the same entity;
  - c) interest revenue;
  - d) interest expense;
  - e) depreciation and amortisation;
  - f) material items of income and expense disclosed in accordance with HKAS 1;
  - g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
  - h) income tax expense or income; and
  - i) material non-cash items other than depreciation and amortisation.

Other Information

## 4. Disclosure – Other Information

- An entity shall report interest revenue separately from interest expense for each reportable segment
  - unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment.
  - In that situation, an entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.

Other Information



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## 4. Disclosure – Other Information

- An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets:
  - a) the amount of investment in associates and joint ventures accounted for by the equity method, and
  - b) the amounts of additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets (see HKAS 19) and rights arising under insurance contracts.

Other Information



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## 5. Measurement

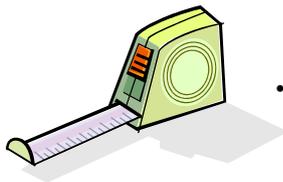
- The amount of each segment item reported shall be the measure reported to the chief operating decision maker
  - for the purposes of making decisions about allocating resources to the segment and assessing its performance.



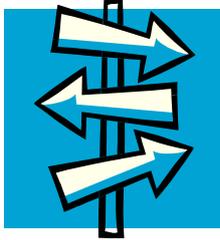
- Compared with HKAS 14,
  - HKAS 14 required segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity.
  - HKAS 14 defines segment revenue, segment expense, segment result, segment assets and segment liabilities
  - HKFRS 8 does not define these terms but requires an explanation of how segment profit or loss, segment assets and segment liabilities are measured for each reportable segment.

## 5. Measurement

- Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues, expenses, and gains or losses shall be included in determining reported segment profit or loss only if
  - they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker.
- Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by the chief operating decision maker shall be reported for that segment.
- If amounts are allocated to reported segment profit or loss, assets or liabilities, those amounts shall be allocated on a reasonable basis.



## 5. Measurement



- If the chief operating decision maker uses only one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources,
  - segment profit or loss, assets and liabilities shall be reported at those measures.
- If the chief operating decision maker uses more than one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities,
  - the reported measures shall be those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

## 5. Measurement



- An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment.
- At a minimum, an entity shall disclose the following:
  - i) the basis of accounting.
  - ii) the nature of any differences (if not apparent from the reconciliations) between
    - the measurements of the reportable segments' profits or losses, assets and liabilities, and
    - the entity's profits or losses, assets and liabilities (in the financial statements).
  - iii) the nature of any changes from prior periods in the measurement methods.
  - iv) the nature and effect of any asymmetrical allocations to reportable segments.

## 5. Measurement

### Example

#### Measurement of operating segment profit or loss, assets and liabilities

- The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies
  - except that pension expense for each operating segment is recognised and measured on the basis of cash payments to the pension plan.
- Tony Corporation evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses.
- Tony Corporation accounts for intersegment sales and transfers as if the sales or transfers were to third parties, ie at current market prices.

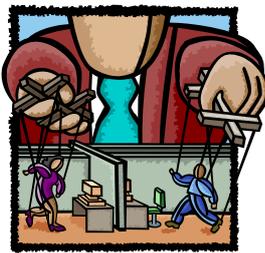
## 5. Measurement – Reconciliations

- An entity shall provide reconciliations of all of the following:
  - a) the total of the reportable segments' revenues to the entity's revenue.
  - b) the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations.
  - c) the total of the reportable segments' assets to the entity's assets
  - d) the total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported in accordance with HKFRS 8.23.
  - e) the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.
- All material reconciling items shall be separately identified and described.



## 5. Measurement – Reconciliations

- If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change,
  - the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive (for each individual item of disclosure)
- Following a change in the composition of its reportable segments,
  - an entity shall disclose whether it has restated the corresponding items of segment information for earlier periods.



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## 5. Measurement – Reconciliations

- If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change,
  - the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.



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## 6. Entity-Wide Disclosures

- All entities subject to HKFRS 8, including those that have a single reportable segment, are also required to have certain entity-wide disclosures, including:
  - the revenues from external customers for each product and service, or each group of similar products and services
  - certain geographical information
  - information about the extent of its reliance on its major customers.

Products and Services

Geographical Areas

Major Customers



## 6. Entity-Wide – Product & Service

- An entity shall report the revenues from external customers for
  - each product and service, or
  - each group of similar products and services,unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed.
- The amounts of revenues reported shall be based on the financial information used to produce the entity's financial statements.

Products and Services



## 6. Entity-Wide – Geographical

- An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:
  - a) revenues from external customers
    - i) attributed to the entity's country of domicile and
    - ii) attributed to all foreign countries in total from which the entity derives revenues.
      - If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately.
      - An entity shall disclose the basis for attributing revenues from external customers to individual countries.

Geographical  
Areas



## 6. Entity-Wide – Geographical

- An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:
  - b) non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts
    - i) located in the entity's country of domicile and
    - ii) located in all foreign countries in total in which the entity holds assets.
      - If assets in an individual foreign country are material, those assets shall be disclosed separately.

Geographical  
Areas



## 6. Entity-Wide – Geographical

- The amounts reported shall be based on the financial information that is used to produce the entity's financial statements.
- If the necessary information is not available and the cost to develop it would be excessive, that fact shall be disclosed.
  - An entity may provide, in addition to the information required, subtotals of geographical information about groups of countries.

Geographical  
Areas



## 6. Entity-Wide – Major Customers

- An entity shall provide information about the extent of its reliance on its major customers.
- If revenues from transactions with a single external customer amount to 10% or more of an entity's revenues, the entity shall disclose
  - that fact,
  - the total amount of revenues from each such customer, and
  - the identity of the segment or segments reporting the revenues.

Major Customers



## 6. Entity-Wide – Major Customers

- The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer.
- For the purposes of HKFRS 8,
  - a group of entities known to a reporting entity to be under common control shall be considered a single customer, and
  - a government (national, state, provincial, territorial, local or foreign) and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

Major Customers



## 7. Transition and Effective Date

- An entity shall apply HKFRS 8 in its annual financial statements for periods beginning on or after 1 January 2009.
- Earlier application is permitted.
- If an entity applies this HKFRS in its financial statements for a period before 1 January 2009, it shall disclose that fact.
- Segment information for prior years that is reported as comparative information for the initial year of application shall be restated to conform to the requirements of this HKFRS, unless
  - the necessary information is not available and
  - the cost to develop it would be excessive.



# Today's Agenda

Amendments to HKAS 1 and HKFRS 8



# Improvement to HKFRS 2008



# Introduction



- **Annual Improvement Project**
  - A vehicle for making non-urgent but necessary amendments to IFRS (and consequentially HKFRSs)
  - Introduced by the IASB in 2007 and issued each year
  - 2008 Annual Improvement Project is the first one
- The project has two parts:
  - **Part I**
    - contains amendments that result in accounting changes for presentation, recognition or measurement purposes, with the IASB's rationale included in related Bases for Conclusions.
  - **Part II**
    - contains amendments that are terminology or editorial changes only, which the IASB expects to have no or minimal effect on accounting.

2008 Project has

24 Amendments to  
15 HKFRSs

11 Amendments to  
9 HKFRSs

# Part I: Summary

- HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- HKAS 1 Presentation of Financial Statements
- HKAS 16 Property, Plant and Equipment
- HKAS 19 Employee Benefits
- HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- HKAS 23 Borrowing Costs
- HKAS 27 Consolidated and Separate Financial Statements
- HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures
- HKAS 29 Financial Reporting in Hyperinflationary Economies
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets
- HKAS 39 Financial Instruments: Recognition and Measurement
- HKAS 40 Investment Property
- HKAS 41 Agriculture

# Amendments to HKAS 1

## HKAS 1 *Presentation of Financial Statements* (as revised in 2007)

- Previously, some considered that
  - HKAS 1.71 implied that financial liabilities classified as “held for trading” in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* are always required to be presented as current.
- The current amendment clarifies that :
  - The “held for trading” category in HKAS 39.9 is for measurement purposes and includes financial assets and liabilities that may not be held primarily for trading purposes.
  - In consequence, such financial assets and liabilities that may not be held primarily for trading purposes should be presented as current or non-current on the basis of its settlement date.
  - IASB thus removed the identified inconsistency by amending examples of current liabilities in HKAS 1.71.
  - The IASB also amended HKAS 1.68 in respect of current assets to remove a similar inconsistency.

Affect presentation only

# Amendments to HKAS 1

## Example

- A financial liability that is not held for trading purposes,
  - such as a derivative that is not a financial guarantee contract or a designated hedging instrument,
    - should be presented as current or non-current on the basis of its settlement date.
- For example, derivatives that
  - have a maturity of more than twelve months and
  - are expected to be held for more than twelve months after the reporting periodshould be presented as non-current assets or liabilities.

# Amendments to HKAS 1

## Transition and Effective Date

- An entity shall apply those amendments for annual periods beginning on or after 1 January 2009.
- Earlier application is permitted.
  - If an entity applies the amendments for an earlier period it shall disclose that fact.

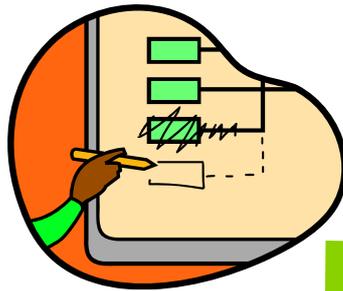
No specific transition stated

↓  
**Imply Retrospectively**

Comparatives should be reclassified



# Improvements to HKFRSs 2009



# Summary

## Amendments to

- HKFRS 2 Share-based Payment
- HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- HKFRS 8 Operating Segments
- HKAS 1 Presentation of Financial Statements
- HKAS 7 Statement of Cash Flows
- HKAS 17 Leases
- HKAS 18 Revenue
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets
- HKAS 39 Financial Instruments: Recognition and Measurement
- HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC)-Int 16 Hedges of a Net Investment in a Foreign Operation

# Amendments to HKFRS 8

## HKFRS 8 Operating Segments

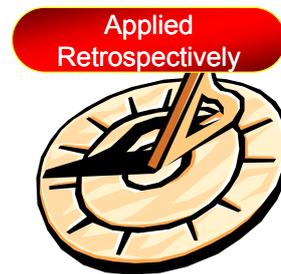
- The project amended HKFRS 8.23 as follows:
  - An entity shall report a measure of profit or loss ~~and total assets~~ for each reportable segment.
  - An entity shall report a measure of total assets and liabilities for each reportable segment if such an amount is regularly provided to the chief operating decision maker.
  - An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker even if not included in that measure of segment profit or loss .....

to clarify that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker

## Amendments to HKFRS 8

### Transition and Effective Date

- HKFRS 8.23 was amended by Improvements to HKFRSs issued in May 2009.
- An entity shall apply that amendment for annual periods beginning on or after 1 January 2010.
- Earlier application is permitted.
- If an entity applies the amendment for an earlier period it shall disclose that fact.
- Segment information for prior years that is reported as comparative information for the initial year of application (including application of the amendment to HKFRS 8.23 made in May 2009) shall be restated to conform to the requirements of this HKFRS, unless the necessary information is not available and the cost to develop it would be excessive.



## Amendments to HKAS 1

### HKAS 1 Presentation of Financial Statements

- An entity shall classify a liability as **current** when:
  - a) it expects to settle the liability in its normal operating cycle;
  - b) it holds the liability primarily for the purpose of trading;
  - c) The liability is due to be settled within 12 months after the reporting period; or
  - d) It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period (see HKAS 1.73).

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

*New requirements*

- All other liabilities shall be classified as **non-current**.



# Amendments to HKAS 1

## HKAS 1 Presentation of Financial Statements

- The IASB concluded that classifying the liability
  - on the basis of the requirements to transfer cash or other assets
  - rather than on settlement better reflects the liquidity and solvency position of an entity, andtherefore it decided to amend IAS 1 (HKAS 1) accordingly.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

*New requirements*

# Amendments to HKAS 1

## Transition and Effective Date

- HKAS 1.69 was amended by Improvements to HKFRSs issued in May 2009.
- An entity shall apply that amendment for annual periods beginning on or after 1 January 2010.
- Earlier application is permitted.
- If an entity applies the amendment for an earlier period it shall disclose that fact

No specific transition stated

↓  
Imply  
Retrospectively

Comparatives should be reclassified



# HKAS 1 and HKFRS 8

23 October 2009



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# HKAS 1 and HKFRS 8

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