

Annual Improvements to HKFRSs 2010-2012 Cycle

INTRODUCTION

Annual Improvements to HKFRSs 2010-2012 Cycle sets out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's ("IASB") annual improvements project to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in the form of a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned.

The amendments consist of 8 changes to 7 HKFRSs and are in general effective from 1 July 2014. Earlier application is permitted. If an entity applies any amendment for an earlier period, it shall disclose that fact. Specific effective dates and transitional requirements are set out in the following sections.

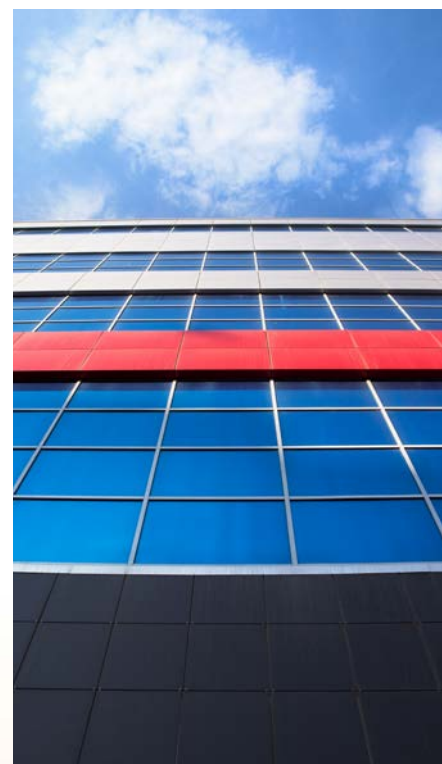
HKFRS 2 "Share-based Payment"

Definition of vesting condition

Previously, HKFRS 2 did not separately define performance condition and service condition, but instead described both concepts within the definition of vesting conditions. The amendment separates the definitions of performance condition and service condition from the definition of vesting condition to make the description of each condition clearer. In addition, the amendment also amends the definition of market condition.

The amendment has the following clarifications:

- A performance condition including a market condition requires the counterparty to complete a specified period of service (i.e. a service condition). The service requirement can be explicit or implicit.
- Performance conditions are either market conditions or non-market conditions.
- A performance target is defined by reference to:
 - (a) The entity's own operations (or activities) or the operations or activities of another entity in the same group (i.e. a non-market condition); or
 - (b) The price (or value) of the entity's equity instruments or the equity instruments of another entity in the same group (including shares and share options) (i.e. a market condition).



- A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.
- The period of achieving the performance targets shall not extend beyond the end of the service period but may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, it has failed to satisfy the service condition.



The Basis for Conclusions to HKFRS 2 also includes the following conclusions made by the IASB which are not incorporated in the standard itself:

- The link between the employee's service/performance against a given performance target is management's responsibility. Each employee has, in varying degrees, an influence over an entity's (or group's) overall performance, that is, over an entity's (or group's) own operations (or activities) or the price (or value) of its equity instruments. Consequently, it is decided to omit the requirement that the target "needs to be within the influence of the employee" to avoid further confusion.
- A share market index is a non-vesting condition because a share market index not only reflects the performance of an entity but, in addition, also reflects the performance of other entities outside the group. Even when the entity's share price makes up a substantial part of the share market index, the condition is still considered a non-vesting condition because it reflects the performance of other entities that are outside the group.
- The creation of a stand-alone definition of non-vesting condition would not be the best alternative for providing clarity on this issue. The concept of a non-vesting condition can be inferred from paragraphs BC170 to BC184 of IFRS 2, which clarify the definition of vesting conditions. It can be inferred that a non-vesting condition is any condition that is not a vesting condition. It is therefore decided not to add a definition of non-vesting condition.

The amendment is effective to share-based payment transactions for which the grant date is on or after 1 July 2014.

HKFRS 3 “Business Combinations”

Accounting for contingent consideration in a business combination



The amendment deletes the reference to “other applicable HKFRSs” in paragraph 40 of HKFRS 3 to clarify that the classification of an obligation to pay contingent consideration as a financial liability or as an equity instrument is based on HKAS 32 “Financial Instruments: Presentation”.

Previously, paragraph 58 of HKFRS 3 refers to HKFRS 9 “Financial Instruments” (or HKAS 39 “Financial Instruments: Recognition and Measurement”), HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or other HKFRSs as appropriate

for the subsequent measurement of contingent considerations, which may not require subsequent measurement at fair value.

The amendment requires all contingent consideration classified as an asset or a liability (whether they are financial instruments or not) to be subsequently measured at fair value at each reporting date and changes in fair value to be recognised in profit or loss.

Consequential amendments are also made to HKFRS 9, HKAS 37 and HKAS 39 to prohibit other subsequent measurement methods for contingent considerations.

The amendment is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

HKFRS 8 “Operating Segments”

Aggregation of operating segments

The amendment requires the disclosure of the judgements made by management in applying the aggregation criteria in aggregating operating segments. The disclosure includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

Reconciliation of the total of the reportable segments’ assets to the entity’s assets

The amendment clarifies that the reconciliation of the total of the reportable segments’ assets to the entity’s assets is required if the segment assets are regularly provided to the chief operating decision maker

The two amendments are effective retrospectively for annual periods beginning on or after 1 July 2014.

HKFRS 13 “Fair Value Measurement”

Short-term receivables and payables

The Basis for Conclusions to HKFRS 13 is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 do not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial.

This amendment only affects the Basis for Conclusions and is therefore effective immediately.

HKAS 16 “Property, Plant and Equipment” HKAS 38 “Intangible Assets”

Revaluation method – proportionate restatement of accumulated depreciation / mortisation

Paragraph 35(a) of HKAS 16 and paragraph 80(a) of HKAS 38 required that, when the gross carrying amount of an asset is revalued, the revalued accumulated depreciation/amortisation is restated proportionately with the change in the gross carrying amount. It is found that the restatement of the accumulated depreciation/amortisation is not always proportionate to the change in the gross carrying amount. Some might consider that the accumulated depreciation/amortisation and the gross carrying amount should always be restated proportionately. The difference between the amount required for a proportionate restatement and the actual restatement is treated as an accounting error in accordance with HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Paragraph 35(a) of HKAS 16 and paragraph 80(a) of HKAS 38 are amended to clarify that the carrying amount of the revalued asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for all revaluations recognised in annual periods beginning on or after 1 July 2014 and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.

HKAS 24 “Related Party Disclosures”

Key management personnel

The amendment extends the definition of related party of a reporting entity to include an entity, or any member of a group of which it is a part, that provides key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity.

It is required to disclose the amounts incurred by the entity for the provision of key management personnel services provided by the management entity. However, it is not required to disclose the compensation paid or payable by the management entity to the management entity’s employees or directors.

The amendment is effective retrospectively for annual periods beginning on or after 1 July 2014.



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