

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Introduction

HKAS 28 “Investments in Associates and Joint Ventures” requires that, if an entity’s share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity’s net investment in the associate or joint venture. There is a question about whether the long-term interests are within the scope of HKFRS 9 “Financial Instruments” and, if so, whether the impairment requirements in HKFRS 9 apply to such long-term interests.



Effective Date

An entity shall apply the Amendments for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Summary of Amendments

It is concluded that with respect to interests in an associate or joint venture, paragraph 2.1(a) of HKFRS 9 excludes from the scope of HKFRS 9 only interests to which the equity method is applied. Accordingly, the scope exclusion of HKFRS 9 does not include such long-term interests.

The Amendments clarify that an entity also applies HKFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies HKFRS 9 to such long-term interests before it applies requirements of HKAS 28. In applying HKFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying HKAS 28.

The Amendments also include an example that illustrates how entities apply the requirements in HKAS 28 and HKFRS 9 with respect to such long-term interests.



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