

Amendments to HKAS 7 – *Disclosure Initiative*

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MAIN FEATURES

- The amendments are issued with the aim to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- There is no specific format for the required information to be complied with the amendments. However, the amendments provide some examples for demonstrating the newly disclosure requirements under amendments to Hong Kong Accounting Standard (“HKAS”) 7.
- When the amendments are firstly to be applied, no comparative information for preceding periods is required.
- Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

Background

In January 2016, the International Accounting Standards Board (“IASB”) has issued amendments to International Accounting Standard 7 in order to address the requests from users of financial statements that there is a need for improved disclosures about an entity’s debt, including changes in debt during the reporting period. These amendments are considered to be part of the IASB’s *Disclosure Initiative* project.

Subsequently in June 2016, the Hong Kong Institute of Certified Public Accountants also issued the same amendments, *Amendments to HKAS 7 – Disclosure Initiative*, so as to maintain the convergence with International Financial Reporting Standards.

What are the major content of the amendments?

The following table summarised the contents of the amendments:

Objective	<ul style="list-style-type: none"> To provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities¹, including both changes arising from cash flows and non-cash changes.
Scope	<ul style="list-style-type: none"> Apply to liabilities arising from financing activities. Apply to financial assets that cash flows from these financial assets were, or future cash flows will be, included in cash flows from financing activities, e.g. assets that hedge liabilities from financing activities.
Additional disclosures required	<ul style="list-style-type: none"> An entity shall disclose the following changes in liabilities arising from financing activities: <ol style="list-style-type: none"> changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.
Format of the disclosures	<ul style="list-style-type: none"> Not specified The amendments suggest one way to fulfil the disclosure requirement is by providing a reconciliation between opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes mentioned in “additional disclosures required” above. The entity shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flow. If the entity provides the additional disclosure required by the Amendments to HKAS 7 in combination with disclosures of changes in other assets and liabilities, the changes in liabilities arising from financing activities have to be disclosed separately from changes in other assets and liabilities.

¹ Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

When will these amendments become effective?

The Amendments to HKAS 7 will become effective for financial statements with annual periods beginning on or after 1 January 2017. Earlier application is permitted.

If an entity first applies these amendments, it is not required to provide comparative information for the preceding periods.

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