

Annual Improvements to HKFRSs 2015-2017 Cycle

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Background

The International Accounting Standards Board (the “IASB”) issued *Annual Improvements to International Financial Reporting Standards (“IFRSs”) 2015-2017 Cycle* in December 2017. The Hong Kong Institute of Certified Public Accountants issued *Annual Improvements to Hong Kong Financial Reporting Standards (“HKFRSs”) 2015-2017 Cycle*, to incorporate the same amendments in February 2018.

Annual Improvements to HKFRSs 2015-2017 Cycle deal with the minor amendments to HKFRSs and contain interpretations which are minor or narrow in scope.

Summary

The following table lists the HKFRSs and topics addressed by *Annual Improvements to HKFRSs 2015-2017 Cycle*:

Standard	Subject of amendment	Effective date
HKFRS 3 <i>Business Combinations</i>	Previously held interest in a joint operation	1 January 2019
HKFRS 11 <i>Joint Arrangements</i>		
HKAS 12 <i>Incomes Taxes</i>	Income tax consequences of payments on financial instruments classified as equity	
HKAS 23 <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation	

What are the major contents of the annual improvements?

HKFRS 3 Business Combinations

When a party to a joint arrangement obtains control of a business that is a joint operation, the acquirer is required to remeasure the entire previously held interest in that joint operation at fair value at the date of acquisition.

The amendments shall be applied for which the acquisition date is on or after the annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

HKFRS 11 Joint Arrangements

When a party that participates in, but does not have joint control of a joint operation, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in HKFRS 3, the previously held interests in the joint operation are not remeasured.

The amendments shall be applied for which the date of obtaining joint control is on or after the annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

HKAS 12 Income Taxes

Paragraph 57A is added to clarify the uncertainty of income tax consequences of dividends when the entity recognises a liability to pay a dividend. Income tax consequences of dividends shall be recognised in profit or loss, other comprehensive income or equity to where the related past transactions or events that generated distributable profits originally recognised.

The amendments shall be applied for annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

HKAS 23 Borrowing Costs

If a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, weighted average of the borrowing costs should be applied to all borrowings.

The amendments shall be applied for annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. The amendments apply only to borrowing costs incurred on or after the date the entity first applies the amendments.

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