

Weekly HKFRS/IFRS Q&As – Q&A # 4

February 2014

Since January 2014, we started to publish weekly HKFRS/IFRS Q&As that aim to help you deal with the application issues during the busy financial reporting season. Weekly HKFRS/IFRS Q&As will be issued **each Friday**. Here is the link to the previous Q&As <http://www.iasplus.com/en/tag-types/hong-kong/qa>.



As always, if you have any questions on application of HKFRS/IFRS, please contact us.

Q&A#4 – Providing the new disclosures required by HKFRS 12

Background

HKFRS 12 *Disclosure of Interests in Other Entities* is a new Standard that prescribes what an entity needs to disclose in its consolidated financial statements when it has investments in subsidiaries, associates, joint arrangements and structured entities which it does not have control. For your information, HKFRS 12 was issued as one of the package of five standards on consolidation, joint arrangements and disclosures that became mandatorily effective for the first time for 2013 financial year.

HKFRS 12 requires *extensive* disclosures. This week, we would like to share with you some common practical examples on application of HKFRS 12. HKFRS 12 is identical to IFRS 12 – accordingly, the references to accounting standards below refer to HKFRSs only.

Example 1

Disclosure requirement under HKFRS 12:

HKFRS 12 requires some new disclosures where a reporting entity has *material* associates or joint arrangements. Specifically, HKFRS 12.21(b), B12 and B13 require that, for each material joint venture or associate, the reporting entity needs to disclose the summarised financial information about each material joint venture or associate in the notes to the financial statements (see HKFRS 12.B12 and B13 for details regarding what constitutes 'summarised financial information').

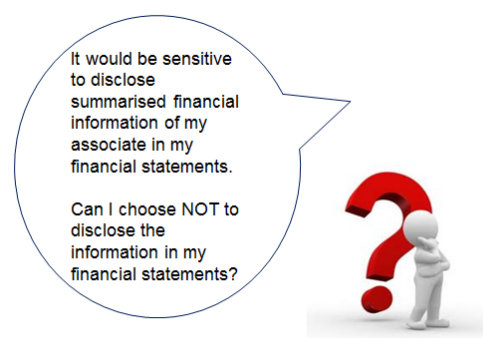
Facts:

Entity P has many associates, one of which, Entity Q, is material to the Group. Entity Q has the same financial year as Entity P. Both Entity P and Entity Q are listed companies in Country A where the applicable listing rules require entities to provide shareholders with a full set of annual financial statements within a certain period of time after the end of the financial period.

For financial year 2013, Entity P's timetable for publishing its full set of annual financial statements is early March 2014 whilst Entity Q's timetable for publishing its full set of annual financial statements is late March 2014.

Entity P is aware of the disclosure requirement set out in HKFRS 12.21(b) (i.e. the requirement to disclose summarised financial information of each material associate in the notes to its financial statements). However, Entity P believes that it is not appropriate to disclose the summarised financial information of Entity Q in its financial statements for the year ended 31 December 2013 (that will be published in early March 2014) on the basis that the results and financial position of Entity Q would only be available to the public in late March 2014.

Question: Is it appropriate for Entity P not to disclose the summarised financial information of Entity Q in its notes to the financial statements for the year ended 31 December 2013 on the basis that the results and financial position of Entity Q would only be available to the public after Entity P publishes its annual financial statements?



Response:

No. HKFRS 12 does not give any exception or exemption to the disclosure requirement on this aspect. Accordingly, Entity P is still required to include the summarised financial information of Entity Q in the notes to its financial statements. To address the issue about the appropriateness of disclosing results and other financial information of the listed associate which have not yet been published, Entity P and Entity Q should determine what necessary arrangements should be undertaken, for example, whether Entity Q should publish an announcement that would include at least the summarised financial information to be included in Entity P's annual financial statements before or at the same time that Entity P publishes its annual financial statements.

Example 2

Disclosure requirement under HKFRS 12:

As stated in Example 1, HKFRS 12.21(b), B12 and B13 require that, for each material joint venture or associate, the reporting entity needs to disclose the summarised financial information about each material joint venture or associate in the notes to the financial statements.

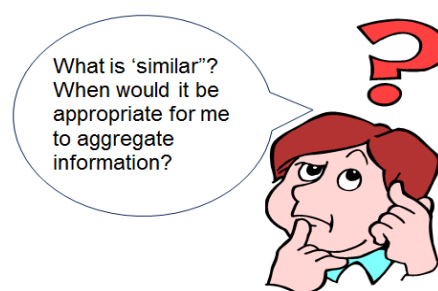
HKFRS 12.B3 states that an entity may aggregate the disclosures required by HKFRS 12 for interests in *similar* entities if aggregation is consistent with the disclosure objective and the requirement in HKFRS 12.B4, and does not obscure the information provided.

HKFRS 12.B4 requires information to be disclosed separately for interests in a) subsidiaries, b) joint ventures, c) joint operations, d) associates and e) unconsolidated structured entities.

Facts:

Entity A has 3 associates, each of them is considered material to the Group. Entity A is aware of the requirement set out in HKFRS 12.B12 that requires summarised financial information of each material associate to be disclosed in the notes to the financial statements. Entity A is also aware of the guidance set out in HKFRS 12.B3 that says that interests in 'similar' entities may be aggregated for disclosure purposes.

Questions: When investees are considered 'similar'? When would it be appropriate for Entity A to disclose the aggregate summarised financial information of the 3 material associates (rather than separate disclosure for each material associate)?



Response:

HKFRS 12.B5 states that, in determining whether to aggregate information, an entity should focus on the different *risks and returns of its investees*. Therefore, when an entity determines whether investees are 'similar', it should focus on the nature and risks associated with the investees – this is also consistent with the objective set out in HKFRS 12.1.

Below are 2 examples.

<p><u>Example 1</u></p> <p>The 3 associates are all engaged in property development projects. One associate was set up to build residential properties in Chongqing, China. Another associate was set up to build residential properties in Shanghai, China. And a third associate was set up to build residential properties in Hong Kong, China.</p>	<p>Although the 3 associates are all engaged in property development projects, the risks exposed by each associate are different as these associates operate in different economic environments. Accordingly, it would not be appropriate to aggregate the summarised financial information of each associate. Instead, to satisfy the requirement in HKFRS 12.B12, the summarised financial information of each associate should be disclosed.</p>
<p><u>Example 2</u></p> <p>Same facts as Example 1 except that the 3 associates are all engaged in residential property development projects in Chongqing, China.</p>	<p>It is not appropriate for Entity A to conclude that it can aggregate the 3 associates' financial information for disclosure purposes without understanding in details the nature of the risks and returns of each associate. If these 3 associates are engaged in developing different types of properties (e.g. high-end residential properties vs mass market residential properties), it is still not appropriate to aggregate the information as these associates are exposed to different risks and returns. However, if facts and circumstances are different such that the 3 associates are engaged in developing similar types of residential properties in similar locations, it may be appropriate to aggregate information for disclosure purposes, assuming the nature and amounts of the other assets and liabilities are similar amongst these associates. And if information is aggregated, HKFRS 12.B3 requires the reporting entity to disclose how it has aggregated its interests in similar entities.</p>

Example 3

Disclosure requirement under HKFRS 12:

HKFRS 12.12 requires some new disclosures where a reporting entity has subsidiaries that have *material* non-controlling interest (NCI). In particular, HKFRS 12.12(g) and B10 require disclosure of summarised financial information for each of these subsidiaries in the notes to the consolidated financial statements, including but not limited to information about assets, liabilities, revenue, profit or loss, total comprehensive income and cash flows of that subsidiary.

Facts:

Entity A has a number of subsidiaries, one of which is a non-wholly subsidiary, say Subsidiary B. Entity A is preparing its annual consolidated financial statements for the year ended 31 December 2013.

In performing its analysis as to whether the NCI of Subsidiary B is material to the Group, Entity A noted the followings:

- a) profit attributable to the NCI for the year ended 31 December 2013 amounted to 20% of the profit of the Group; and
- b) net assets attributable to the NCI as at 31 December 2013 amounted to only 1% of the net assets of the Group.

With the above financial information, Entity A believes that the profit attributable to the NCI of Subsidiary B is material to the Group whilst the net assets attributable to the NCI of Subsidiary B are not material to the Group. For this reason, Entity A believes that it is appropriate to disclose only the summarised financial information relating to profit or loss of Subsidiary B, with a statement of fact that the assets and liabilities of Subsidiary B attributable to its NCI and cash flows attributable to the NCI are not material to the Group.

Question: Does the above disclosure suggested by Entity A meet the disclosure requirements of HKFRS 12.12(g) and B10?

Response:

Paragraphs BC26 – BC 28 of the Basis for Conclusions accompanying HKFRS 12 explain that the reason why standard setters require disclosure of summarised financial information of a non-wholly owned subsidiary (that has material NCI to a reporting entity) is to help users of financial statements understand the profit or loss and cash flows attributable to the shareholders of the parent and the amount attributable to non-controlling shareholders, and hence to help users predict how future profits and cash flows will be distributed among the shareholders of the parent entity and the other parties with claims against the subsidiary, including the NCI.

Paragraph BC 28 also states that a request to ask preparers to give information about subsidiaries that only have immaterial NCIs would be onerous without any significant benefits to the users of the financial statements.

With such a basis, it would not be unreasonable for Entity A to disclose only the summarised financial information about the profit or loss of Subsidiary B, with a statement of fact stating that the assets and liabilities and the cash flows attributable to the NCI of the subsidiary are not material to the Group.

Contact us:

If you have any questions on the subject matters discussed above, please feel free to contact us.

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HKFRS/IFRS 每周问答 - Q & A # 4

2014年2月

我们自2014年1月起开始发布香港财务报告准则/国际财务报告准则(HKFRS/IFRS)每周问答,以协助您在报告忙季中处理相关应用问题。HKFRS/IFRS每周问答将于每周五发布。请点击<http://www.iasplus.com/en/tag-types/hong-kong/qa>参阅以前发布的每周问答。

如同往常一样,如您对HKFRS/IFRS的应用有任何疑问,请与我们联系。



Q&A#4 – 满足 HKFRS 12 要求的新披露

背景

《香港财务报告准则第12号——在其他主体中权益的披露》(HKFRS 12)是一项新准则,其规范了当主体拥有其子公司、联营企业、合营安排和不具有控制权结构化主体中的投资时,需要在其合并财务报表中提供的披露。谨此提醒, HKFRS 12 是作为有关合并、合营安排和披露的“一套五项”准则之一发布,并对2013财务年度首次强制生效。

HKFRS 12 要求提供广泛的披露。在本周,我们希望与您分享若干在实务中常见的涉及 HKFRS 12 应用的示例。HKFRS 12 与 IFRS 12 完全相同 – 因此,下文的会计准则索引仅提及 HKFRS。

示例 1

HKFRS 12 的披露要求：

HKFRS 12 规定了当报告主体拥有**重要**联营企业或合营安排时须提供的某些新披露。特别是，HKFRS 12.21(b)、B12 和 B13 要求，对于每一个重要的合营企业或联营企业，报告主体需要在财务报表附注中披露关于每一个重要合营企业或联营企业的财务信息概要（有关构成“财务信息概要”具体项目，请参见 HKFRS 12.B12 和 B13）。

有关事实：

P 主体拥有许多联营企业，其中 Q 主体为对集团而言重要的联营企业。Q 主体与 P 主体具有相同的财务年度截止日。P 主体与 Q 主体均为 A 国的上市公司，该国适用的上市规则规定，主体必须在财务年度末之后的特定期间内向股东提供完整一套年度财务报表。

对于 2013 财务年度，P 主体发布其完整一套年度财务报表的时间表为 2014 年 3 月初，而 Q 主体发布其完整一套年度财务报表的时间表则为 2014 年 3 月底。

P 主体了解 HKFRS 12.21(b)所述的披露要求（即，须在其财务报表附注中披露每一个重要联营企业的财务信息概要的要求）。但是，P 主体认为在其截至 2013 年 12 月 31 日止的财务报表（将于 2014 年 3 月初发布）中披露 Q 主体的财务信息概要是不恰当的，因为 Q 主体的经营成果和财务状况仅在 2014 年 3 月底才向公众公布。

问题：P 主体以 Q 主体的经营成果和财务状况仅在 Q 主体财务报表发布后才向公众公布为由，不在其截至 2013 年 12 月 31 日止的财务报表附注中披露 Q 主体的财务信息概要，这样做是否恰当？

在财务报表中披露联营企业的财务信息概要将极具敏感性。

我是否可以选择不在此类信息中披露此类信息？



回答：

否。HKFRS 12 并未就该情形规定任何例外情况或豁免。据此，P 主体仍然必须将 Q 主体的财务信息概要纳入其财务报表附注。为解决披露尚未公布的上市联营企业经营成果及其他财务信息的适当性问题，P 主体和 Q 主体应当确定须采取的 necessary 安排，例如，Q 主体是否应当在 P 主体发布其年度财务报表之前或同一时间发布一项公告，该公告至少包括拟纳入 P 主体年度财务报表的财务信息概要。

示例 2

HKFRS 12 的披露要求：

如示例 1 所述，HKFRS 12.21(b)、B12 和 B13 要求，对于每一个重要的合营企业或联营企业，报告主体需要在财务报表附注中披露关于每一个重要合营企业或联营企业的财务信息概要。

HKFRS 12.B3 规定，对于在**相似**主体中的权益，主体可以汇总披露 HKFRS 12 要求的信息，只要这种汇总披露与 HKFRS 12.B4 的披露目标和要求一致，并且不会导致信息模糊。

HKFRS 12.B4 要求分别披露在下列各项中的权益的信息：a) 子公司，b) 合营企业，c) 共同经营，d) 联营企业，及 e) 未合并的结构化主体。

有关事实：

A 主体拥有 3 个联营企业，每一个均被视为对集团而言重要。A 主体了解 HKFRS 12.B12 所述的须在财务报表附注中披露每一个重要联营企业的财务信息概要的要求。A 主体同时了解 HKFRS 12.B3 所述的针对“相似”主体中的权益可以汇总进行披露的指引。

问题：被投资者何时被视为“相似”？在何种情形下 A 主体汇总披露 3 个重要联营企业的财务信息概要（而非单独披露每一个重要联营企业的信息）是恰当的？



回答：

HKFRS 12.B5 规定，在确定是否汇总有关信息时，主体应当着重关注**其被投资者的不同风险和回报**。因此，在主体确定被投资者是否“相似”时，应着重关注与被投资者相关的风险的性质 – 这同时与 HKFRS 12.1 所述的目标相一致。

请参见下述两个例子。

<p>例1</p> <p>3个联营企业均从事房地产开发项目。其中一个联营企业的设立目的为在中国重庆建造住宅物业；另一个联营企业的设立目的为在中国上海建造住宅物业；而第三个联营企业的设立目的为在中国香港建造住宅物业。</p>	<p>尽管该3个联营企业均从事房地产开发项目，但每一个联营企业所面临的风险并不相同，因为这些联营企业在不同的经济环境中经营。</p> <p>据此，汇总每一个联营企业的财务信息概要并不恰当。取而代之的是，为符合HKFRS 12.B12的要求，应当单独披露每一个联营企业的财务信息概要。</p>
<p>例2</p> <p>有关事实与例1相同，但3个联营企业均在中国重庆从事住宅物业开发项目。</p>	<p>在未详细了解每一个联营企业的风险性质和回报之前，A主体得出其能够汇总披露该3个联营企业财务信息的结论是不恰当的。如果该3个联营企业从事不同类型的物业开发（如，高端住宅物业与大众市场住宅物业），由于这些联营企业面临不同的风险和回报，因此汇总披露有关信息仍然是不恰当的。然而，若有关事实和情况有所不同，从而3个联营企业均在类似地点从事相似类型住宅物业的开发，假设这些联营企业的其他资产和负债的性质和金额均类似，则汇总披露有关信息可能是恰当的。此外，若进行汇总披露，HKFRS 12.B3要求报告主体披露汇总其在相似主体中的权益的方式。</p>

示例 3

HKFRS 12 的披露要求：

HKFRS 12.12 规定了当报告主体拥有**重要**非控制性权益的子公司时须提供某些新披露。特别是，HKFRS 12.12(g)和 B10 要求，须在合并财务报表附注中披露关于每一个此类子公司的财务信息概要，包括但不限于有关子公司资产、负债、收入、损益、综合收益总额和现金流量的信息。

有关事实：

A 主体拥有若干子公司，其中一家为非全资子公司（B 子公司）。A 主体正在编制截至 2013 年 12 月 31 日止的年度合并财务报表。

在分析 B 子公司的非控制性权益对集团而言是否重要时，A 主体留意到下列事项：

- a) 截至 2013 年 12 月 31 日止年度归属于非控制性权益的利润占集团利润的 20%；以及
- b) 2013 年 12 月 31 日归属于非控制性权益的净资产仅占集团净资产的 1%。

基于上述财务信息，A 主体认为归属于 B 子公司非控制性权益的利润对集团而言是重要的，而归属于 B 子公司非控制性权益的净资产则对集团并不重要。鉴于此，A 主体认为仅披露有关 B 子公司损益的财务信息概要，并同时列明归属于 B 子公司非控制性权益的资产和负债及归属于非控制性权益的现金流量对集团而言并不重要的事实是恰当的。

问题：A 主体拟提供的上述披露是否符合 HKFRS 12.12(g)和 B10 的披露要求？

回答：

随同 HKFRS 12 发布的结论基础 BC26 – BC 28 段阐述了准则制定机构要求披露（拥有对报告主体而言重要的非控制性权益的）非全资子公司财务信息概要的原因在于，协助财务报表使用者了解分别归属于母公司股东和非控制性权益股东的损益和现金流量，从而有助于财务报表使用者预测未来利润和现金流量在母公司主体股东与持有子公司权益的其他方（包括非控制性权益）之间的分配。BC28 段同时指出，要求披露仅拥有非重要非控制性权益的子公司信息对于财务报表编制者而言任务繁重，且对财务报表使用者而言效益不大。

基于上述理由，A 主体仅披露有关 B 子公司损益的财务信息概要，并同时列明归属于 B 子公司非控制性权益的资产和负债及现金流量对集团而言并不重要的事实不是不合理的。

联系我们：

若您对上述有关问题有任何疑问，请尽管联系我们。

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