

## **Technical Note 05/2008 – Sample Note on Basis of Preparation for Financial Statements for the Year ended 30 September 2008**

### Part I: Financial statements prepared in accordance with HKFRSs

Financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) up to Update No. 53 are set out in Appendix I of this Technical Note.

For a reporting entity with a “September” year end, when it prepared its financial statements for the year ended 30 September 2007, it should have already applied all financial reporting standards in issue as at that date, other than those effective for an annual period beginning after 1 October 2006.

Therefore, when the reporting entity prepares its financial statements for the year ended 30 September 2008, it should initially apply financial reporting standards that are effective for an annual period beginning on a date falling between 2 October 2006 and 1 October 2007, both dates inclusive.

The financial reporting standards newly applicable to financial statements for the year ended 30 September 2008 include the following:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1	Presentation of Financial Statements, Paragraphs 124A to 124C
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

Refer to TN 02/2007 for the principal requirements of these new standards and their possible effects on initial application.

Sample disclosures of the basis of preparation to disclose the initial application of these standards in financial statements for the year ended 30 September 2008 are as follows:

## 2. BASIS OF PREPARATION

### (a) Compliance with Hong Kong Financial Reporting Standards

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

### (b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the company initially applied the following Hong Kong Financial Reporting Standards:

HKAS 1	Presentation of Financial Statements, Paragraphs 124A to 124C
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the company's accounting policies or retrospective adjustments of the comparatives presented.

### (c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 30 September 2008 have not been applied in the preparation of the company's financial statements for the year ended 30 September 2008 since they were not yet effective for the annual period beginning on 1 October 2007:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The company is required to initially apply HK(IFRIC)-Int 12, HK(IFRIC)-Int 13, HK(IFRIC)-Int 14 and HK(IFRIC)-Int 16 in its annual financial statements beginning on 1 October 2008, and to initially apply HKAS 1(Revised), HKAS 23 (Revised), HKAS 27 (Revised), HKFRS 3 (Revised), HKFRS 8, amendments to HKAS 32 and HKAS 1, amendments to HKFRS 2, and HK(IFRIC)-Int 15 in its annual financial statements beginning on 1 October 2009.

## Part II: Financial statements prepared in accordance with IFRSs

Financial reporting standards issued by the International Accounting Standard Board (“IASB”) up to 30 September 2008 are set out in Appendix II of this Technical Note.

In addition to those IFRSs that have already been adopted by HKICPA as HKFRSs on 30 September 2008, the following amendments have been issued by IASB:

- Amendments to IFRS 1 and IAS 27 – “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”;
  
- Amendments to IAS 39 – “Eligible Hedged Items”

Amendments to IFRS 1 and IAS 27 are effective for annual periods beginning on or after 1 January 2009.

Amendments to IAS 39 are effective for annual periods beginning on or after 1 July 2009.

Sample disclosures of the basis of preparation to disclose the initial application of these standards in financial statements for the year ended 30 September 2008 are as follows:

### **2. BASIS OF PREPARATION**

#### (a) Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (hereinafter collectively referred to as “International Financial Reporting Standards”).

#### (b) Initial application of International Financial Reporting Standards

In the current year, the company initially applied the following International Financial Reporting Standards:

IAS 1	Presentation of Financial Statements, Paragraphs 124A to 124C
IFRS 7	Financial Instruments: Disclosures
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions

The initial application of these International Financial Reporting Standards does not necessitate material changes in the company's accounting policies or retrospective adjustments of the comparatives presented.

(c) International Financial Reporting Standards in issue but not yet effective

The following International Financial Reporting Standards in issue at 30 September 2008 have not been applied in the preparation of the company's financial statements for the year ended 30 September 2008 since they were not yet effective for the annual period beginning on 1 October 2007:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to IAS 39	Eligible Hedged Items
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC) 15	Agreements for the Construction of Real Estate
IFRIC) 16	Hedges of a Net Investment in a Foreign Operation

The company is required to initially apply IFRIC-Int 12, IFRIC-Int 13, IFRIC-Int 14 and IFRIC 16 in its annual financial statements beginning on 1 October 2008, and to initially apply IAS 1(Revised), IAS 23 (Revised), IAS 27 (Revised), IFRS 3 (Revised), IFRS 8, amendments to IAS 32 and IAS 1, amendments to IFRS 1 and IAS 27, amendments to IFRS 2 and amendments to IAS 39 in its annual financial statements beginning on 1 October 2009.

## Appendix I – Issue date and effective date of HKFRSs at 30 June 2008

		Issued in	Effective*	
HKAS 01	Presentation of Financial Statements	Mar 2004	1 Jan 2005	
HKAS 01	Presentation of Financial Statements - Para. 124A to 124C	Sep 2005	1 Jan 2007	N
HKAS 01 (Revised)	Presentation of Financial Statements	Dec 2007	1 Jan 2009	X
HKAS 01 (Revised)	Amendments - Puttable Financial Instruments and Obligations Arising on Liquidation	Jun 2008	1 Jan 2009	X
HKAS 02	Inventories	Mar 2004	1 Jan 2005	
HKAS 07	Cash Flow Statements	Dec 2004	1 Jan 2005	
HKAS 08	Accounting Policies, Changes in Accounting Estimates and Errors	Mar 2004	1 Jan 2005	
HKAS 10	Events After the Balance Sheet Date	Mar 2004	1 Jan 2005	
HKAS 11	Construction Contracts	Oct 2004	1 Jan 2005	
HKAS 12	Income Taxes	Nov 2004	1 Jan 2005	
HKAS 14	Segment Reporting	Nov 2004	1 Jan 2005	
HKAS 16	Property, Plant and Equipment	Mar 2004	1 Jan 2005	
HKAS 17	Leases	Dec 2004	1 Jan 2005	
HKAS 18	Revenue	Nov 2004	1 Jan 2005	
HKAS 19	Employee Benefits	Dec 2004	1 Jan 2005	
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Dec 2004	1 Jan 2005	
HKAS 21	The Effects of Changes in Foreign Exchange Rates	Mar 2004	1 Jan 2005	
HKAS 23	Borrowing Costs	Dec 2004	1 Jan 2005	
HKAS 23 (Revised)	Borrowing Costs	Jun 2007	1 Jan 2009	X
HKAS 24	Related Party Disclosures	Dec 2004	1 Jan 2005	
HKAS 26	Accounting and Reporting by Retirement Benefit Plans	Aug 2004	1 Jan 2005	
HKAS 27	Consolidated and Separate Financial Statements	Mar 2004	1 Jan 2005	
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	Mar 2008	1 Jul 2009	X
HKAS 28	Investments in Associates	Mar 2004	1 Jan 2005	
HKAS 29	Financial Reporting in Hyperinflationary Economies	Mar 2004	1 Jan 2005	
HKAS 31	Interests in Joint Ventures	Dec 2004	1 Jan 2005	
HKAS 32	Financial Instruments: Presentation	Jun 2004	1 Jan 2005	
HKAS 32	Amendments - Puttable Financial Instruments and Obligations Arising on Liquidation	Jun 2008	1 Jan 2009	X
HKAS 33	Earnings Per Share	Mar 2004	1 Jan 2005	
HKAS 34	Interim Financial Reporting	Oct 2004	1 Jan 2005	
HKAS 36	Impairment of Assets	Aug 2004	1 Jan 2005	
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets	Nov 2004	1 Jan 2005	
HKAS 38	Intangible Assets	Aug 2004	1 Jan 2005	

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Page 5 of 10

		Issued in	Effective*	
HKAS 39	Financial Instruments: Recognition and Measurement	Jun 2004	1 Jan 2005	
HKAS 40	Investment Property	Dec 2004	1 Jan 2005	
HKAS 41	Agriculture	Dec 2004	1 Jan 2005	
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	Oct 2003	1 Jan 2004	
HKFRS 2	Share-based payment	Apr 2004	1 Jan 2005	
Amendments to HKFRS 2	Share-based payment – Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009	X
HKFRS 3	Business Combinations	Aug 2004	1 Jan 2005	
HKFRS 3 (Revised)	Business Combinations	Mar 2008	1 Jul 2009	X
HKFRS 4	Insurance Contracts	Aug 2004	1 Jan 2005	
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Aug 2004	1 Jan 2005	
HKFRS 6	Exploration for and Evaluation of Mineral Resources	Feb 2005	1 Jan 2006	
HKFRS 7	Financial Instruments: Disclosures	Sep 2005	1 Jan 2007	N
HKFRS 8	Operating Segments	Mar 2007	1 Jan 2009	X
HK-Int 1	The Appropriate Accounting Policies for Infrastructure Facilities	May 2005	1 Oct 2004 <sup>^</sup>	
HK-Int 3	Revenue – Pre-completion Contracts for Sale of Development Properties	May 2005	1 Jan 2005 <sup>^</sup>	
HK-Int 4	Leases – Determination of the Length of lease term in respect of Hong Kong Land Leases	May 2005	24 May 2005 <sup>^</sup>	
HKAS-Int 10	Government Assistance – No Specific Relation to Operating Activities	Dec 2004	1 Jan 2005	
HKAS-Int 12	Consolidation – Special Purpose Entities	Mar 2004	1 Jan 2005	
HKAS-Int 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	Dec 2004	1 Jan 2005	
HKAS-Int 15	Operating Leases – Incentives	Dec 2004	1 Jan 2005	
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Dec 2004	1 Jan 2005	
HKAS-Int 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	Dec 2004	1 Jan 2005	
HKAS-Int 27	Evaluating the Substance of Transactions in the Legal Form of a Lease	Dec 2004	1 Jan 2005	
HKAS-Int 29	Disclosure – Service Concession Arrangements	Dec 2004	1 Jan 2005	
HKAS-Int 31	Revenue – Barter Transactions Involving Advertising Services	Dec 2004	1 Jan 2005	
HKAS-Int 32	Intangible Assets – Web site Costs	Dec 2004	1 Jan 2005	
HKFRS–Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Aug 2004	1 Sep 2004	
HKFRS–Int 2	Members' Shares in Co-operative Entities and Similar Instruments	Feb 2005	1 Jan 2005	
HKFRS–Int 4	Determining whether an Arrangement Contains a Lease	Feb 2005	1 Jan 2006	

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Page 6 of 10

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		<b>Issued in</b>	<b>Effective*</b>	
HKFRS-Int 5	Rights to Interests arising from Decommissioning and Environmental Rehabilitation Funds	Feb 2005	1 Jan 2006	
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Sep 2005	1 Dec 2005	
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	Jan 2006	1 Mar 2006	
HK(IFRIC)-Int 8	Scope of HKFRS 2	May 2006	1 May 2006	
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	May 2006	1 Jun 2006	
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	Sep 2006	1 Nov 2006	N
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions	Jan 2007	1 Mar 2007	N
HK(IFRIC)-Int 12	Service Concession Arrangements	Mar 2007	1 Jan 2008	X
HK(IFRIC)-Int 13	Customer Loyalty Programmes	Sep 2007	1 July 2008	X
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Sep 2007	1 Jan 2008	X
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	Aug 2008	1 Jan 2009	X
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	Aug 2008	1 Oct 2008	X

\* Unless otherwise stated, an entity shall apply the Standard for annual periods beginning on or after the effective date.

^ Effective date of the standard/interpretation.

N Standard/interpretation newly applicable to the financial statements for the year ended 30 September 2008.

X Standard/interpretation not yet applicable to the financial statements for the year ended 30 September 2008.

		Issued in	Effective*	
IAS 01	Presentation of Financial Statements	Dec 2003	1 Jan 2005	
IAS 01	Presentation of Financial Statements - Para. 124A to 124C	Aug 2005	1 Jan 2007	N
IAS 01 (Revised)	Presentation of Financial Statements	Sep 2007	1 Jan 2009	X
IAS 01 (Revised)	Presentation of Financial Statements (Amendments) - Puttable Financial Instruments and Obligations Arising on Liquidation	Feb 2008	1 Jan 2009	X
IAS 02	Inventories	Dec 2003	1 Jan 2005	
IAS 07	Cash Flow Statements	Dec 1992	1 Jan 1994	
IAS 08	Accounting Policies, Changes in Accounting Estimates and Errors	Dec 2003	1 Jan 2005	
IAS 10	Events After the Balance Sheet Date	Dec 2003	1 Jan 2005	
IAS 11	Construction Contracts	Dec 1993	1 Jan 1995	
IAS 12	Income Taxes	Oct 1996	1 Jan 1998	
IAS 14	Segment Reporting	-	1 Jul 1998	
IAS 16	Property, Plant and Equipment	Dec 2003	1 Jan 2005	
IAS 17	Leases	Dec 2003	1 Jan 2005	
IAS 18	Revenue	Dec 1993	1 Jan 1995	
IAS 19	Employee Benefits	Feb 1998	1 Jan 1999	
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Apr 1983	1 Jan 1984	
IAS 21	The Effects of Changes in Foreign Exchange Rates	Dec 2003	1 Jan 2005	
IAS 23	Borrowing Costs	Dec 1993	1 Jan 1995	
IAS 23 (Revised)	Borrowing Costs	Mar 2007	1 Jan 2009	X
IAS 24	Related Party Disclosures	Dec 2003	1 Jan 2005	
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Jan 1987	1 Jan 1988	
IAS 27	Consolidated and Separate Financial Statements	Dec 2003	1 Jan 2005	
IAS 27 (Revised)	Consolidated and Separate Financial Statements	Jan 2008	1 Jul 2009	X
IAS 27 (Revised)	Amendments - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	May 2008	1 Jan 2009	X
IAS 28	Investments in Associates	Dec 2003	1 Jan 2005	
IAS 29	Financial Reporting in Hyperinflationary Economies	Jul 1989	1 Jan 1990	
IAS 31	Interests in Joint Ventures	Dec 2003	1 Jan 2005	
IAS 32	Financial Instruments: Presentation	Dec 2003	1 Jan 2005	
IAS 32	Financial Instruments: Presentation (Amendments) - Puttable Financial Instruments and Obligations Arising on Liquidation	Feb 2008	1 Jan 2009	X
IAS 33	Earnings Per Share	Dec 2003	1 Jan 2005	
IAS 34	Interim Financial Reporting	Feb 1998	1 Jan 1999	
IAS 36	Impairment of Assets	Mar 2004	31 Mar 2004	

		Issued in	Effective*	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Sep 1998	1 Jan 1999	
IAS 38	Intangible Assets	Mar 2004	Mar 2004	
IAS 39	Financial Instruments: Recognition and Measurement	Dec 2003	1 Jan 2005	
IAS 39	Financial Instruments: Recognition and Measurement (Amendment) - Eligible Hedged Items	Jul 2008	1 Jul 2009	X
IAS 40	Investment Property	Dec 2003	1 Jan 2005	
IAS 41	Agriculture	Apr 2001	1 Jan 2003	
IFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	Jun 2003	1 Jan 2004	
IFRS 1	Amendments - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	May 2008	1 Jan 2009	X
IFRS 2	Share-based payment	Feb 2004	1 Jan 2005	
Amendments to IFRS 2	Share-based payment – Vesting Conditions and Cancellations	Jan 2008	1 Jan 2009	X
IFRS 3	Business Combinations	Mar 2004	31 Mar 2004	
IFRS 3 (Revised)	Business Combinations	Jan 2008	1 Jul 2009	X
IFRS 4	Insurance Contracts	Mar 2004	1 Jan 2005	
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	May 2004	1 Jan 2005	
IFRS 6	Exploration for and Evaluation of Mineral Resources	Dec 2004	1 Jan 2006	
IFRS 7	Financial Instruments: Disclosures	Aug 2005	1 Jan 2007	N
IFRS 8	Operating Segments	Nov 2006	1 Jan 2009	X
SIC 7	Introduction of Euro	May 1998	Jun 1998	
SIC 10	Government Assistance – No Specific Relation to Operating Activities	Jul 1998	1 Aug 1998	
SIC 12	Consolidation – Special Purpose Entities	Dec 1998	1 Jul 1999	
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	Dec 1998	1 Jan 1999	
SIC 15	Operating Leases – Incentives	Dec 1998	1 Jan 1999	
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Jul 2000	Jul 2000	
SIC 25	Income Taxes – Changes in the Tax Status of an Entities or its Shareholders	Jul 2000	Jul 2000	
SIC 27	Evaluating the Substance of Transactions involving the Legal Form of a Lease	Dec 2001	Dec 2001	
SIC 29	Service Concession Arrangements: Disclosures	Dec 2001	Dec 2001	
SIC 31	Revenue – Barter Transactions Involving Advertising Services	Dec 2001	Dec 2001	
SIC 32	Intangible Assets – Web site Costs	Mar 2002	Mar 2002	
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	May 2004	1 Sept 2004	
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Nov 2004	1 Jan 2005	

		<b>Issued in</b>	<b>Effective*</b>	
IFRIC 4	Determining whether an Arrangement Contains a Lease	Dec 2004	1 Jan 2006	
IFRIC 5	Rights to Interests arising from Decommissioning and Environmental Rehabilitation Funds	Dec 2004	1 Jan 2006	
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Sep 2005	1 Dec 2005	
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Nov 2005	1 Mar 2006	
IFRIC 8	Scope of IFRS 2	Jan 2006	1 May 2006	
IFRIC 9	Reassessment of Embedded Derivatives	Mar 2006	1 Jun 2006	
IFRIC 10	Interim Financial Reporting and Impairment	Jul 2006	1 Nov 2006	N
IFRIC 11	IFRS 2—Group and Treasury Share Transactions	Nov 2006	1 Mar 2007	N
IFRIC 12	Service Concession Arrangements	Nov 2006	1 Jan 2008	X
IFRIC 13	Customer Loyalty Programmes	Jun 2007	1 Jul 2008	X
IFRIC 14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Jul 2007	1 Jan 2008	X
IFRIC 15	Agreements for the Construction of Real Estate	Jul 2008	1 Jan 2009	X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Jul 2008	1 Oct 2008	X