

## **Technical Note 02/2008 – Sample Note on Basis of Preparation for Financial Statements for the Year ended 31 March 2008**

Financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) up to Update No. 51 are set out in Appendix I of this Technical Note.

For a reporting entity with a “March” year end, when it prepared its financial statements for the year ended 31 March 2007, it should have applied all financial reporting standards in issue at that date, other than those effective for an annual period beginning after 1 April 2006.

Therefore, when the reporting entity prepares its financial statements for the year ended 31 March 2008, it should initially apply financial reporting standards that are effective for an annual period beginning on a date falling between 2 April 2006 and 1 April 2007, both dates inclusive.

The financial reporting standards newly applicable to financial statements for the year ended 31 March 2008 include the following:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1	Presentation of Financial Statements, Paragraphs 124A to 124C
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
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 31 March 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 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
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 31 March 2008 have not been applied in the preparation of the company’s financial statements for the year ended 31 March 2008 since they were not yet effective for the annual period beginning on 1 April 2007:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
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

The company is required to initially apply HK(IFRIC)-Int 12 and HK(IFRIC)-Int 14 in its annual financial statements beginning on 1 April 2008, to initially apply HKAS 1 (Revised), HKAS 23 (Revised), amendments to HKFRS 2, HKFRS 8 and HK(IFRIC)-Int13 in its annual financial statements beginning on 1 April 2009, and to initially apply HKAS 27 (Revised) and HKFRS 3 (Revised) in its annual financial statements beginning on 1 April 2010.

Financial statements for the year ended 31 March 2008 prepared in accordance with International Financial Reporting Standards:

In addition to those IFRSs that have already been adopted by HKICPA as HKFRSs on 31 March 2008, the Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation was issued in February 2008 by IASB.

Amendments to IAS 32 and IAS 1 apply for annual periods beginning on or after 1 January 2009.

Sample disclosures of the basis of preparation to disclose the initial application of these standards in financial statements for the year ended 31 March 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 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
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 31 March 2008 have not been applied in the preparation of the company’s financial statements for the year ended 31 March 2008 since they were not yet effective for the annual period beginning on 1 April 2007:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IFRS 2	Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
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

The company is required to initially apply IFRIC 12 and IFRIC 14 in its annual financial statements beginning on 1 April 2008, to initially apply IAS 1 (Revised), IAS 23 (Revised), amendments to IAS 32 and IAS 1, amendments to IFRS 2, IFRS 8 and IFRIC 13 in its annual financial statements beginning on 1 April 2009, and to initially apply IAS 27 (Revised) and IFRS 3 (Revised) in its annual financial statements beginning on 1 April 2010.

## Appendix I

		<b>Issued in</b>	<b>Effective*</b>	
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 23 (Revised)	Borrowing Costs	Jun 2007	1 Jan 2009	X
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	Mar 2008	1 Jul 2009	X
Amendments to HKFRS 2	Share-based payment – Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009	X
HKFRS 3 (Revised)	Business Combinations	Mar 2008	1 Jul 2009	X
HKFRS 7	Financial Instruments: Disclosures	Sep 2005	1 Jan 2007	N
HKFRS 8	Operating Segments	Mar 2007	1 Jan 2009	X
HK(IFRIC)-Int 8	Scope of HKFRS 2	May 2006	1 May 2006	N
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	May 2006	1 June 2006	N
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

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

N Standard/interpretation newly applicable to the financial statements for the year ended 31 March 2008.

X Standard/interpretation not yet applicable to the financial statements for the year ended 31 March 2008.

## Appendix II

		Issued in	Effective*	
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 23 (Revised)	Borrowing Costs	Mar 2007	1 Jan 2009	X
IAS 27 (Revised)	Consolidated and Separate Financial Statements	Jan 2008	1 Jul 2009	X
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	Feb 2008	1 Jan 2009	X
Amendments to IFRS 2	Share-based payment – Vesting Conditions and Cancellations	Jan 2008	1 Jan 2009	X
IFRS 3 (Revised)	Business Combinations	Jan 2008	1 Jul 2009	X
IFRS 7	Financial Instruments: Disclosures	Aug 2005	1 Jan 2007	N
IFRS 8	Operating Segments	Nov 2006	1 Jan 2009	X
IFRIC 8	Scope of IFRS 2	Jan 2006	1 May 2006	N
IFRIC 9	Reassessment of Embedded Derivatives	Mar 2006	1 June 2006	N
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 July 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

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

N Standard/interpretation newly applicable to the financial statements for the year ended 31 March 2008.

X Standard/interpretation not yet applicable to the financial statements for the year ended 31 March 2008.