

Press Release

17 December 2021

FRC publishes articles with IFEC to educate retail investors

The Financial Reporting Council (FRC) today publishes three accounting articles to educate retail investors on (i) asset impairment; (ii) goodwill and (iii) going concern. The articles are an integral part of the investor education series in collaboration with the Investor and Financial Education Council (IFEC), which is a strategic partner of the FRC to promote financial literacy among the general public.

Mr Marek Grabowski remarked, "We are pleased to issue another three articles with the IFEC, following the launch of the first two in September 2021. Asset impairment, goodwill and going concern disclosures provide useful information about the financial position, future business values and sustainability of a listed entity. It is very important for retail investors to understand these concepts and related disclosures in financial statements so as to make informed investment decisions."

Dr Kelvin Wong, Chairman of the FRC said, "It is encouraging to learn that our reader-friendly, audit related articles have drawn the attention of the general public and the media. The FRC takes it as our responsibility to educate the public on essential financial reporting and audit knowledge, thereby enabling them to understand the key messages and implications embedded in the financial statements and the auditor's report. We will continue to collaborate with the IFEC to roll out more initiatives in future to promote financial literacy among the public."

Highlights of the articles:

Asset Impairment

In times of economic downturn, many companies encounter challenges and uncertainties in their business. The impact of a downturn may therefore adversely affect or impair the value of assets. An asset is initially recognized in a company's financial statements at cost. It will then either be carried at cost less deductions to address its consumption (if any) through use or the impairment (if any) of its value or it may be revalued at each reporting date. [Click here](#) to read the full article.

Goodwill

In a business combination, the fair value of a business acquired may exceed the net fair value of its identifiable assets and liabilities. The excess or premium paid is "goodwill" and is shown separately in the consolidated balance sheet of an acquirer. Very often, the amount of goodwill is substantial and it may remain on the balance

sheet for a long time, subject to any deductions for impairment. [Click here](#) to read the full article.

Going concern

The going concern assumption is a fundamental principle in the preparation of financial statements. It is the assumption that a company does not have the intention nor the need to liquidate the company or cease operation. Under this assumption, assets and liabilities are recorded on the basis that the company will be able to realise its assets and meet its liabilities in the normal course of business. Disclosures about uncertainties that may call into question the going concern assumption provide important information about the financial sustainability of the entity. [Click here](#) to read the full article.

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About the Financial Reporting Council

The FRC is the full-fledged independent listed entity auditor regulator for Hong Kong committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen investor confidence in corporate reporting.

For more information about the statutory functions of the FRC, please visit www.frc.org.hk.

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