



稅務局  
香港灣仔告士打道5號  
稅務大樓

**INLAND REVENUE DEPARTMENT**

REVENUE TOWER,  
5 GLOUCESTER ROAD, WAN CHAI,  
HONG KONG.

網址 Web site: [www.ird.gov.hk](http://www.ird.gov.hk)

來函請寄「香港郵政總局郵箱 132 號稅務局局長收」  
ALL CORRESPONDENCE SHOULD BE ADDRESSED TO:—  
COMMISSIONER OF INLAND REVENUE,  
G.P.O. BOX 132, HONG KONG.

來函編號： C/FRSC  
Your Ref.:

來函請敘明本局檔案號碼

IN ANY COMMUNICATION PLEASE QUOTE OUR FILE NO.

檔案號碼： HQ 502/141 Pt.13

File No.:

Mr. Steve Ong  
Director, Standard Setting  
Hong Kong Institute of  
Certified Public Accountants  
37/F, Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

電話： 2594 5037  
Tel. No.:

傳真號碼： 2511 7414  
Fax No.:

電郵：

E-mail:

發出日期： 15 October 2010  
Date of Issue:

Dear Mr. Ong,

**Re: Invitation to Comment on Exposure Drafts and Consultation Documents of  
HKICPA and IASB**

I refer to your letters dated 15 September 2010 and 16 September 2010.  
Please find below the comments to the various exposure drafts and consultation  
documents.

**(I) Exposure Draft of HK Interpretation 5 Presentation of Financial Statements  
- Classification by the Borrower of a Term Loan that contains a Repayment  
on Demand Clause**

The Exposure Draft of Hong Kong Interpretation 5 is about how the  
borrower should classify a term loan that contains a repayment on demand clause.

It is FRSC's conclusion that the classification in accordance with  
paragraph 69(d) of HKAS 1 should be determined by reference to the rights and  
obligations contractually agreed between the lender and the borrower, and whether  
the borrower has an unconditional right to defer settlement for at least twelve months  
after the reporting period.

In general, I support the conclusion of FRSC which provides a sound logical base for borrowers to follow in the classification of term loans carrying repayment on demand clause.

**(II) IASB Exposure Draft of Deferred Tax: Recovery of Underlying Assets**  
**(Proposed Amendments to IAS 12)**

The Exposure Draft proposes that in specified circumstances, the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale. The presumption would apply to investment properties, property, plant and equipment assets or intangible assets measured at fair value or revalued at fair value.

It is considered that the rebuttable presumption proposed in the Exposure Draft will be useful to the entities which have no specific plans and have difficulty in determining the expected manner the carrying value of their underlying assets is to be recovered.

However, the rebuttable presumption would apply only when an entity adopts an accounting policy of remeasuring or revaluing specific underlying assets at fair value. In this respect although the Exposure Draft still serves the aim of addressing to concerns raised in practice which have primarily arisen regarding properties measured using fair value model, the non-application to the situation when cost model is adopted will on the other hand create different accounting treatments for the same type of assets. It is therefore hoped that refinements could be made as far as possible towards removing inconsistency.

**(III) Draft IFRIC Interpretation -Stripping Costs in the Production Phase of a**  
**Surface Mine**

The Draft Interpretation provides guidance to differentiate stripping campaign from normal routine waste clearing activities in the production phase of a surface mine. It proposes recognition of stripping campaign component, and to have it depreciated or amortised in a rational and systematic manner over the specific section of the ore body that becomes directly accessible as a result of the stripping campaign. The units of production method is to be applied unless another method is more appropriate.

It is considered that the Draft Interpretation provides for a reasonable base to capitalize the stripping campaign component (as addition to or enhancement of an existing asset) and to match the cost to revenue (i.e. the specific section of the ore body that becomes directly accessible as a result of the stripping campaign).

The illustrative examples in the Draft Interpretation represent situations where there are identified specific sections of ore body to be made accessible by specific stripping campaigns (e.g. ore section B by stripping campaign A, ore section D by stripping campaigns C and C1, ore section F by stripping campaigns E, and E1), which makes matching of stripping campaign component to specific section of ore body perfect.

However, being not a technical expert in mining, I am not sure in real world situation, whether the particular section of the ore body to be made accessible by the stripping campaign can be always clearly identified. For example when doing stripping campaigns C and C1, whether it can be known for sure that the campaigns are just for seeking access to ore section D and no more. What if although aiming at ore section D, stripping campaigns C and C1 will at the same time benefit access to ore section F or some further possible ore below F so that their costs should not be merely matched with ore section D.

**(IV) IFRS Foundation Consultation Document of the Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB**

The proposed amendments to the IASB Due Process Handbook are intended to provide enhanced criteria to assist the IASB and interested parties when determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

I think the proposed criteria provide a sufficient and appropriate basis for assessing whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

Yours sincerely,



(Mrs WU LAM Choi-wah)  
for Commissioner of Inland Revenue