



Room 525, 5/F., Prince's Building, Central, Hong Kong
Telephone: 2521 1160, 2521 1169 Facsimile: 2868 5035
Email: info@hkab.org.hk Web: www.hkab.org.hk

香港中環太子大廈5樓525室
電話：2521 1160, 2521 1169 圖文傳真：2868 5035
電郵：info@hkab.org.hk 網址：www.hkab.org.hk

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By post and email: commentletters@hkicpa.org.hk

Mr Simon Riley
Director, Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

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RECEIVED
HKICPA

Dear Mr Riley

IASB's Exposure Draft of Recoverable Amount Disclosures for Non-financial Assets (Proposed amendments to IAS 36)

We refer to your letter dated 4 February 2013 inviting our comments on the International Accounting Standards Board's Exposure Draft of Recoverable Amount Disclosures for Non-financial Assets (Proposed amendments to IAS 36).

Our comments on the specific questions raised in the exposure draft are attached. Should you have any questions, please do not hesitate to contact our Senior Business Manager Ms Caris Wan at 2521 1855.

Yours sincerely

Boey Wong
Secretary

Enc.

Chairman Standard Chartered Bank (Hong Kong) Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd
Secretary Boey Wong

主席 渣打銀行(香港)有限公司
副主席 中國銀行(香港)有限公司
香港上海匯豐銀行有限公司
秘書 黃凱儀

**Response of the Hong Kong Association of Banks (“HKAB”) to the Specific Questions
In the International Accounting Standards Board’s Exposure Draft:
Recoverable Amount Disclosures for Non-Financial Assets,
Proposed Amendments to IAS 36**

Question 1 – Disclosures of Recoverable Amount

The IASB proposes to remove the requirement in paragraph 134(c) to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant when compared to the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB proposes to amend paragraph 130 to require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

We support the proposed changes to IAS 36. It is clear that the amendments to IAS 36 that became effective 1 January 2013 were not intended by the Board to require disclosure of the recoverable amount of a cash-generating unit when there has not been an impairment reserve recorded. If the amendments are not made, the current requirement under IAS 36 to disclose recoverable amounts for all cash generating units could be onerous and may result in the disclosure of otherwise competitively sensitive information.

Question 2 – Disclosures of the measurement of fair value less costs of disposal

The IASB also proposes to include in paragraph 130 the requirement to disclose the following information about the fair value less costs of disposal of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period:

- (a) the valuation technique(s) used to measure fair value less costs of disposal and, if there has been a change in the valuation technique, that change and the reason(s) for making it;*
- (b) the level of the fair value hierarchy within which the fair value measurement of the asset is categorised in its entirety (without taking into account whether the ‘costs of disposal’ are observable); and*
- (c) for fair value measurements that are categorised within Levels 2 and 3 of the fair value hierarchy, the key assumptions used in the measurement.*

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

We support the proposed additional disclosures as these are consistent with the current requirements for cash-generating units for which an impairment reserve has not been recognized.

Question 3 – Transition provisions

The IASB proposes that the amendments should be applied retrospectively for annual periods beginning on or after 1 January 2014. The IASB also proposes to permit earlier application, but will not require an entity to apply those amendments in periods (including comparative periods) in which the entity does not also apply IFRS 13.

Do you agree with the proposed transition method and effective date? If not, why and what alternative do you propose?

We support the transition provisions. We assume that most entities that adopted the earlier changes to IAS 36 (in connection with the adoption of IFRS 13) as of 1 January 2013 will elect to retroactively apply the proposed amendments. However, we urge the Board to move expeditiously so that the proposed amendments are finalized prior to half-year reporting so that there is no effective requirement to disclose recoverable amounts for unimpaired assets for interim or full year reporting in 2013.

Question 4 – Other Comments

Do you have any other comments on the proposals?

We have no other comments on the proposals.