



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

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COMMISSIONER OF INLAND REVENUE,
G.P.O. BOX 132, HONG KONG.

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IN ANY COMMUNICATION PLEASE QUOTE OUR FILE NO.

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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:

Tel. No.: 2594 5037

圖文傳真:

Faxline No.: 2511 7414

電郵:

E-mail:

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Dear Mr. Ong,

**Invitation to Comment on IASB Exposure Draft
Financial Instruments: Classification and Measurement**

Thank you for your letter dated 20 July 2009 addressed to the Commissioner of Inland Revenue.

Broadly speaking, the Department welcomes the IASB's IAS 39 replacement project to improve the financial instruments accounting. We consider that the proposals in the captioned Exposure Draft (the "ED") could simplify the classification model under the existing IAS 39.

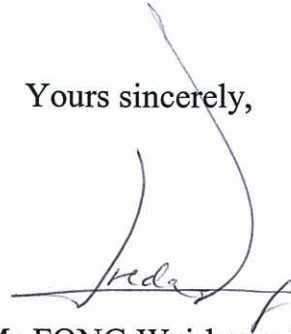
Turning to the specific questions set out in the ED, the Department has no particular comments except for the following questions:

Question 5: The proposal for retaining the fair value option to eliminate or significantly reduce an accounting mismatch is agreeable as it would make the financial instruments accounting more consistent.

Question 12: The proposals under the ED will, if implemented, represent fundamental changes to financial instruments accounting. Additional disclosure requirements will thus help users better understand the changes that are being made and the effects that they have had and are likely to have in the future. As such, our view is that the additional disclosure requirements proposed for entities that adopt the proposed IFRS early should be extended to all entities on transition,

regardless of whether they adopt the proposals early or on the mandated effective date.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Freda', with a large, sweeping flourish extending upwards and to the right.

(Ms FONG Wai-hang, Freda)
for Commissioner of Inland Revenue