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BY FAX (2865 6776) & BY MAIL

30 March 2009

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

Dear Mr Ong

Seeking Input to Questions Raised by IASB-US FASB Financial Crisis Advisory Group

Thank you for your letter dated 20 March 2009 addressed to Mr Ronald Wong.

After consulting our member companies, we advise that we do not have any comments on the subject matter.

Yours sincerely



Peter C H Tam
Chief Executive

PT/IW/sw

Your Ref: C/FRSC
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2009 APR -3 PM 1:58

BY FAX (2865 6776) & BY Mail

31 March 2009

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

Dear Mr Ong

Seeking Input to Questions Raised by IASB-US FASB Financial Crisis Advisory Group

Thank you for your letter dated 20 March 2009 addressed to Mr Ronald Wong.

Attached please find the comments provided by Mr Wong.

Yours sincerely



Peter C H Tam
Chief Executive

c.c. Mr Roland Wong

PT/IW/sw

1. From your perspective, where has general purpose financial reporting helped identify issues of concern during the financial crisis? Where has it not helped, or even possibly created unnecessary concerns? Please be as specific as possible in your answers.

Fair value measurements using by the general financial reporting enable financial statements to reveal how financial instruments are being affected by current market conditions, resulting in increased transparency to investors and others. Fair value does provide a realistic view when price quotes are readily available, but when there is no market, or a market disappears as it did in the financial crisis, the fair value accounting may create to misleading financial results.

Professional Accounting bodies always like to make financial statements more comparable across financial industries; however, different industries may have their own business features that flexible options of accounting standard are needed. Securities firms and hedge funds are in risk takers. "Earnings" is the key dominant purpose of accounting, these risk-taking institutions should still be subject to fair value accounting. Banks and insurance companies are firms that are stable and prudential in their behaviours. Their investment strategies are focusing on the long term discounted cash flows and long tem investment yield returns. A fair value accounting is not suitable to Banks and insurance companies which should be exempted from fair value accounting.

2. If prudential regulators were to require 'through-the-cycle' or 'dynamic' loan provisions that differ from the current IFRS or US GAAP requirements, how should general purpose financial statements best reflect the difference: (1) recognition in profit or loss (earnings); (2) recognition in other comprehensive income; (3) appropriation of equity outside of comprehensive income; (4) footnote disclosure only; (5) some other means; or (6) not at all? Please explain how your answer would promote transparency for investors and other resource providers.

The accounting standards should allow flexibility to a Company to select any of the above method based on their own business features. Most important of all is the Company must disclose the accounting policy that has been used, the reason of the selected policy, the fair value of the assets and the unrealised gain/loss information by means of a disclosure note in the financial statements.

3. Some FCAG members have indicated that they believe issues surrounding accounting for off-balance items such as securitisations and other structured entities have been far more contributory to the financial crisis than issues surrounding fair value (including mark-to-market) accounting. Do you agree, and how can we best improve IFRS and US GAAP in that area?

The current financial crises are contributed by many factors rather than by a single contributor or a single accounting standard. The accounting standard should strengthen the disclosure requirement rather than restrict a Company to using a single method of accounting policy.

4. Most constituents agree that the current mixed attributes model for accounting and reporting of financial instruments under IFRS and US GAAP is overly complex and otherwise suboptimal. Some constituents (mainly investors) support reporting all financial instruments at fair value. Others support a refined mixed attributes model. Which approach do you support and why? If you support a refined mixed attributes model, what should that look like, and why, and do you view that as an interim step toward full fair value or as an end goal? Whichever approach you support, what improvements, if any, to fair value accounting do you believe are essential prerequisites to your end goal?

We support a refined mixed attributes model to allow a Company to select the fair value or historical cost accounting to value its investments based on its unique business features. The main essential prerequisite is the Company must disclose the accounting policy that has been used with detail of the reason of the selected accounting policy, fair value of the assets and the unrealised gain/loss information by means of a disclosure note in the financial statements.

5. What criteria should accounting standard-setters consider in balancing the need for resolving an 'emergency issue' on a timely basis and the need for active engagement from constituents through due process to help ensure high quality standards that are broadly accepted?

Most of the Stock Exchange markets require a listed company to report its quarterly financial results. Misleading financial results could lead to substantial losses to the markets and investors that ultimately affect the whole economy. The accounting standard setters should look into the accounting standards immediately if an "emergency issue" happened and resolve this as soon as possible.

6. Are there financial crisis-related issues that the IASB or the FASB have indicated they will be addressing that you believe are better addressed in combination with, or alternatively by, other organisations? If so, which issues and why, and which organisations?

These crisis-related issues should be sorted out by IASB and FASB themselves if they can react to the issues promptly. The involvement from other bodies would impact the independence of the accounting standard setters.

7. Is there any other input that you'd like to convey to the FCAG?

None.