



29 June 2016

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

Invitation to Comment on IASB Exposure Draft
ED/2016/1 *Definition of a Business and Accounting for Previously Held*
Interests (Proposed Amendments to IFRS 3 and IFRS 11)

Comments to be received by 30 September 2016

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft. You may access the Exposure Draft from the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>

The IASB proposes to amend IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* to provide:

1. clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3; and
2. clarification on how a company should account for previously held interest in a business, if acquiring control, or joint control, of that business.

The proposal relating to the definition of a business in IFRS 3 is a result of the IASB's Post-implementation Review (PIR) of IFRS 3. PIR is conducted on each Standard and major amendment approximately two years after their effective dates. The feedback from the PIR of IFRS 3 shows general support for the accounting requirements in the Standard but identifies some areas, like the definition of a business, that requires further research.

The proposed amendment to accounting for previously held interests was developed through the IFRS Interpretations Committee.

The FRSC invites your comments on the proposals. Comments should be supported by specific reasoning and should be submitted in written form. To allow your comments to be considered in developing its response to the IASB, the FRSC requests for your comments by **30 September 2016**.

Comments may be sent by mail, fax or e-mail to:

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Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
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Wanchai, Hong Kong

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.