



19 September 2017

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

**INVITATION TO COMMENT ON IASB Exposure Drafts  
ED/2017/5 *Accounting Policies and Accounting Estimates* and  
ED/2017/6 *Definition of Material***

***Comments to be received by 15 December 2017***

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

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

ED/2017/5 proposes narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help companies distinguish accounting policies from accounting estimates. The distinction is important because changes in accounting estimates often affect a company's profit or loss, but changes in accounting policies generally do not.

The proposals would clarify:

- (i) How accounting policies and accounting estimates relate to each other, by (a) explaining that accounting estimates are used in applying accounting policies; and (b) making the definition of accounting policies clearer and more concise;
- (ii) That selecting an estimation technique, or valuation technique, used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate; and
- (iii) That, in applying IAS 2 *Inventories*, selecting the first-in, first-out cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.

In addition, the IASB published ED/2017/6 to propose minor amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to clarify the definition of material and improve understanding of the current requirements.

The FRSC invites your comments on the proposals by **15 December 2017** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

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

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