



Our Ref.: C/FRSC

Sent electronically through the IASB website (www.ifrs.org)

13 March 2014

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

IASB Exposure Draft *Annual Improvements to IFRSs 2012 – 2014 Cycle*

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on this Exposure Draft (ED). Our responses to the questions raised in your Invitation to Comment are set out in the Appendix for your consideration.

We generally agree with most of the proposals in the ED and with the objectives they are trying to achieve, however, we express concerns about the proposed amendments to IAS 19 Employee Benefits (on the regional market issue) and IAS 34 Interim Financial Reporting (on information 'elsewhere in the interim financial report') for the following reasons:

- We consider that the proposed amendments to IAS 19 may not be appropriate for all jurisdictions. We recommend that some further analysis be carried out by the IASB and included as part of the IASB's broader project on the use of discount rates.
- We recommend that the IASB liaise with the International Auditing and Assurance Standards Board before finalising the amendment to IAS 34 to ensure that no conflict between accounting and assurance standards arises.

If you have any questions regarding the matters raised in our submission, please contact Winnie Chan, our Associate Director of Standard Setting at winniechan@hki CPA.org.hk.

Yours faithfully,

Simon Riley
Acting Director, Standard Setting

SR/WC

Encl.

Hong Kong Institute of CPAs

Comments on IASB ED *Annual Improvements to IFRSs 2012 – 2014 Cycle*

Question 1

Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

Proposed amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal

We agree with the proposal to clarify the requirements in paragraphs 27-29 of IFRS 5 do not apply to an asset (or disposal group) that is reclassified directly between being held for sale and held for distribution.

Proposed amendment to IFRS 7 Financial Instruments: Disclosure – Servicing Contracts

We agree with the proposed amendments.

However, we consider that different application of the term "continuing involvement" in both IFRS 9/IAS 39 and in IFRS 7 may be a source of confusion. We note that paragraph 42C of IFRS 7 describes two situations where an entity has continuing involvement in a transferred financial asset. This can arise when a transferee has retained any of the contractual rights or obligations inherent in the transferred asset or because it has obtained new contractual rights or obligations relating to the transferred asset. IFRS 9 (per paragraph 3.2.16) only refers to the former situation in which an entity "neither transferred nor retained substantially all the risks and rewards of ownership of a transferred asset". We recommend that the distinction between the two be made clearer to avoid any confusion.

Proposed amendment to IFRS 7 Financial Instruments: Disclosure – Applicability of the amendments to IFRS 7 to condensed interim financial statements

We agree with the proposed amendment to paragraph 44R of IFRS 7 concerning the interim reporting requirements and the IASB's rationale for proposing this change.

Proposed amendment to IAS 19 Employee Benefits – Discount rate: regional market issue

We generally agree that in some jurisdictions, such as those within the Eurozone, the proposed clarification may be beneficial.

However, we note that paragraph 78 of IAS 19 requires entities to apply mutually compatible assumptions in relation to inflation and discount rates. We are concerned that the use of a discount rate on a bond issued by a non-domestic issuer might be likely to be incompatible with other required inputs such as inflation or might lead to uncertainty as to which inflation rate to apply, e.g. domestic, regional or foreign. We recommend that before finalising the amendment some further analysis is carried out to ensure there are no unintended consequences. This additional analysis could form part of the IASB's broader project on the use of discount rates.



Proposed amendment to IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

We note that the interim financial statements may be subject to different review requirements than the remainder of the interim financial report, therefore the information included in other parts of the interim financial report may not be subject to the same level of scrutiny than the disclosure in the interim financial statements. We acknowledge that it is the remit of national regulators (rather than the IASB) to implement external review requirements in respect of interim financial statements. However, we recommend that the IASB liaise with the International Auditing and Assurance Standards Board (IAASB) before finalising this amendment to ensure that no conflict between accounting and assurance standards arises.

Question 2

Do you agree with the proposed transitional provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions and effective date of the proposed amendments except as follows:

Proposed amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal

We note that the IASB has not explained its rationale for departing from its usual policy to make changes effective retrospectively. We recommend that the proposed amendments should be applied retrospectively to aid consistency and comparability of financial statements.

~ End ~