Our Ref.: C/FRSC

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

2 December 2015

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

Dear Hans,

IASB Exposure Draft ED/2015/4 *Updating References to the Conceptual Framework*

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, and ethics for professional accountants, in Hong Kong. We are grateful for the opportunity to provide you with our comments on ED/2015/4.

We are concerned about the possible unintended consequences of the proposed amendments, given that some of the proposals in the ED/2015/3 *Conceptual Framework for Financial Reporting* are in conflict with the existing IFRSs. Therefore, we suggest cross-reference should be made to paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* instead of the revised *Conceptual Framework*. We also believe the proposed amendments in ED/2015/4 are editorial in nature only and accordingly would not require an effective date.

Our responses to the questions raised in ED/2015/4 are set out in more detail in the Appendix.

If you have any questions regarding the matters raised in this letter, please contact me or Ben Lo, Associate Director in the Standard Setting Department, at ben@hkicpa.org.hk.

Yours sincerely,

Cng

Christina Ng
Head of Financial Reporting, Standard Setting Department

CN/BL

Encl.

Detailed comments on IASB ED/2015/4 *Updating References to the Conceptual Framework*

<u>Question 1 – Replacing references to the *Conceptual Framework*</u>

The IASB proposes to amend IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32 so that they will refer to the revised *Conceptual Framework* once it becomes effective.

Do you agree with the proposed amendments? Why or why not?

We are concerned about the possible unintended consequences of the proposed amendments (in particular, for the proposed amendments to IFRS 3 *Business Combinations* and IFRS 6 *Exploration for and Evaluation of Mineral Resources*) and the introduction of potential diversity in practice given that some of the proposals in ED/2015/3 *Conceptual Framework for Financial Reporting* are in conflict with the existing IFRSs (especially regarding the definition of a liability).

Following current IFRS hierarchy, we consider that if preparers need to use judgment in identifying or applying accounting policies, they should first make reference to the requirements in existing standards that deal with similar and related issues before referring to the definitions, recognition criteria and measurement concepts in the revised *Conceptual Framework*. Accordingly, we consider that the standards referred to above should only refer to the revised *Conceptual Framework* in a manner consistent with paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and should not include direct references only to the revised *Conceptual Framework*.

We also suggest that the IASB deletes the sentence 'The *Conceptual Framework* does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities' in the proposed amendments to IAS 34 *Interim Financial Reporting*. We consider reference should be made to IAS 8 (as mentioned above) instead of the revised *Conceptual Framework*.

<u>Question 2 – Effective date and transition</u>

The IASB proposes that:

(a) a transition period of approximately 18 months should be set for the proposed amendments. Early application should be permitted.

(b) the amendments should be applied retrospectively in accordance with IAS 8, except for the amendments to IFRS 3. Entities should apply the amendments to IFRS 3 prospectively, thereby avoiding the need to restate previous business combinations.

Do you agree with the proposed transition provisions and effective date? Why or why not?

As mentioned in our comments on Question 1 above, we consider that any reference to the revised *Conceptual Framework* should be only by way of a reference to paragraph 11 of IAS 8 instead of directly. That is, when applying the existing IFRS that deals with the same or similar items, they should proceed to use the IAS 8 hierarchy and not directly refer to the revised *Conceptual Framework*.

We would consider this to be a housekeeping exercise, which does not affect the adoption of the existing standards. Accordingly, we do not think it is necessary to set an effective date in those standards for such an exercise.

If in fact the IASB intends this to be significantly more than a housekeeping exercise, and intends that entities may make changes of accounting policies simply on the basis of the revised *Conceptual Framework* being issued, then we consider this exposure draft is premature as the IASB has not yet carried out an assessment of the extent to which the revised *Conceptual Framework* is intended to directly introduce changes into current IFRS, ahead of new or amended standards being based on the revised *Conceptual Framework*.

Question 3 – Other comments

Do you have any other comments on the proposals?

We have no other comments on the proposals.

~ End ~