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Deputy Director, Accounting  
Hong Kong Society of Accountants  
4<sup>th</sup> Floor, Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

30 August 2002

Dear Sir

**Exposure Draft: Proposed Improvements to International Accounting Standards**

To support the Society's policy of converging Hong Kong SSAPs with the International Accounting Standards, we would like to enclose our comments in relation to the proposed amendments to Hong Kong SSAPs.

In respect of the IASB's exposure draft on Proposed Amendments to International Accounting Standards, separate comments will be sent to the IASB by the head office of ACCA.

Should you have any questions, please feel free to contact myself or Sonia Khao at 2524 4988.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'K C Law'.

K C Law  
President

Enclosures

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The Association of Chartered Certified Accountants 英國特許公認會計師公會

## Summary of comments requested in the FASC's Invitation to Comment

	Agree	Disagree	Comment
<b>IAS 1, Presentation of Financial Statements (SSAP 1)</b>			
3. IAS 1 uses the terms "fair presentation" and "to present fairly". The existing SSAP 1 however uses the terms "true and fair" and "to give a true and fair view". Given that "true and fair" is the term used in the Companies Ordinance, the FASC proposes to retain the use of the term "true and fair" in SSAP 1. Do you agree?	Agree		We agree to the consistency between the accounting standards and the Companies Ordinance.
4. IAS 1 requires "revenue" to be disclosed on the face of the income statement. The existing SSAP 1 however requires "turnover" and "other revenue" to be disclosed on the face of the income statement instead. Given that the Companies Ordinance requires the disclosure of "turnover", do you consider that either: a. The requirements under SSAP 1 in this regard be retained; or b. The requirements under SSAP 1 in this regard be amended so that they become consistent with IAS 1 and that a note be added in SSAP 1 to highlight the relevant disclosure requirement under the Companies Ordinance?		Disagree	We support the convergence to IAS. As such, we would think that the requirements under SSAPs should be consistent with that of the IAS.
	Agree		
5. IAS 1 states that assets and liabilities shall not be offset except when offsetting is required by another Standard. The existing SSAP 1 however sets out detailed offsetting rules (see paragraph 34). Given that there is currently no SSAP in Hong Kong that deals with the offsetting of financial assets and liabilities, the FASC proposes to retain the offsetting rules in SSAP 1 until the exposure drafts on financial instruments are finalised and become effective. Do you agree?	Agree		Given that there are currently no other rules governing the offsetting of financial assets and liabilities, we agree with the proposal.
6. IAS 8 requires all items of income and expense (including, for example, share issue expenses) recognised in a period to be included in the determination of profit or loss unless a Standard requires or permits otherwise (proposed to be included in IAS 1). SSAP 2 requires such an inclusion unless a SSAP, or in the absence of a relevant SSAP, the law requires or permits otherwise. The FASC proposes to retain the provision in the existing SSAP 2 (proposed to be included in SSAP 1). Do you agree?	Agree		

	Agree	Disagree	Comment
<p>7. The IASB exposure draft proposes to remove the disclosure of an entity's country of incorporation. The FASC proposes to retain this disclosure requirement in SSAP 1 because this is a good source of information to distinguish Hong Kong incorporated companies that are required to comply with the Companies Ordinance from those that are not. In particular, certain SSAPs contain specific provisions for Hong Kong incorporated companies. Do you agree?</p>	Agree		As a number of companies are incorporated elsewhere such as Bermuda and Cayman Islands, we agree with the proposal which provides the users of the financial statements with more information.
<p><i>IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (SSAP 2)</i></p> <p>10. IAS 1 sets out the hierarchy of IASB pronouncements and authoritative non-mandatory guidance (proposed to be included in IAS 8). However, within the standard setting framework, unlike that of the IASB, the HKSA also currently has the ability to issue "Accounting Guidelines" and "Accounting Bulletins". The FASC intends in the near future to review the Foreword and Framework for consistency with the IASB's revised Preface and Framework. Notwithstanding this, the FASC proposes to build the above additional forms of guidance into the relevant provisions in SSAP 2. Do you agree?</p>	Agree		We agree with the proposal on the basis that the "additional forms of guidance" as mentioned in the proposal refers to the hierarchy of the "Accounting Guidelines" and "Accounting Bulletins".
<p><i>IAS 10, Events After the Balance Sheet Date (SSAP 9)</i></p> <p>11. IAS 10 requires an entity not to recognise dividends declared after the balance sheet date as a liability at the balance sheet date. SSAP 9 includes a footnote to the corresponding paragraph to cross refer to the notes on the legal requirements in Hong Kong that the Tenth Schedule to the Companies Ordinance requires the disclosure of the aggregate amount which is recommended for distribution by way of dividend in the balance sheet. The FASC proposes to retain the footnote in SSAP 9. Do you agree?</p>	Agree		

	Agree	Disagree	Comment
<p><b><i>IAS 16, Property, Plant and Equipment (SSAP 17)</i></b></p> <p>13. The existing SSAP 17 includes a section on transfers between different types of assets (see paragraphs 57 to 65) that is based on the relevant section in IAS 40, Investment Property. The FASC proposes to retain this section in SSAP 17 dealing with transfers until IAS 40 is adopted in Hong Kong. Do you agree?</p>		Disagree	We support the convergence to IAS. As such, the relief available under the transitional arrangement should be eliminated after the transitional period so that there will be consistency between the HK accounting standards and the IAS.
<p>14. The existing SSAP 17 includes two specific transitional arrangements to deal with property, plant and equipment carried at revalued amounts in financial statements relating to periods ended before 30 September 1995 (see paragraph 80) and the implementation of the components approach to major inspection and overhaul costs (see paragraph 81). The FASC proposes to retain these transitional arrangements. Do you agree?</p>	Agree		
<p><b><i>IAS 28, Investments in Associates (SSAP 10)</i></b></p> <p>21. The existing SSAP 10 includes guidance on determining the profit or loss on disposal of an associate (see paragraph 24) but such guidance is not included in IAS 28. This paragraph was added because the practices on determining such profit were inconsistent, especially when dealing with the related unamortised goodwill and the related accumulated foreign currency translation differences. The FASC proposes to retain this guidance in SSAP 10. Do you agree?</p>	Agree		
<p>22. The existing SSAP 10 requires that, in the case of associates which are listed on a recognised stock exchange, only published financial information should be disclosed in the financial statements of the investor when making the disclosures required under SSAP 10. No similar requirement is included in IAS 28. Do you consider that this requirement should be retained in SSAP 10?</p>	Agree		