Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Our Ref.: C/FRSC

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

18 February 2013

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

Dear Sirs,

IASB Exposure Draft of *Annual Improvements to IFRSs 2011-2013 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 proposals in the ED but we suggest the proposed transition provision on the amendments to IFRS 3 should be amended to make it consistent with the way in which the effective date provisions were expressed in IFRS 3 when issued in 2008.

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

Yours faithfully,

Simon Riley
Director, Standard Setting

SR/WC

Encl.

Comment on IASB Exposure Draft of *Annual Improvements to IFRSs 2011-2013 Cycle*

Question 1: Do you agree with the IASB's proposal to amend the Standard as described in the Exposure Draft? If not, why and what alternative do you propose?

IFRS 1 – First-time Adoption of IFRSs: Meaning of effective IFRSs

We believe that IFRS 1 is already sufficiently clear about which version of an IFRS should be applied in an entity's first IFRS financial statements in circumstances where a new or revised IFRS that is not yet mandatory, but which can be adopted early, has been issued. IFRS 1.8 states that "an entity may apply a new IFRS that is not yet mandatory if that IFRS permits early application". Further, the illustrative example in IFRS 1.8 contains the guidance that "if a new IFRS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that IFRS in its first IFRS financial statements". Accordingly, we do not believe that the proposed changes to the Basis for Conclusions on IFRS 1 are necessary.

Further, we do not believe that it is appropriate to introduce requirements only in the Basis of Conclusions. We believe that the clarification, if deemed necessary, should be included in the applicable standards as well.

IFRS 3 – Business Combinations: Scope of exception for joint ventures

We agree with the proposed amendments. Further, we urge the Board to take this opportunity to amend the wording in IFRS 3.BC59 and BC60 as the current wording in these BC paragraphs use IAS 31 terminology and still make references to IAS 31 instead of IFRS 11.

IFRS 13 – Fair Value Measurement: Scope of paragraph 52 (portfolio exception)

We agree with the proposed amendments.

IFRS 40 – Investment Property: Acquisition of investment property: interrelationship with IFRS 3

We agree with the proposed amendments.

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 suggest that the transitional provisions for the proposed amendments on IFRS 3 be amended such that the entity shall be required to apply the amendments issued in the Annual Improvements Cycle 2011 – 2013 prospectively to business combinations/ acquisitions of investment property for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2014 (with earlier application permitted), which is consistent with the way in which the effective date provisions were expressed in IFRS 3 when issued in 2008.

~ End ~