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)

11 November 2016

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

Dear Hans,

IASB Exposure Draft ED/2016/1
Definition of a Business and Accounting for Previously Held Interests
(Proposed amendments to IFRS 3 and IFRS 11)

The Hong Kong Institute of Certified Public Accountants ("HKICPA") 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. The HKICPA welcomes the opportunity to provide you with our responses to the questions raised in ED/2016/1.

Definition of a Business
The HKICPA considers this project is a step in the right direction to better define a business for the purposes of improving IFRS 3 *Business Combinations*. We continue to appreciate the IASB's effort in this regard.

The HKICPA accepts that it could be challenging to determine whether a group of assets constitutes a business and that some level of judgement is inevitable. However, the fundamental issue underlying this is the different approaches to accounting between an asset acquisition and a business acquisition. The HKICPA acknowledges that the IASB had previously explored aligning the different approaches without much success and hence the issue of demarcation between a business versus an asset arises. However, given that this has been a longstanding challenge in a judgemental area, the HKICPA strongly recommends that the IASB takes a step back and revisits, conceptually, the fundamental need for different accounting requirements for asset acquisitions and business acquisitions. Given the different approaches to measurement on initial recognition as they stand, the HKICPA recognises that, we are, out of necessity, stuck with having to create what can be at the margins an arbitrary and judgemental distinction between business acquisitions and asset acquisitions.

In the meantime, the HKICPA is not opposed to the IASB providing clearer guidance in IFRS 3 as an interim measure—provided that the clarifications are clear, understandable, and can be applied consistently to similar facts and circumstances, and that the standard provides accounting that faithfully represents the economics of the transaction. Having assessed the proposed amendments against these principles for clarifications, the HKICPA thinks that the proposed amendments in ED/2016/1 are not a marked improvement over existing IFRS 3 guidance and therefore, on balance, do not support the proposed amendments.

The HKICPA considers the proposed amendments as they are currently drafted lack conceptual underpinning and are written in a rules-based manner, which may lead to potential unintended consequences. If the IASB were to proceed with the proposed amendments as an interim measure, the HKICPA strongly recommends the IASB to: (a) develop a principle with strong conceptual justification for the difference between a business and an asset; (b) make the proposed quantitative screening test as part of a holistic assessment that includes qualitative tests, and not the first step of the assessment; (c) reconsider whether the guidance on evaluating whether an acquired process is substantive translates logically to all circumstances; and (d) reconsider whether the examples are consistent with the guidance provided and results in a logical outcome.

The HKICPA appreciates the IASB's efforts in maintaining a substantially converged standard with the equivalent US standard and we continue to support such efforts. However, because of its significant concerns on the proposed amendments, the HKICPA is prepared to move away from a converged standard. The HKICPA thinks it would be unfortunate to do so, but it thinks that convergence between IFRS 3 and US GAAP, while desirable, does not override the need to have principles-based standards. If the IASB were to proceed with substantially the same proposed amendments, the HKICPA urges the IASB to state clearly, why the differences in text would not lead to different outcomes. The HKICPA thinks that if different text is necessary to explain the same thing within the IASB and FASB proposals, then it suggests that there may be different interpretations. Finally, if there are differences between IFRS 3 and the equivalent US GAAP which are intended to lead to different outcomes, this should also be stated.

Accounting for Previously Held Interests

The HKICPA does not object to the proposed amendments to IFRS 3 and IFRS 11 *Joint Arrangements* in relation to the clarification on the accounting for previously held interests, but recommends that the IASB elaborates its rationale in the basis for conclusions.

Our responses to the questions in ED/2016/1 are outlined in detail in the Appendix.

If you have any questions regarding the matters raised in this letter, please contact me, or Kam Leung (kamleung@hkicpa.org.hk) and Katherine Leung (katherineleung@hkicpa.org.hk), Associate Directors of our Standard Setting Department.

Yours sincerely,

Christina Ng
Director, Standard Setting Department
Encl.

Work undertaken by HKICPA in forming its views

The Hong Kong Institute of Certified Public Accountants:

(i) issued an Invitation to Comment on ED/2016/1 on 29 June 2016 to our members and other stakeholders;

(ii) met with members of the academia, accounting representatives from Hong Kong's financial reporting and listing regulatory bodies, preparers from conglomerates and banks; and senior practitioners of six large as well as small-medium accounting firms; and

(iii) developed its views through its Financial Reporting Standards Committee, having reflected on its stakeholder views. The Committee comprises academics, preparer representatives from various industry sectors, regulators, the Hong Kong S.A.R. Treasury, as well as technical and industry experts from small, medium and large accounting firms.

This submission outlines HKICPA's views as well as most of our stakeholder comments on ED/2016/1.

Detailed comments on ED/2016/1

Question 1
The Board is proposing to amend IFRS 3 to clarify the guidance on the definition of a business (see paragraphs B7 – B12C and BC5 – BC31). Do you agree with these proposed amendments to IFRS 3? In particular, do you agree with the Board's conclusion that if substantially all the fair value of the gross assets acquired (ie the identifiable assets and non-identifiable assets) is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities and assets is not a business (see paragraphs B11A – B11C)? Why or why not? If not, what alternative would you propose, if any, and why?

Part 1 of 2: Stakeholder views

Our stakeholders appreciate the IASB's efforts in clarifying the guidance on the definition of a business. However, they have concerns with the proposed amendments as they are currently drafted. Their concerns are outlined below.

(a) They noted that the principles of the standard for defining a business had not changed significantly but that the proposed additional guidance seems to draw an arbitrary line between an asset (or group of assets) and a business without any conceptual underpinning. This led them to arrive at different conclusions from the IASB's outcome when applying the proposed guidance to the proposed illustrative examples.

The revised definition of outputs in paragraphs B7(c) and BC15-BC17

(b) Our stakeholders generally agreed that the revised definition of outputs is heading in the right direction, for the reasons as stated in paragraph BC15. However, one stakeholder noted that there seems to be an inconsistency in the definition of outputs between paragraphs B7(c) and BC17. Paragraph B7(c) discusses outputs from the perspective of customers, whilst paragraph BC17 discusses outputs from the perspective of an acquirer. It is unclear what the underlying principles of an output are, and how to apply them in marginal situations. For example, if a company acquires a supply chain for vertical integration, the goods and services produced would no longer be provided to customers—instead, they are consumed by the acquirer. In this circumstance, the supply chain does not meet the definition of an output under paragraph B7(c). However, paragraph BC17 states that it would still qualify as a business as it is 'capable of' generating outputs.

(c) It was also noted that the revised output definition includes 'other revenue' without any explanation. A suggestion put forward is that the IASB clarifies what types of other economic benefits could be considered 'other revenues' and why would such 'other revenue' meet the definition of output. For example, would investment returns, including dividends from an associate, or profits generated from flipping an asset such as real estate be considered 'other revenues'.

The reference to 'market participant' in paragraphs B8, B11 and BC11-BC14

(d) Our stakeholders support removing the reference to 'market participant' in paragraph B8 for reasons as stated in paragraph BC12, and retaining the reference to 'market participant' in paragraph B11 for reasons as stated in paragraph BC14.

(e) However, they commented that determining a 'market participant' is currently one of the areas of difficulty in applying IFRS 3 *Business Combinations*. As noted in paragraph BC11, some sets of activities and assets may be considered a business for market participants who could integrate the set of activities and assets in their processes. However, the same set of activities and assets may not be considered a business from the perspective of other market participants. For example, if an acquirer has a substantive process in place, it may not need to acquire any substantive process from the acquiree and may request the seller to terminate/suspend the process before the completion of the acquisition. In this scenario, assuming the criteria in proposed paragraph B8 is met, would the transaction be an acquisition of a business or asset? Some stakeholders say it would meet the definition of a business and others were not sure. They recommend that the IASB clarifies this example.

The proposed screening test in paragraphs B8A-B11C and BC18-BC21

(f) Our stakeholders note the IASB's intention to reduce the cost of applying the definition of a business without changing the IASB's intended outcome. Our small medium practitioners and entities welcome the proposed screening test for simplification reasons.

(g) However, our stakeholders, including those small and medium practitioners, expressed a strong concern that the proposed screening test, as a first step in determining a business, is too rigid and prescriptive. Most, if not all, of our stakeholders recommended that the screening test could be part of an assessment—but not the first step in a determinative assessment. They think that the proposed test, as a first step in determining a business, may inadvertently exclude acquisitions where the underlying substance is that of a business. This is because, depending on the valuation method, the fair values of a substantive process and organised workforce may be incorporated into the valuation of an asset. For example, in the valuation of a retail shopping mall, does the IASB expect the valuation of mall/building and the valuation of the property management/organised workforce to be valued separately? Some of our stakeholders think that if the mall/building is valued using the income method, the property management/organised workforce will be incorporated into the value of the building. The fair value would then be concentrated in the valuation of the mall/building and the retail shopping mall will not pass the screening test even though in substance, it is considered a business and currently is identified as a business under IFRS 3.

(h) Our stakeholders commented that it is unclear how an organized workforce supplied through a management contract is different from an in-house organized workforce, and how this distinction would lead to a difference in fair value. For example, it is unclear how to apply the screening test in instances where companies have many outsourced management contracts that are 'at the money'. They commented that Illustrative Examples B, E, H and I are not sufficiently clear in illustrating how an organised workforce would be assessed under the proposed screening test in these circumstances. Our stakeholders requested that more conceptual reasoning needs to be added, and that IASB should clarify why outsourced management contracts which may provide critical substantive processes, would fail the screening test purely because they are priced at current market rates and results in an associated fair value of nil.

(i) In general, our stakeholders found paragraphs B11B and B11C to be too prescriptive. In particular, they commented that it should be made clear that paragraph B11C is only a non-exhaustive list of factors to assess, and not a definitive list. Our stakeholders also raised the question of what should be combined into a single identifiable asset or considered a group of similar identifiable assets? They requested that the IASB expands these paragraphs to include what should be combined or should be considered a single/group of identifiable assets. They think that this would help in the application of paragraph B11C as the two extremes of a spectrum would be represented.

(j) A few stakeholders also commented that paragraphs B11B and B11C would give rise to more questions in practice where an intangible asset is inextricably linked to a tangible asset. One stakeholder noted that this may be due to internal inconsistencies between these two paragraphs. When applying paragraph B11B one is required to consider the recognition and measurement of the assets in a business combination transaction and could conclude that tangible assets and intangible assets that are inextricably linked would be a “single identifiable asset” for the asset concentration test. This is further supported by referring to existing B42 through the Illustrative Examples. However, B11C(a) refers to “separately identifiable tangible and intangible assets” in the general sense and hence explicitly says that these assets should not be combined. It also seems strange that the screening test to be used to determine whether the subject of the transaction is a business or not, relies to some degree on the eventual accounting for a business combination. This seems rather circular in nature and clearly shows the lack of a principles-based test.

The guidance for a substantive process in paragraphs B12-B12C and BC22-BC29

(k) Our stakeholders appreciate the IASB's efforts in providing guidance on how to evaluate whether an acquired process is substantive. However, they have found the proposed guidance in paragraph B12A for a set of activities and assets which do not, at acquisition date, have outputs to be unclear and counter-intuitive in some circumstances. The IASB's Illustrative Example D outlines one end of the spectrum to demonstrate how the criteria in paragraph B12A is not met. However, our stakeholders raised many questions as to what would meet the criteria in paragraph B12A on the other end of the spectrum. They commented that the uncertainty on how to apply paragraph B12A may provide opportunities to structure transactions depending on whether the entity wanted the acquisition to be accounted for as an asset or a business. The following are their key concerns on areas of uncertainty and they request that the IASB clarifies or provides more guidance for them.

(i) The reference to an 'organized workforce'—our stakeholders found it unclear:

- what an organized workforce actually means. Would it include employees that are easily replaceable, for example, those performing routine manual work that are not specialised; and
- why an organized workforce would be a required input in all circumstances. If the purpose of an acquisition were to buy out a competitor, often the organized workforce would not be acquired with the set of assets and activities.

(ii) The reference to 'another acquired input'—it is also unclear what is considered 'critical to the ability to develop or convert another acquired input or inputs into outputs'. For example, would both easily accessible inventory raw materials and exclusive customer lists meet that characteristic?

(l) Our stakeholders welcomed the IASB's attempt to clarify how outsourced inputs and processes should be considered in the assessment of a business. However, one stakeholder commented that paragraph B12C is ambiguous as it states that "an acquired contract is not a substantive process", whilst also requiring entities to "assess whether an organised workforce accessed through such a contractual arrangement performs a substantive process that the entity controls, and thus has acquired". How does an acquired contract perform a substantive process that the entity controls if an acquired contract is not a substantive process?

The examples in paragraphs IE73-IE107

(m) Most, if not all, of our stakeholders commented that the IASB has not provided sufficient context and details to the fact patterns, which led to some level of difficulty of arriving at the conclusions illustrated. They consider that it is important for the IASB to add more explicit reasoning in their examples, and to provide the underlying principles so that qualitative considerations can also be made when applying the proposed amendments. This would be more useful for real life complex fact patterns.

(n) Our stakeholders recommended that the IASB should develop contrasting examples that illustrate the determination of opposite conclusions in borderline scenarios (for example, one concludes to be a business and the other does not conclude to be a business) using a similar fact base pattern. These examples should explain how the difference in specific facts/circumstances would change the conclusion so that it is clear what is the deciding factor in these borderline cases.

(o) Specific comments on the Illustrative Examples of ED/2016/1 include:

    (i) Example C is likely to be identified as a business under IFRS 3. However, under the proposed amendments, it is not considered a business because there is no output and an organized workforce is not acquired. It is unclear why in such scenario there is no output. Again, the example would be useful if some explanation was added on why not acquiring an organised workforce would fail the test.

    (ii) In Example D, regarding 'organised workforce', paragraphs IE83 "purchaser also hires the employees that works in the facility" and IE85 "the set includes an organized workforce" are worded differently. There was some confusion on whether the sentences were attempting to refer to different things or rather to say the same thing in a different way.

(p) Our stakeholders also suggested adding more complex examples pertaining to the industries of extractive mining, financial services, and retail property management.

Part 2 of 2: HKICPA's analysis and recommendations

The HKICPA considers this project is a step in the right direction to better define 'business' for the purposes of improving IFRS 3. We continue to support the IASB's effort in this regard.

While an asset purchase is seemingly different in nature from a business acquisition, the HKICPA accepts that in some situations/industries it could be challenging to determine whether a group of assets constitutes a business and judgement would be necessary in certain circumstances. This is particularly the case when only some of the processes are being acquired or the processes are embedded in the inputs.

The HKICPA acknowledges that the IASB had previously explored aligning the different approaches without much success and hence the issue of demarcation between a business versus an asset arises. However, given that this has been a longstanding challenge in a judgemental area, the HKICPA strongly recommends that the IASB takes a step back and revisits, conceptually, the fundamental need for different accounting requirements for asset acquisitions and business acquisitions. The HKICPA considers that it is not always clear why some of the accounting should be different. This includes accounting for directly attributable acquisition-related costs, deferred taxes, consideration in the form of shares, contingent consideration and step acquisitions. For example, directly attributable acquisition-related costs are capitalised in the initial recognition of an asset, whilst it is expensed when incurred in a business combination.

That said, we are not opposed to the IASB providing clearer guidance in IFRS 3 as an interim measure—provided that the clarifications are clear, understandable, can be applied consistently to similar facts and circumstances and the standard provides accounting that faithfully represents the economics of the transaction. Having assessed the proposed amendments against these principles for clarifications, the HKICPA thinks that the proposed amendments in ED/2016/1 are not a marked improvement over existing IFRS 3 guidance.

This is mainly because there still appears to be a lack of clear principles for what is a business versus an asset. The proposed amendments are more rules-based and seem to draw an arbitrary line, without any conceptual underpinning, between an asset (or group of assets) and a business. While applying a rules-based standard might reduce the diversity in judgment being developed and be welcomed by small medium practitioners and entities, we think that the proposed amendments would lead to increased ambiguity and unintended consequences rather than clearly clarifying the definition of a business. This was evidenced by our stakeholders arriving at different conclusions when they applied the proposed guidance in ED/2016/1 to the Illustrative Examples.

The HKICPA generally agrees with our stakeholder views outlined in Part 1. However, the HKICPA thinks that the IASB should not just add more examples to illustrate opposite conclusions or examples on other industries, without providing explicit reasoning and underlying principles. This would not be helpful as there could be a multitude of complex situations across a diverse range of borderline scenarios or industries—there may never be enough examples. The issue at hand is that it is difficult to logically and consistently apply the proposed amendments to real-life situations or the IASB's Illustrative Examples because the proposed amendments lack clear principles for what is a business versus an asset.

Overall, to make the proposed amendments in ED/2016/1 clear, understandable, and consistently implementable, the HKICPA strongly recommends that the IASB:

(a) develops, and adds to BC9-BC10, a strong conceptual justification for the difference between a business and an asset. For example, it mentions in paragraph BC9 that the existence of a process distinguishes a business from an asset. Is it because a process and an input together create additional value that an asset would not ordinarily? Is the additional value created between a process and an input different from the value created when two or more assets are combined, for example, a group of individual but interrelated machines? If so, the IASB should explain the differences.

(b) makes the quantitative screening test as part of an overall holistic assessment that includes qualitative principle-based factors. The HKICPA is not convinced that the proposed quantitative screening test as a first step of the assessment would always lead us to acquisitions that faithfully represent a business. For example, the HKICPA is not convinced that acquisitions of an entity that operates via many management or outsourced contracts and thereby not have any in-house organized workforce, would not qualify as a business.

(c) reconsiders the guidance on evaluating whether an acquired process is substantive translates logically to all circumstances, for example, when the scope of paragraph B12A extends its applicability to cases other than an early-stage entity that has not started generating revenues. It is uncertain what important characteristics of an organised workforce supports the identification of a business with outputs and therefore is considered 'critical to the ability to develop or convert another acquired input into outputs'. The uncertainty potentially opens the door to structuring issues, depending on whether the entity wants the acquisition to be accounted for as an asset acquisition or a business combination.

(d) reconsider whether the examples are consistent with the guidance provided and results in a logical outcome. The IASB should explain more robustly how the principles/guidance apply to the facts of the examples. The IASB should also consider adding contrasting examples that illustrate opposite conclusions in borderline scenarios so that it is clear what the deciding factor is.

In light of the above considerations, on balance, the HKICPA is supportive of the IASB's efforts to provide clearer and principles-based application guidance on the definition of a business. However, the HKICPA does not support the proposed amendments as they are currently drafted due to the lack of conceptual underpinning and the potential unintended consequences of applying what it considers to be rules-based guidance. The HKICPA strongly recommends that the IASB takes a step back and considers, conceptually, the need to have different accounting treatments for acquisitions of an asset versus acquisition of a business.

If the IASB were to proceed with the proposed amendments as an interim measure, the HKICPA strongly recommends that the proposed screening test should not be the first step in the assessment of a business; the approach for determining a business should be more holistic, which includes both quantitative and qualitative tests; and the IASB clarifies the questions/concerns raised by the HKICPA and our stakeholders.

Question 2
The Board and the FASB reached substantially converged tentative conclusions on how to clarify and amend the definition of a business. However, the wording of the Board's proposals is not fully aligned with the FASB's proposals. Do you have any comments regarding the differences in the proposals, including any differences in practice that could emerge as a result of the different wording?

Part 1 of 2: Stakeholder views

All stakeholders understand that the IASB intends to keep the principles of the standard consistent, or substantially the same, with the equivalent US GAAP. As such, they commented that ideally, the IASB and FASB use identical text in their standards. This is because any differences in text between the IASB and FASB standards would inevitably result in potential confusion in terms of convergence.

If it is not possible to use identical text, our stakeholders consider that to minimize the risk of material differences arising due to the interpretation of different wording, the IASB should:

(a) update the IFRS 3 Appendix "Comparison of IFRS 3 (as revised in 2008) and SFAS 141(R)", which lists and explains the different requirements between IFRS and US GAAP; and

(b) include a clear statement in the basis for conclusions that any other differences in proposed wording are not intended to result in any differences in principle.

Our practitioners commented that it is difficult to anticipate the impact of the differences in the proposals. They therefore found it difficult to recommend whether a particular wording is necessarily clearer or better. Notwithstanding this comment, our stakeholders generally felt that the FASB's text, while elaborate and specific, was written in a rules-based way and therefore more difficult to follow.

One stakeholder commented that property with an in-place lease is treated differently[1] under IFRS and US GAAP. Hence, application of IASB's paragraph B11C would potentially lead to different outcomes from US GAAP. This stakeholder commented that deleting the wording in the FASB's ED paragraph 805-10-55-9C "(for example, real estate and in-place lease intangibles)" would not be sufficient in resolving the potential application diversity. As such, it was suggested that the IASB explains such GAAP difference explicitly under IASB's ED paragraph BC31.

Most, if not all, of our stakeholders welcome additional basis for conclusions to explain the intent behind the IASB's proposed amendments so long as the IASB does not unintentionally create new requirements/guidance in the basis for conclusions. Specifically, some stakeholders thought that the:

(a) FASB ED paragraph BC31 on "Groups of Processes" may be helpful in applying IASB paragraphs B12A and B12B; and
(b) FASB ED paragraph BC40 on "Single or Similar Asset Threshold" may be helpful in applying IASB paragraph B11C.

Part 2 of 2: HKICPA's analysis and recommendations

The HKICPA notes that the IASB proposed amendments that are substantially the same as FASB's proposed amendments to clarify the definition of a business, with the view that the text in the final amendments would also be the same to maintain convergence.

The HKICPA considers that maintaining a converged standard is desirable. If our aim is to maintain convergence, ideally, identical amendments should be made to the standards.

However, because of our significant concerns mentioned above, the HKICPA is not prepared to compromise on the quality of the amendments or IFRS 3 for the sake of converged IFRS and US GAAP standards. The HKICPA also thinks that the IASB's opportunity to provide a high quality standard should not be sacrificed for the sake of convergence with the FASB. The HKICPA urges the IASB to reconsider the drafting of amendments in a more principles-based manner.

---

[1] Under US GAAP the acquirer recognises a tangible asset and an intangible asset for in-place leases as well as an asset or liability for the favourable or unfavourable aspect of the operating lease; while paragraph B42 of IFRS 3 states that the acquirer does not recognise a separate asset or liability if the terms of the operating lease are either favourable or unfavourable when compared with market terms.

The HKICPA agrees with our stakeholders that if the amendments to IFRS 3 were different from the FASB's amendments, the IASB should continue to provide a summary table of text differences. The IASB should also explain why it thinks the differences would not lead to different outcomes. This is because if different text is necessary to explain the same thing within the IASB and FASB proposals, then it suggests that there may be different interpretations. Finally, if there are differences between IFRS 3 and the equivalent US GAAP which are intended to lead to different outcomes, this should also be stated.

Question 3
To address diversity of practice regarding acquisitions of interests in businesses that are joint operations, the Board is proposing to add paragraph 42A to IFRS 3 and amend paragraph B33C of IFRS 11 to clarify that: (a) on obtaining control, an entity should remeasure previously held interests in the assets and liabilities of the joint operation in the manner described in paragraph 42 of IFRS 3; and (b) on obtaining joint control, an entity should not remeasure previously held interests in the assets and liabilities of the joint operation. Do you agree with these proposed amendments to IFRS 3 and IFRS 11? If not, what alternative would you propose, if any, and why?

Part 1 of 2: Stakeholders views

Our stakeholders do not object to the proposed amendments to IFRS 3 and IFRS 11 in relation to the clarification on accounting for previously held interests.

However, one practitioner pointed out that there are two schools of thought on the accounting for previously held interests. One view is that a joint operation is not too dissimilar to a joint venture or an associate, and therefore the joint operator should remeasure its previously held interest. Another view is a joint operator has a direct interest in the joint operation's assets and liabilities, which is different from having a single net investment as in a joint venture or an associate. Therefore remeasurement of assets and liabilities that the joint operator has direct interests in and recorded in its books may not be appropriate.

As such, this stakeholder thinks that the IASB might need to further address these views.

Part 2 of 2: HKICPA's analysis and recommendation

The HKICPA does not object to the proposed amendments to IFRS 3 and IFRS 11 in relation to the clarification on accounting for previously held interests. Given the concerns noted by our stakeholders above, the HKICPA recommends that the IASB elaborates its rationale in the basis for conclusions.

Question 4
The Board is proposing the amendments to IFRS 3 and IFRS 11 to clarify the guidance on the definition of a business and the accounting for previously held interests be applied prospectively with early application permitted. Do you agree with these proposed transition requirements? Why or why not?

Stakeholder views and HKICPA's analysis and recommendations

The HKICPA and our stakeholders agree with the respective rationale and proposed transition requirements in paragraph BC4 of IFRS 11 and paragraph BC32 of IFRS 3.