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30 December 2015

By email: commentletters@ifrs.org

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

Dear Mr. Hoogervorst

IASB Request for Views 2015 Agenda Consultation

We refer to the IASB Request for Views 2015 Agenda Consultation. Our comments on the above consultation are set out in the enclosed annex.

We hope you would find our comments useful. Should you have any questions, please do not hesitate to contact Ms. Emily Ngan of the Secretariat at 2526 6080.

Yours sincerely

Henry Chan
Secretary

c.c. Ms. Christina Ng, Head of Financial Reporting, Standard Setting,
Hong Kong Institute of Certified Public Accountants

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Henry Chan

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秘書 陳崇禧

HKAB Comments on IASB Request For Views 2015 Agenda Consultation

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The IASB invites comments on all matters in this Request for Views. Respondents need not comment on all of the questions and are encouraged to comment on any additional matters. The IASB will consider all comments received in writing by 31 December 2015.

The balance of the IASB's projects

1 The IASB's work plan includes five main areas of technical projects:

- (a) its research programme;
- (b) its Standards-level programme;
- (c) the *Conceptual Framework*;
- (d) the Disclosure Initiative; and
- (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

1: The following factors can be considered:

- a) The importance of the matter, for example:
 - possible change that will cause material change to a sufficient number of entities' profit and loss;
 - where there is conflict between two standards;
 - the accounting treatment is being highlighted by regulators and a valid need for change has been established.
- b) The urgency of the matter to users of financial statements, for example,
 - inconsistent practice which results in lack of comparability between entities' financial statements.
 - current application of IFRS unreasonable depiction of financial performance, for instance, change of own credit risk reflected in profit or loss.
- c) Interaction between other existing and possible projects.
- d) The complexity and breadth of the problem raised.
- e) The availability of resources to achieve completion of projects within a reasonable time frame.
- f) The ability to leverage work done by other organizations.

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Research projects	
2	<p>The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.</p> <p>Should the IASB:</p> <p>(a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.</p> <p>(b) remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?</p> <p>(c) remove any other projects from its research programme?</p>
3	<p>For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).</p> <p>Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.</p>

- 2a. We do not suggest adding any other projects. We believe it is important to make progress on the existing projects.
- 2b. We suggest removing them from the research program since they are beneficial to limited number of users.
- 2c. We do not suggest removing other projects from the research program.

3. Please see the following table:

	<i>Importance</i>	<i>Urgency</i>	<i>Reason for ranking proposed</i>
Definition of a business	Medium	Medium	While the guidance could be expanded, there are limited circumstances in which the existing guidance is insufficient.
Discount rates	Medium	Medium	Analysis of the differences in different standards is worthwhile, but it is not clear that these are causing significant issues in practice.
Goodwill and impairment	High	Medium	There are legitimate concerns around the impairment testing of goodwill.
Income taxes	Medium	Medium	IAS 12 can be difficult to apply in some circumstances, although its requirements appear to be fairly well understood

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	<i>Importance</i>	<i>Urgency</i>	<i>Reason for ranking proposed</i>
Pollutant pricing mechanisms	Low	Low	Limited application.
Post-employment benefit	Medium	Medium	Useful research, but not urgent as the scope of the project is limited.
Primary financial statements	Low	Low	The financial statements already include many disclosure notes that provide users with information. A focus on the measurement of assets and liabilities might be more productive than restructuring the content and presentation of the primary financial statements.
Provisions, contingent liabilities and contingent assets	Medium	Medium	While IAS 37 is not without faults, there is unlikely to be a clear path to improving it that does not create new application issues.
Share-based payment	Medium	Medium	Not an urgent issue.
Business Combinations under Common Control	High	High	There is diversity in practice.
Disclosure Initiative-Principles of Disclosure	High	High	Current practice by many preparers tends to result in disclosure of many immaterial pieces of information, which can obscure more important information
Dynamic Risk Management	High	High	It is difficult for entities to have a complete assessment the final impact of IFRS 9 before Dynamic Risk Management accounting has been completed.
Equity Method	High	High	There are many issues with equity accounting of associates, which need urgent attention and a fundamental re-think.

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	<i>Importance</i>	<i>Urgency</i>	<i>Reason for ranking proposed</i>
Financial Instruments with Characteristics of Equity	High	Medium	The current guidance in IAS 32 is difficult to apply in many situations. Although a fundamental re-think of the principles is probably not going to provide any timely improvements, a clarification of the existing guidance would be welcome.

Major projects

4 Do you have any comments on the IASB's current work plan for major projects?

4: The major projects as at 31 July 2015 are:

- a) Insurance contracts
- b) Leasing
- c) Conceptual Framework
- d) Disclosure initiative-Changes in Accounting Policies and Estimates
- e) Disclosure Initiative-Materiality Practice Statement
- f) Dynamic Risk Management
- g) Rate-regulated Activities
- h) Disclosure initiative - Principles of disclosure

For the current work plan, we suggest finalising the Insurance Contracts project and Dynamic Risk Management as priorities since they will have significant impact to the financial institutions for assessing their interaction with IFRS 9.

Maintenance and implementation projects

5 Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

5: In general, we believe the level of support is adequate.

Level of change

6 Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

6: We believe it would be beneficial for the IASB to have an evaluation of its project work for

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the key prior year projects, and identify the reasons causing the delay.

Any other comments

7 Do you have any other comments on the IASB's work plan?

7: No.

Frequency of Agenda Consultations

8 Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

8: A five year interval would enable significant progress to be made on existing projects without the disruption caused by continually changing priorities when projects are half-finished, as could be the case with a three year interval. Having said that, a three yearly assessment of and report on which projects are proceeding satisfactorily and which projects have become stalled for some reason, would help stakeholders plan for the likely introduction of changes to existing standards / the development of new standards.