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File No.: HQ502/141 Pt. 29

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Dear Ms Ng,

**IASB Exposure Drafts**  
**ED/2017/5 Accounting Policies and Accounting Estimates and**  
**ED/2017/6 Definition of Material**

Thank you for your letter dated 21 September 2017 inviting our comments on the two exposure drafts ED/2017/5 and ED/2017/6 (“the Exposure Drafts”) issued by the International Accounting Standards Board (“IASB”) in respect of Accounting Policies and Accounting Estimates (proposed amendments to IAS 8) and Definition of Material (proposed amendments to IAS 1 and IAS 8) respectively.

In ED/2017/5, IASB proposes narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help companies distinguish accounting policies from accounting estimates. The distinction is important because changes in accounting estimates often affect a company’s profit or loss, but changes in accounting policies generally do not. The proposals would clarify how accounting policies and accounting estimates relate to each other, that selecting an estimation technique or valuation technique constitutes making an accounting estimate; and that in applying IAS 2 Inventories, selecting the first-in, first-out cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.

In ED/2017/6, IASB proposes minor amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to clarify the definition of material and improve understanding of the current requirements.

We generally support IASB’s proposals to improve clarity of the distinction between accounting policies and accounting estimates and the definition of materiality. Insofar as tax administration is concerned, we have no comment on the proposed amendments in the Exposure Drafts.

We are grateful for the opportunity to provide our comments on the Exposure Drafts.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Wong Pui-ki', written in a cursive style.

(Ms WONG Pui-ki)  
for Commissioner of Inland Revenue