



30 November 2005

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**IASB Discussion Paper on Measurement Bases for Financial Accounting –
Measurement on Initial Recognition**

The International Accounting Standards Board (IASB) has issued a Discussion Paper on *Measurement Bases for Financial Accounting - Measurement on Initial Recognition* for consultation.

The IASB's discussion paper and press release have been posted on the website of the Hong Kong Institute of CPAs (Institute) at www.hkicpa.org.hk/professionalttechnical/accounting/exposedraft/content.php which can also be found on-line at: www.iasb.org.

The Discussion Paper analyses possible bases for measuring assets and liabilities on initial recognition. These measurement bases include historical cost, current cost, fair value, net realisable value and value in use. The Paper also considers deprival value, which combines several measurement bases in a single model. The Paper evaluates the possible bases against criteria derived from the IASB *Framework for the Preparation and Presentation of Financial Statements*, as well as developments in finance theory, the application of present value and statistical probability principles and measurement practices. This paper is a first step in revising the measurement aspects of the Framework, and is likely to affect many Standards in future.

The Institute's Financial Reporting Standards Committee invites comments on the IASB's Discussion Paper from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in it. Comments should be supported by specific reasoning and should preferably be submitted in written form.

To allow your comments on the IASB's Discussion Paper to be considered and included in the Institute's response to the IASB, comments are invited by **28 April 2006**.

Comments may be sent by mail, fax or e-mail to:

Stephen Chan
Executive Director
Hong Kong Institute of CPAs
4th Floor, Tower Two, Lippo Centre
89 Queensway
Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkicpa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.