



5 September 2008

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF PROPOSED
IMPROVEMENTS TO IFRSs (SECOND SET)**

Comments to be received by 17 October 2008

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php.

The Exposure Draft proposes amendments to 8 International Financial Reporting Standards (IFRSs) under its annual improvements project. This is the second set of proposals under the IASB's annual improvements process which is intended to deal with non-urgent but necessary amendments to Standards. The proposed amendments focus on areas of inconsistency in Standards or where clarification of wording is required.

A summary of each of the amendments proposed in the Exposure Draft is set out in the Appendix.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party. The FRSC would like to hear from both those who do agree and those who do not agree with the proposals contained in the IASB Exposure Draft.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **17 October 2008**.

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

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

Lists of the proposed 12 separate amendments addressed by the Exposure Draft which impact 8 different Standards

Standard	Topic	Proposed amendment
IFRS 2 <i>Share-based Payment.</i>	Scope of IFRS 2 and revised IFRS 3	Amendment to confirm that, in addition to business combinations as defined by IFRS 3 (revised 2008) <i>Business Combinations</i> , the contribution of a business on formation of a joint venture and common control transactions are not within the scope of IFRS 2.
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosure of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations	Amendment to clarify that IFRS 5 specifies the disclosures required for non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
IFRS 8 <i>Operating Segments</i>	Disclosure of information about segment assets	Amendment to the Basis for Conclusions to clarify the Board's view on the disclosure of segment assets. The measure for total segment assets required to be disclosed by paragraph 23 of IFRS 8 would be nil when such information is not provided to the chief operating decision maker. The amendment makes clear that non-disclosure of segment assets would be in accordance with IFRS 8 in such cases.
IAS 7 <i>Cash Flow Statements</i>	Classification of expenditures on unrecognised assets	Amendment to state explicitly that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities.
IAS 18 <i>Revenue</i>	Determining whether an entity is acting as a principal or as an agent	Additional guidance added to the appendix to IAS 18 to address the issue of determining whether an entity is acting as a principal or as an agent.
IAS 36 <i>Impairment of Assets</i>	Unit of accounting for goodwill impairment test	Amendment to clarify that the largest unit permitted by IAS 36 is the operating segment level as defined in paragraph 5 of IFRS 8 <i>Operating Segments</i> before the aggregation permitted by paragraph 12 of IFRS 8.

IAS 38 <i>Intangible Assets</i>	Additional consequential amendments arising from revised IFRS 3	Amendment to paragraphs 36 and 37 of IAS 38 clarifying the effect of the decisions in IFRS 3 (revised 2008) on the accounting for intangible assets acquired in a business combination.
IAS 38 <i>Intangible Assets</i>	Measuring the fair value of an intangible asset acquired in a business combination	Amendment to clarify the description in paragraphs 40 and 41 of IAS 38 of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Scope exemption of business combination contracts	Amendment to clarify that the scope exemption in paragraph 2(g) of IAS 39 applies only to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date and that IAS 39.2(g) should not be applied by analogy to investments in associates and similar transactions
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Application of the fair value option	Amendment to clarify that the fair value option provided in paragraph 11A of IAS 39 applies only to hybrid financial instruments within the scope of IAS 39 that contain embedded derivatives.
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Cash flow hedge accounting	Amendment to clarify when gains or losses on hedging instruments should be reclassified from equity to profit or loss as a reclassification adjustment for cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or for cash flow hedges of recognized financial instruments. The proposed amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period the hedged forecast cash flow affects profit or loss.
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Bifurcation of an embedded foreign currency derivative	Amendment to clarify the meaning of 'economic environment' in the context of determining whether a currency is commonly used in contracts to buy or sell non-financial items and therefore is closely related to the host contract. IAS 39.AG33(d)(iii) would be amended to reflect that contracts denominated in foreign currencies that have one or more of the characteristics of a functional currency as set out in IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> are likely to be integral to the contractual arrangement and therefore closely related to the host contract and prohibited from being accounted for separately.