



Our Ref.: C/FRSC

Sent electronically through emails to IASB (mstewart@ifrs.org; iyeoh@ifrs.org)

31 March 2011

Mr. Michael Stewart
Director of Implementation Activities
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Stewart,

[The IASB's post-implementation reviews](#)

The Hong Kong Institute of Certified Public Accountants ("the Institute") is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned review. Our responses to the questions raised in your request for views are set out in the Appendix for your consideration.

We welcome the initiatives by the IASB to perform post-implementation reviews on the existing financial reporting standards and have highlighted in our Appendix certain suggestions to enhance the process of the review on the standards. The salient features of our suggestions are as follows:

- **Joint effort by the IASB and the US Financial Accounting Standards Board (FASB)** - We are of the view that FASB should also be involved in the review to facilitate consistent understanding of the implementation issues reached by the organisations and further appropriate joint actions can be taken as appropriate.
- **Timing for the review of new standards** - We consider that carrying out post-implementation review on new standards or major amendment two years after their mandatory application date may be too late. We consider that the timing for the review should be reconsidered in order to make the review more useful and meaningful. We recommend that the IASB establish a pre-implementation mechanism similar to that which the International Auditing and Assurance Standards Board adopted to enhance its responsiveness to practical issues of standards adoption.
- **Post implementation review of other standards** - We also suggest that the IASB should carry out post-implementation reviews of some of the older standards that are not under the current work plan but which entities are finding difficult to understand or are difficult to apply in practice. For example, IAS 36 *Impairment of Assets* is commonly viewed as more problematic in practice than IFRS 8 *Operating Segments* and IFRS 3 *Business Combinations* but does not appear to have been subject to any post-implementation review since its issuance.



- **Involvement of national standard-setters** - We are of the view that even though we have established strong relationship with our local preparers as the standard-setter in our jurisdiction, the direct involvement by the IASB Technical Staff in the post-implementation review would better facilitate their understanding and consideration of the practical issues. Our Institute, as the standard-setter of our jurisdiction and a strong supporter to IFRS, can coordinate and arrange meetings and roundtables between the IASB Technical Staffs and the stakeholders by utilizing our established local networks and relationships.

If you have any questions on our comments, please do not hesitate to contact me at ong@hki CPA.org.hk.

Yours faithfully,

Steve Ong, FCPA, FCA
Director, Standard Setting

SO/AW/jn

Encl.



Hong Kong Institute of CPAs

Comments on The IASB's post-implementation reviews

Question 1

What are your views on the draft general work plan for a post-implementation review (discussed in paragraphs 4-12)? In providing your views, we would particularly appreciate learning about your experiences with the performance of post-implementation reviews.

We have the following comments on the draft general work plan for the post-implementation review:

- Joint effort by the IASB and US Financial Accounting Standards Board (FASB)

As stated in paragraph 18 of Agenda Paper 4, we understand that the first two IFRSs or amendments for which the IASB is scheduled to begin post-implementation reviews are IFRS 8 *Operating Segments* and Business Combination: Phase II.

It is our understanding that the business combination project is a joint project with the FASB based on the Memorandum of Understanding entered into between the IASB and the FASB and the IFRS 8 *Operating Segments* was issued in November 2006 as a result of the short term convergence project with the FASB. The objective of those projects is to achieve convergence of IFRSs and US generally accepted accounting principles. In order to maintain the same level playing field for the development of IFRSs and their US equivalents, we are of the view that FASB should also be involved in the review to facilitate consistent understanding of the implementation issues being reached by the organisations and further appropriate joint actions can be taken as appropriate.

- Timing for the review

It is our understanding from Paragraph 53 of the IASB Due Process Handbook that the IASB will carry out a post-implementation review of each new IFRS or major amendment and this is normally carried out two years after the new requirements have become mandatory and been implemented.

We consider that carrying out post-implementation review on new standards or major amendments two years after their mandatory application date may be too late, in particular, longer lead time is generally allowed for the application of a standard and issues might have been identified in preparing for the application. Also, it may take considerable time and effort to perform such review. We consider that the timing for the review should be reconsidered in order to make the review more useful and meaningful.



We have the following recommendations in relation to the timing of the review:

- New standards and major amendments: Pre-implementation monitoring

We understand that the International Auditing and Assurance Standards Board (IAASB) was actively involved in obtaining pre-implementation information from a number of countries and firms about their experiences in introducing the clarified International Standards of Auditing (ISAs) into their national standards or firm audit methodologies. The exercise was not about monitoring which countries and firms have adopted the clarified ISAs. Rather, its objective was to obtain an understanding about the experiences to date for some of those countries and firms that are implementing the ISAs to help provide an early indication of areas of difficulty in implementation or necessary actions that are needed to facilitate the successful implementation of the standards.

We recommend that the IASB establishes a similar pre-implementation mechanism to enhance its responsiveness to practical issues of standards adoption in respect of new standards and major amendments. The information in relation to the IAASB implementation of the clarified international standards on auditing can be assessed at <http://web.ifac.org/download/IAASB-Implementation-Monitoring-Clarified-ISAs.pdf>. We recommend that the IASB should consider starting the process of performing the review immediately after the standard is issued, especially for those standards with significant issues raised by commentators and which remained unresolved when the standards were finalised and issued.

- Existing standards not part of the work plan: post implementation review

We consider that the IASB should select the standards or major amendments for review based on their relative significance in nature, instead of based on the pre-determined reviewing timeframe.

In particular, we recommend that the IASB should carry out post-implementation reviews of some of the older standards that are not under the current work plan but which entities are finding difficult to understand or are difficult to apply in practice. For example: IAS 36 *Impairment of Assets* is commonly viewed as more problematic in practice than IFRS 8 and IFRS 3 but does not appear to have been subject to any post-implementation review since its issuance.

Question 2

What involvement do you think that national standard-setters should have in a post-implementation review?

We do not agree with the IASB Staff's view, as stated in paragraph 6 of Agenda Paper 4A, that interested parties may be more comfortable communicating their views to a local organisation which is closer to them and with which they are more familiar with, instead of to the IASB. We do not consider it appropriate for the IASB to rely solely on the national standard setters without seeking involvement directly from the stakeholders of IFRS. We understand that the stakeholders in our jurisdiction see the



benefit of being directly involved in IASB outreaching activities to have their concerns and comments heard directly by the IASB Board Members and staff. This is evidenced by the favorable responses to the various seminars and roundtables attended by the IASB Board Members, including Sir David Tweedie, Paul Pacter, Tatsumi Yamada and Zhang Wei-Guo, Robert Garnett from the IFRS Interpretations Committee and senior technical staff from the IASB held in our jurisdiction since 2010. Even though we have established a strong relationship with our local preparers as the standard-setter in our jurisdiction, we consider the direct involvement by the IASB Technical Staff in the post-implementation review would better facilitate their understanding and consideration of the practical issues. Our Institute, as the standard-setter of our jurisdiction and a strong supporter to IFRS, can coordinate and arrange meetings and roundtables between the IASB Technical Staff and the stakeholders by utilizing our established local networks and relationships.

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