



Our Ref.: C/FRSC

Sent electronically through the IASB Website (www.ifrs.org)

10 January 2018

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

Dear Hans,

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing and ethics for professional accountants, in Hong Kong. We are grateful for the opportunity to provide you with our comments on these Exposure Drafts.

Comments on ED/2017/5

The HKICPA generally supports the proposals but considers the way proposed paragraph 32A is currently worded could create confusion. The HKICPA questions whether selecting an estimation technique or valuation technique constitutes making an accounting estimate regardless of whether an item is measured with precision. For example, the fair value of an equity instrument using quoted price in an active market (level 1 input) is certainly more precise than using level 2 or 3 inputs. But would an item measured with level 1 inputs not constitute making an accounting estimate? In view of this, the HKICPA recommends that the IASB clarifies what the Board means by 'measured with precision' in the context of whether a measure would constitute making an accounting estimate.

Comments on ED/2017/6

The HKICPA supports the proposed refinements in the definition of material as they are clearer and may help improve the understanding of how to apply materiality.

If you have any questions regarding the matters raised in this letter, please contact me or Katherine Leung, Associate Director of the Standard Setting Department (katherineleung@hkicpa.org.hk).

Yours sincerely,

Christina Ng
Director, Standard Setting Department