



5 June 2019

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT  
ED/2019/3 Reference to the Conceptual Framework  
Proposed amendments to IFRS 3**

**Comments to be received by 23 August 2019**

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on IASB ED/2019/3. The Exposure Draft is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>

IFRS 3 *Business Combinations* specifies how a company should account for the assets and liabilities it acquires when it obtains control of a business. It refers companies to the *Conceptual Framework* to determine what constitutes an asset or a liability.

IFRS 3 refers to an old version of the *Conceptual Framework*. The International Accounting Standards Board (IASB) proposes to update IFRS 3 so it refers instead to the latest version, issued in March 2018, without changing the accounting requirements for business combinations.

Updating the reference without making any other changes to IFRS 3 could change the accounting requirements for business combinations because the liability definition in the 2018 *Conceptual Framework* is broader than that in previous versions. Companies would need to record provisions and contingent liabilities when they acquire a business they would not record in other circumstances. To avoid this, the IASB also proposes that for provisions and contingent liabilities, companies refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* instead of the *Conceptual Framework* to determine what constitutes a liability.

This change is proposed to stand until the IASB decides whether and how to amend IAS 37 to align it with the 2018 *Conceptual Framework*.

The FRSC invites your comments on the proposals by **23 August 2019** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

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

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37th Floor, Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

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

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