



5 May 2004

To: **HKSA members**
All other interested parties

**INTERNATIONAL ACCOUNTING STANDARDS BOARD EXPOSURE DRAFT OF
PROPOSED AMENDMENTS TO IFRS 3 *BUSINESS COMBINATIONS* –
COMBINATIONS BY CONTRACT ALONE OR INVOLVING MUTUAL ENTITIES**

The International Accounting Standards Board (IASB) has issued proposals for a limited amendment to International Financial Reporting Standard (IFRS) 3 *Business Combinations*. The proposals are set out in the Exposure Draft *Combinations by Contract Alone or Involving Mutual Entities*.

A copy of the IASB's press release and the ED has been posted on the HKSA web site at: <http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft>. The IASB's press release and the ED can also be found on-line at: <http://www.iasb.org.uk>.

The HKSA Financial Accounting Standards Committee (FASC) invites comments 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 the ED. Comments should be supported by specific reasoning and should preferably be submitted in written form.

On 16 December 2002 the FASC issued an invitation to comment on the IASB's ED 3 of a proposed new IFRS *Business Combinations*. As of the date this invitation to comment is issued, the IASB has issued IFRS 3 and the HKSA intends to issue an HKFRS that is converged with that IFRS. The ED to which this invitation to comment relates should be read in the context of IFRS 3.

Following from the IASB's final approved changes to IFRS 3, the FASC intends to recommend the adoption of similar changes so that the Hong Kong Financial Reporting Standards maintain conformity with the IASB's standards.

The FASC will not issue a specific Hong Kong exposure draft on the matters covered in the IASB exposure draft unless any changes made by the IASB to the ED are so significant as to warrant, in the opinion of the FASC, seeking further comment.

To allow your comments on the ED to be considered and included in the HKSA's response to the IASB, the FASC requests your comments on the accompanying ED by **16 July 2004**. 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.