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By email: [commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk) and by post

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Dear Christina

**IASB Exposure Drafts –**  
**ED/2017/5 Accounting Policies and Accounting Estimates (Proposed**  
**Amendments to IAS 8)**  
**ED/2017/6 Definition of Material (Proposed Amendments to IAS 1 and IAS 8)**

Thank you for your letter dated 21 September 2017 inviting comments on the captioned IASB exposure drafts. Our comments on the specific questions raised in the two exposure drafts are set out in the enclosed annex for your consideration.

Should you have any questions, please contact our Manager Ms Emily Ngan at 2526 6080 or our Officer Ms Melissa Law at 2567 1780.

Yours sincerely

Celia Shing  
Secretary

Enc.

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*Vice Chairman* The Hongkong and Shanghai Banking Corporation Limited  
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**HKAB’s Comments on IASB ED/2017/5 Accounting Policies and Accounting Estimates (Proposed Amendments to IAS 8)**

**Question 1**

**The Board proposes clarifying the definition of accounting policies by removing the terms ‘conventions’ and ‘rules’ and replacing the term ‘bases’ with the term ‘measurement bases’ (see paragraph 5 and paragraphs BC5–BC8 of the Basis for Conclusions).**

**Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?**

We agree with the proposed amendment as it provides useful clarification by removing some confusing elements in the current standard.

**Question 2**

**The Board proposes:**

- (a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and**
- (b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9–BC16 of the Basis for Conclusions).**

**Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?**

We agree with the proposed amendments as they provide a more logical structure to the guidance.

**Question 3**

**The Board proposes clarifying that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC18 of the Basis for Conclusions).**

**Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?**

We agree with the proposed amendment as they provide clearer and simpler guidance to apply the standard.

**Question 4**

**The Board proposes clarifying that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19–BC20 of the Basis for Conclusions).**

**Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?**

We agree with the proposed amendment as it provides more clarity to the existing guidance.

**HKAB’s Comments on IASB ED/2017/6 Definition of Material (Proposed Amendments to IAS 1 and IAS 8)**

**Question 1**

**The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the Conceptual Framework, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the Conceptual Framework.**

- (a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?**

We agree with the clarifications as proposed in the Exposure Draft is an improvement to the current standards. In general, we consider that the guidance in this Exposure Draft is clear, but we suggest that the amendments to the standards could include some wording to capture the notion of the “common information needs of the primary uses” which is discussed in paragraphs 22 & 23 of the Materiality Practice Statement and paragraph OB 8 of the Conceptual Framework. For example, the IASB can consider supplementing Paragraph 7 of the IAS 1 on the set of common information needs the entity aims to meet, taking into consideration of the investors, lenders and creditors (both existing and potential).

- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?**

We consider that the proposed amendments are clear for our understanding.

**Question 2**

**The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised Conceptual Framework in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.**

**The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised Conceptual Framework will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24).**

**Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised Conceptual Framework?**

We agree that, other than updating the definitions of the material as mentioned above, the guidance in the Practice Statement and the Conceptual Framework are sufficient as those documents are already consistent with this Exposure Draft.

**Question 3**

**Do you have any other comments about the proposals in this Exposure Draft?**

We suggest the Board to consider amending paragraph 9 of IAS 1 which states: “...The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions...” and to supplement it with reference to the common needs of the primary users (i.e. existing and potential investors, creditors and lenders) as described in our response to Question 1.

We think this suggestion will make IAS 1 and other related documents (i.e. the Conceptual Framework and the Materiality Practice Statement) more consistent amongst each other.