



香港華人會計師公會
The Society of Chinese Accountants & Auditors



23 November 2020

The Chairman
Financial Reporting Standard Committee
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Sir,

Invitation to comment on IASB Discussion Paper DP/2020/1
Business Combinations–Disclosures, Goodwill and Impairment

The Society of Chinese Accountants and Auditors ('SCAA') refer to your letter dated 23 March 2020 and on behalf of the SCAA and Accountancy Caring Alliance ('ACA'), we would like to provide our views on the captioned subject based on the feedbacks of questionnaires completed by participants in a forum jointly held by SCAA and ACA on 16 November 2020 as follows:

Q1 Do you think that the proposed new disclosure requirements would resolve the Investors need for better information on the subsequent performance of an acquisition? (Refer to Paragraph 2.4 of the Discussion Paper (DP))

We received around 73.6% (523 out of 711) of the responded feedback on agreeing the above proposed new disclosure requirements.

Q2 Do you agree with the following disclosure proposals:

Q2a A company should be required to disclose information about the strategic rationale and management's (Chief operating decision maker's) objectives for an acquisition as at the acquisition date (Paragraphs 2.8–2.12 of the DP).

We received around 80% (569 out of 711) of the responded feedback on agreeing the above disclosure proposals.

Q2b After the acquisition date, disclose information about whether the company is meeting those objectives using information on how CODM monitors and measures the performance rather than on metrics prescribed by the Board. (Paragraphs 2.13-2.40 of the DP)

We received around 76.2% (539 out of 707) of the responded feedback on agreeing with the above disclosure proposals.

Q2c A company should be required to disclose the performance information for as long as



its CODM continues to monitor the acquisition to see whether it is meeting its objectives. (Paragraphs 2.41-2.44 of the DP)

We received around 74% (523 out of 707) of the responded feedback on agreeing the above disclosure proposals.

Q3 Do you agree with the new disclosure requirements on the following areas:

Q3a Synergies of the acquisition (paragraphs 2.62-2.68 and 2.69-2.71 of the DP)

We received around 73.6% (524 out of 712) of the responded feedback on agreeing with the new disclosure requirements on the above areas.

Q3b Improvement on the disclosures of proforma information (paragraphs 2.78-2.81 of the DP)

We received around 76.5% (543 out of 710) of the responded feedback on agreeing with the new disclosure requirements on the above areas.

Q4 The Board's preliminary view is that it does not reintroduce amortization of goodwill and should retain the impairment-only model for the subsequent accounting for goodwill. (Paragraphs 3.86-3.94). Do you think that the Board should reintroduce amortization of goodwill? Why and Why not?

We received around 52.8% (376 out of 712) of the responded feedback on agreeing with that the Board should reintroduce amortization of goodwill.

Q5 If you favour reintroducing amortization of goodwill, how should the useful life of goodwill and its amortization pattern be determined?

Regarding these comments, please refer to the Questionnaire Summary as attached in Appendix 1.

Q6 Do you agree the Board's preliminary view that impairment testing of goodwill would not be required unless there is an indication of impairment (paragraphs 4.32-4.34 of the DP). The same proposal would also be developed for intangible assets with indefinite useful lives and intangible assets not yet available for use. Why or Why not?

We received around 65.7% (467 out of 711) of the responded feedback on agreeing with the above Board's preliminary proposal.

Q7 Do you agree the Board's preliminary view to remove the restriction that prohibits companies from including some cash flows in future uncommitted restructuring or from improving or enhancing the asset's performance when estimating value in use? (paragraphs 4.35-4.42 of the DP)

We received around 62.2% (442 out of 711) of the responded feedback on agreeing



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with the above Board's preliminary view.

Q8 Do you agree the Board's preliminary view to allow companies to use post-tax cash flows and post-tax discount rates in estimating value in use? (paragraphs 4.46-4.52 of the DP)

We received around 70.3% (502 out of 714) of the responded feedback on agreeing with allowing companies to use post-tax cash flows and post-tax discount rates in estimating value in use

Q9 Do you agree to develop a proposal to require companies to present on their balance sheets the amount of total equity excluding goodwill? (Paragraphs 3.107-3.114 of the DP)

We received around 67.7% (481 out of 710) of the responded feedback on agreeing with developing above proposal.

A detailed summary of the feedback on questionnaires of the forum participants is attached in Appendix 1 for your kind reference.

SCAA is an incorporated body of professional accountants in Hong Kong established since 1913. There were less than a hundred members 50 years ago and about half thousand members 10 years ago. Nowadays, SCAA has over 1,000 ordinary members who are practicing accountants and representing a significant number of practicing firms of accountants, most of which are small and medium sized, in Hong Kong.

ACA has been launched by ADF during the Coronavirus outbreak and has got supports from over 100 accountants and accountancy entities, including The Society of Chinese Accountants and Auditors, Hong Kong Business Accountants Association, and Finance and Accounting Professional Committee of The Hong Kong Chinese Enterprise Association. ACA works together with the accounting profession and aims at projecting positive attitude and energy into the profession and the community through various activities and voluntary work, and actively supporting and voicing out for the basic level and disadvantaged groups.

Should you wish to further discuss the issues in more details, please do not hesitate to contact SCAA at 2869 6680 or ACA at 2811 8776.

Yours faithfully,

Lam Chi Yuen, Nelson
Executive Chairman
Accountancy Caring Alliance

Wong Chun Sek, Edmund
President
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