



**BY E-MAIL AND BY POST**

Our Ref.: C/FRSC

16 February 2005

The International Financial Reporting Interpretations Committee,  
International Accounting Standards Board,  
30 Cannon Street,  
London EC4M 6XH,  
United Kingdom.

Dear Sirs,

**D10 Comment Letter**

In response to the [International Financial Reporting Interpretations Committee \(IFRIC\)'s Draft Interpretation D10 \*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment\*](#), we are pleased to set out below the comments of the Institute's Financial Reporting Standards Committee for your consideration.

We are generally supportive of the consensus reached in this Draft Interpretation and consider the consensus is consistent with the requirements under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

We note that the Draft Interpretation contains no specific transitional provision. As a result, this Draft Interpretation appears to require an entity to provide for the obligation to contribute to waste management costs based on its share of the market from the start of the measurement period without taking into account its market share prior to the measurement period. Accordingly, in the first accounting period within which the measurement period commences, a very significant provision could be required. For example, in the case where an entity increases its market share from 30% to 60% during an accounting year within which the measurement period starts, the entity would have to provide for in that accounting year an obligation based on the 60% market share of the cost of waste management for all historical equipment that has ever been sold in the market prior to the end of that accounting year even though many of the historical equipment were not sold by the entity itself. The effect of this provision could be very substantial both to the result and financial position of the entity, in particular in the case where the cost of waste management is high. In this regard, we recommend that the IFRIC should consider including certain transitional arrangements or certain disclosure for the provision made in the first year within which the measurement period commences in order to enhance the transparency and comparability of financial statements.

In addition, an entity may not be able to find out its market share until after its financial statements are issued. Accordingly, we consider that it would be useful to highlight in the final Interpretation the requirement under IAS 1 *Presentation of Financial Statements* to disclose the key assumptions in arriving at the estimate of the provision if it is material.



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

If you have any questions on our comments, please do not hesitate to contact the undersigned at [schan@hki CPA.org.hk](mailto:schan@hki CPA.org.hk).

Yours faithfully,

A handwritten signature in black ink that reads 'Stephen Chan'. The signature is fluid and cursive, with a long horizontal flourish at the end.

STEPHEN CHAN  
DIRECTOR (STANDARD SETTING)  
HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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