

HKAB's Comments on HKICPA Exposure Draft on Proposed Amendments to Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)

No	Questions from HKICPA	HKAB's Response
1	Do you agree with the amendments proposed in this exposure draft? If not, please specify which parts of the proposals you disagree with, why, and what you propose instead.	We agree with the amendments proposed in this exposure draft as they provide more clarity and alignment to the updated terminology of the existing HKFRSs. We also agree with the FRSC's decision not to amend the principles and accounting requirements in AG 5 now given the IASB's project on Business Combination Under Common Control (BCUCC) is in progress. Please refer to "Other Comments" for our suggestion on the proposed amendments to paragraph 19 of AG 5.
2	Are there other amendments to AG 5 that the Institute should consider before the IASB finalises its BCUCC project? If so, please specify your proposed amendments and reasoning.	No other amendments to AG 5 are suggested.
Other Comments		
3	Proposed amendments to paragraph 19(a) and (b)	Regarding the FRSC's proposal to require disclosure of 'brief description' of the controlling party and the combining entities, we would like to suggest the FRSC to consider providing further guidance on the expected contents of the brief descriptions, e.g. the nature of the entities' business and operations, the relationship between the parties to the transaction, the country of incorporation or other narratives as appropriate. We noted that there is an illustrative example under paragraph IE72 of HKFRS 3, which illustrates the disclosure requirement under paragraph B64(a). Since there are no similar illustrative disclosures under AG 5, further guidance would be necessary to ensure the adequacy of disclosures.