



2 October 2007

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON IASB EXPOSURE DRAFT ED 9 *JOINT ARRANGEMENTS*

Comments to be received by 14 December 2007

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php.

The Exposure Draft proposes a replacement to the existing standard IAS 31 *Interests in Joint Ventures*. The main focus of the proposals is on the two aspects of the current accounting for joint arrangements that the IASB considers are an impediment to high quality reporting:

- The current accounting for joint arrangements follows the legal form in which the activities take place. This does not always reflect the contractual rights and obligations agreed to by the parties. Shifting the focus to these rights and obligations will provide a more realistic reflection of the joint arrangement in the financial reports of the parties involved.
- The existing standard gives preparers a choice when accounting for interests in jointly controlled entities, making it difficult to compare financial reports. ED 9 *Joint Arrangements* proposes to remove that choice by requiring parties to recognise both the individual assets to which they have rights and the liabilities for which they are responsible, even if the joint arrangement operates in a separate legal entity. If the parties only have a right to a share of the outcome of the activities their net interest in the arrangement will be recognised using the equity method.

ED 9 proposes new requirements for disclosing information about the operations an entity conducts through joint arrangements — including a description of the nature of joint arrangements and summarised financial information relating to its interests in joint ventures. It also proposes, as consequential amendments to IAS 27 *Consolidated and Separate Financial Statements* and IAS 28 *Investments in Associates*, to provide more consistent disclosure requirements across that range of investment types.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party and the FRSC would like to hear from both those who do agree and those who do not agree with the proposals contained in the IASB Exposure Draft.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **14 December 2007**.



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.