



24 December 2007

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IFRS 1 *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS* AND IAS 27 *CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS – COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE***

***Comments to be received by 28 January 2008***

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](http://www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php).

The Exposure Draft was developed in response to comments received on a related exposure draft published in January 2007. It addresses concern that retrospectively determining cost in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. Consequently, this might create a barrier to entities' adoption of IFRSs in separate financial statements. Additionally, it addresses enquiries received about the measurement of cost in the separate financial statements of a new parent entity.

The Exposure Draft proposes the following amendments to IFRS 1 and IAS 27:

*Amendments to IFRS 1*

- a proposal to allow entities, in their separate financial statements, to use a deemed cost option for determining the cost (in accordance with paragraph 37 of IAS 27) of an investment;
- the use of either fair value (determined in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*) or the carrying amount at that deemed cost under previous national standards; and
- a change in scope of the applicability of the deemed cost option to include jointly controlled entities and associates as well as subsidiaries.

*Amendments to IAS 27:*

- the removal of the "cost method" from paragraph 4 of IAS 27; and
- a proposal to require a new parent to measure cost using the carrying amounts of the existing entity at the date when the new parent is formed.

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.



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

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **28 January 2008**.

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.