



20 September 2024

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

**INVITATION TO COMMENT ON THE IASB EXPOSURE DRAFT**  
**Equity Method of Accounting**  
**IAS 28 *Investments in Associates and Joint Ventures* (revised 202x)**

***Comments to be received by 29 November 2024***

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)*. The Exposure Draft is available on the Institute's website: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Open-for-comment-documents/fred>

IAS 28 sets out how entities report on investments in associates and joint ventures<sup>1</sup> applying the equity method. To respond to stakeholders' questions on how to apply the equity method, the IASB proposes amendments to IAS 28 to answer application questions and complements the proposed amendments to IAS 28 by proposing new disclosure requirements to IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*.

IAS 28 was first issued in 1989. The IASB has taken this opportunity to reorder the Standard in a logical and consistent way to help entities apply it. The IASB expects the proposed amendments will reduce diversity in practice and provide users of financial statements with more comparable and useful information.

Key proposals in the Exposure Draft

The IASB is proposing to require an investor to:

- measure the cost of an associate, on obtaining significant influence, at the fair value of the consideration transferred, including the fair value of any previously held ownership interest and any contingent consideration;
- at the date of purchasing an additional ownership interest in an associate, add to the carrying amount of investment the additional share of the fair value of the associate's identifiable assets and liabilities, including any goodwill;
- at the date of disposing of an ownership interest, reduce the carrying amount of its investment by the percentage disposed of and recognising a gain or loss in profit or loss;
- on purchasing an additional ownership interest, not to 'catch-up' losses not recognised by reducing the carrying amount of an additional ownership interest;
- recognise separately its share of the associate's profit or loss and its share of the associate's other comprehensive income; and
- recognise gains and losses in full resulting from all 'upstream' and 'downstream' transactions with associates.

The [Exposure Draft - Snapshot](#) provides the background of the project, an overview of the proposed amendments and the expected effects of the proposals.

Impact on entities in Hong Kong

Holding investments in associates is common in Hong Kong and their impact can be significant to the financial statements of the entities. Since the Exposure Draft aims to address common

<sup>1</sup> For simplicity, references to 'associate' should be read as also referring to 'joint venture'.

application issues of the equity method, which have posed challenges for many entities, it is expected that many entities in Hong Kong are likely to be affected by the proposals.

The FRSC invites your comments on the Exposure Draft by **29 November 2024** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

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 respondent.