



12 January 2009

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF PROPOSED
AMENDMENTS TO IAS 24 – RELATIONSHIPS WITH THE STATE**

Comments to be received by 20 February 2009

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 sets out a revised proposal for disclosure exemption for state controlled entities and further amendment to the definition of a related party after considering responses to the IASB's exposure draft *State-controlled Entities and the Definition of a Related Party* published in 2007.

IAS 24 *Related Party Disclosures* requires disclosures about related parties and transactions with such parties. This project was not intended to reconsider IAS 24 fundamentally and has a limited scope as follows:

- providing an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ("state-controlled entities"); and
- amending the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies.

--- A summary of the main proposals in the Exposure Draft is set out in the Appendix.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party. 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 **20 February 2009**.

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.



Summary of the main proposals in the Exposure Draft

(1) State-controlled entities

The Exposure Draft proposes an exemption for all state-controlled entities from disclosing related party transactions with the state or other state-controlled entities, regardless of whether any of those transactions were influenced by the related party relationship.

However, the Exposure Draft proposes not to extend that exemption to related party transactions of state-controlled entities arising from any other related party relationship, such as key management personnel.

The Exposure Draft requires disclosure of the following information by state-controlled entities:

- (i) the name of the state and the nature of its relationship with the reporting entity (that is, control, joint control or significant influence);
- (ii) the types of individually or collectively significant transactions with the state or such entities and a qualitative or quantitative indication of their extent; and
- (iii) the fact that the state or such entities are related parties as defined in IAS 24 but, as permitted by the exemption contained in this Exposure Draft, disclosures about related party transactions do not cover transactions with that state or those entities.

(2) Additional amendment to the definition of a related party

The IASB has proposed in this Exposure Draft an additional amendment to define two entities as related parties whenever a person or a third entity has joint control over one entity, and that person, or a close member of that person's family, or that third entity has joint control or significant influence over the other entity or has significant voting power in it. This proposal would reinstate one case inadvertently omitted by the 2007 Exposure Draft and eliminate various minor inconsistencies.