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收件者: Simon Riley; Winnie Chan  
副本: ComMem-DICKENS Mark; David Graham; Grace Hui; Committee-FRSC  
主旨: HKICPA Invitation to Comment on IASB ED on Equity Method: Share of Other Net Asset Changes

Dear Simon and Winnie,

**HKICPA Invitation to Comment on IASB ED on Equity Method: Share of Other Net Asset Changes (IASB due date 22 March 2013)**

Thank you for the HKICPA letter dated 28 November 2012 on the subject matter addressed to our Mr. Mark Dickens, Head of Listing, which has been passed to me for my attention as the HKEx representative member on the HKICPA Financial Reporting Standards Committee.

I have the following comments for your consideration:

The exposure draft proposes amendments to IAS 28 (revised 2011) to specify the application of the equity method for “Other Net Asset Changes”. This is because, diversity in practice exists on how investors should recognize their share of the changes in the net assets of an investee that are not recognized in profit or loss or other comprehensive income of the investee, and are not distributions received (classified as “Other Net Assets Changes”).

Examples of “Other Net Assets Changes” in respect to investments in associates and joint ventures include:

- (a) issues of additional capital to parties other than the investor; and
- (b) equity –settled share-based payment

The IASB is proposing that an investor would recognize directly in equity its share of the “Other Net Asset Changes”. In addition, an investor would reclassify to profit or loss the cumulative amount of equity that it had previously recognized when it loses significant influence over or gains control of the investee and hence discontinues the use of the equity method.

The IASB preferred the above approach as it is consistent with the accounting treatment in IAS 28 prior to a consequential amendment made as part of the 2007 revision to IAS 1 *Presentation of Financial Statements*. It should be noted that the IASB acknowledged conceptual concerns with its proposals (i.e. that an investee is not part of the consolidated group as defined in IFRS 10, and thus, investee’s other net asset changes should be excluded from “owner’s transactions” that are presented within equity under IAS 1). However, the IASB believed its proposed solution to be the most reasonable and expeditious approach to address diversity in practice until such time that it gives broader consideration to the equity method.

Given the above and that fourteen of the fifteen Board members voted for the proposals with one dissenting, I support the IASB proposals.

However, I would again like the HKICPA to remind the IASB to expedite its project on the conceptual framework such that the inconsistency with the concept of IAS 1 can be addressed in the near term when giving broader consideration to the equity method. This is because, as pointed out by the dissenting member, such a short term solution would undermine a basic concept of consolidated financial statements, whereby, an investee is not part of the consolidated group as defined in Appendix A of IFRS 10 and thus the investee’s “Other Net Asset Changes” are and

should, strictly speaking, be excluded from “owner’s transactions” that are presented within equity under IAS 1.

Kind regards,  
Steve

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