



# CUSCS

香港中文大學專業進修學院  
School of Continuing and Professional Studies  
The Chinese University of Hong Kong

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Mr. Simon Riley  
Acting Director  
Standard Setting  
Hong Kong Institute of Certified Public Accountants  
37<sup>th</sup> Floor, Wu Chung House  
213 Queen's Road East  
Wanchai  
Hong Kong

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Dear Mr. Riley,

**Comment on IASB Exposure Draft of Equity Method in Separate Financial Statements**

In response to your letter as of 16 December 2013, we are pleased to provide our views on the captioned Exposure Draft as shown in the attached document.

If you need further information, please feel free to contact our Programme Leader, Ms. Maggie Tsong at 3943-9123 or by email at [mtsong@cuhk.edu.hk](mailto:mtsong@cuhk.edu.hk). Thank you.

Yours faithfully,

Ella Chan  
Director

Encl.

cc: Maggie Tsong  
Programme Leader, Business & Management Division

## **Comment on IASB Exposure Draft of Equity Method in Separate Financial Statements**

In response to the questions proposed in the Exposure Draft, the following comments are given for the Committee's consideration:

### **Question 1 Use of the Equity Method**

We agree that the inclusion of the equity method as one of the options should be added to IAS 27. The equity method was originally existed prior to the 2003 revision and the proposed restoration could largely reduce the entities' compliance costs as well as to fairly reflect the investor's assets value and earnings by using equity method.

### **Question 2 Transition Provisions**

We agree at the IASB proposal that the change should be applied retrospectively and to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in dealing with the change. It is believed that the change shall be enforced as soon as possible while the required information is already available when the entities prepare the consolidated financial statements for their subsidiaries. Entities are not required to perform any additional procedures and can use the same information in its separate financial statements.

### **Question 3 First-time Adopters**

We would suggest that a special relief shall be given to those first-time adopters if they elect to use the equity method. A grace period or a stipulated effective date for the election of equity method could be set in the revised IAS instead of from the date of transition to IFRSs for those first-time adopters. It could allow entities to have sufficient time in gathering the relevant information.