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Mr. Simon Riley

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Dear Mr. Riley,

**Re: IASB Discussion Paper and Exposure Draft**

I refer to HKICPA's letter of 24 September 2014 inviting for comments on the IASB discussion paper and exposure draft.

**(A) Discussion Paper of Reporting the Financial Effects of Rate Regulation**

Although IFRS 14 *Regulatory Deferral Accounts* was issued in January 2014, it is intended as a temporary measure to reduce barrier to the adoption of IFRS. The standard is not available to existing IFRS preparers, nor to first-time adopters of IFRS that do not recognize regulatory deferral account balances in accordance with their previous GAAP. Given that apart from IFRS 14, there is no specific guidance in IFRS as to how rate-regulated entities should account for the balances in the regulatory deferral accounts, development of specific accounting requirements for rate-regulated activities becomes necessary.

I appreciate the effort of IASB in conducting the comprehensive rate-regulated activities project and publishing the Discussion Paper to seek relevant information. The feedback from stakeholders will help IASB to identify the information about rate regulation which is most useful to users of financial statements in making investment and lending decisions, decide and develop an accounting approach that can best report the financial effects of the rate-regulated activities.


**(B) Exposure Draft of Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)**

In addressing questions received, the IASB proposes amendments to clarify that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole, and the fair value measurement of quoted investments in subsidiaries, joint ventures and associates should be the product of the quoted price multiplied by the quantity of the financial instruments held, without adjustments. The IASB also proposes to align the fair value measurement of a quoted cash-generating unit to the fair value measurement of a quoted investment.

In general, I welcome the clarification of the Exposure Draft and broadly support the proposal to use Level 1 inputs for the fair value measurement of the quoted investments in subsidiaries, joint ventures and associates. I agree with IASB that the resulting measurement will be more objective and verifiable (i.e. BC 10).

I appreciate the opportunity to comment on the Exposure Draft.

Yours faithfully,



(WU LAM Choi-wah)

for Commissioner of Inland Revenue