

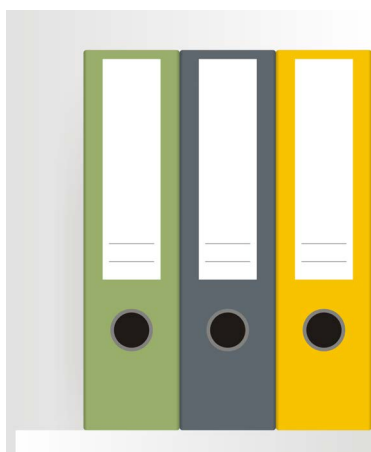
Amendments to HKAS 27 - Equity Method in Separate Financial Statements



Introduction

The laws of some countries require listed companies to present separate financial statements in accordance with local regulations. Those local regulations require the use of the equity method to account for investments in subsidiaries, joint ventures and associates.

The Amendments to HKAS 27 “Separate financial statements” include the equity method as one of the options for measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity. This would facilitate convergence of local GAAP in those jurisdictions with HKFRS for separate financial statements, and that would help to reduce compliance costs for some entities without the loss of information.



Effective Date

An entity shall apply the Amendments retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the Amendments for an earlier period, it shall disclose that fact.

Summary of Amendments

When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

- (a) at cost;
- (b) in accordance with HKAS 39/HKFRS 9 “Financial Instruments”; or
- (c) using the equity method as described in HKAS 28 “Investments in Associates and Joint Ventures”.

Before the Amendments, only methods (a) and (b) are allowed.



The entity shall apply the same accounting for each category of investments. Investments accounted for at cost or using the equity method shall be accounted for in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution).

Separate financial statements are those presented by an entity in which the entity could elect to account for its investments in subsidiaries, joint ventures and associates either at cost, in accordance with HKAS 39/HKFRS 9, or using the equity method as described in HKAS 28. An entity’s separate financial statements are not subject to the disclosure requirements in HKFRS 12 “Disclosure of Interests in Other Entities”.

The financial statements of an investor that has no investments in subsidiaries, and has investments in associates or joint ventures that are required by HKAS 28 to be accounted for using the equity method, are not separate financial statements. Consequently, in those financial statements, such an investor is required to comply with the disclosure requirements in HKFRS 12 for its investments in joint ventures and associates.

An investor that is exempted in accordance with paragraph 17 of HKAS 28 from applying the equity method to its investments in joint ventures and associates may elect to present separate financial statements in which the investor elects to account for those investments using the equity method. In those separate financial statements, the investor is not required to present the information required by HKFRS 12 for its investments in joint ventures and associates.

Dividends from a subsidiary, a joint venture or an associate are recognised in the separate financial statements of an entity when the entity’s right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.

CONTACT US

HONG KONG OFFICE

Unit 701-3 & 8, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

Tel: (852) 2155 8288 | Fax: (852) 2564 2297

Email: info@zhcpa.hk | Web: www.zhcpa.hk www.zhtraining.com

If you have any comments or require further information, please feel free to contact:



Mr. Joel Chan

Quality Assurance Partner

ZHONGHUI ANDA CPA Limited

Email: joel.chan@zhcpa.hk

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