中 国 会 计 准 则 委 员 会
China Accounting Standards Committee

March 21, 2013

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr. Hans Hoogervorst,

Thank you for offering the opportunity to the Ministry of Finance of China as well as China Accounting Standard Committee to comment on the IASB exposure draft ED/2012/3 and ED/2012/6.

We appreciate the efforts made by the IASB to improveIAS28 and IFRS3. In the drafts mentioned above, we are pleased to see IASB clarify some questions according to the practice situation, which will help eliminating the inconsistency among the relevant standards and encourage enterprises to standardize the accounting treatment.

Please refer to the attached file for our detailed feedback on listed questions.

Your Sincerely,

杨敏

YANG Min

Director-General

Accounting Regulatory Department

The Ministry of Finance, P.R.China

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Appendix1 :

Comments on Exposure ED/2012/3

Equity Method: Share of Other Net Asset Changes

Question1 —The IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or OCI of the investee, and that are not distributions received. Do you agree? Why or why not?

We agree. The rationales are listed as below:

a. The changes in the net assets of the investee that are not recognized in profit/ loss or OCI of the investee, and that are not distributions received (other net asset changes) can't be classified as unrealized gain or loss. If it were recognized in OCI, it would cause confusion by definition.

b. It's inappropriate to recognize it in the statement of comprehensive income for risking giving a misleading representation of the investee's performance because such equity transactions do not reflect real performance.

Question 2—The IASB also proposes that an investor shall reclassify to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. Do you agree? Why or why not?

We agree in principle. An investor may discontinue the use of the equity method for the increase or disposal of the investment. However, only the latter directly brings about the inflow and outflow of economic benefits, which is consistent with the definition of profit and loss. Accordingly, we believe that an investor shall reclassify the cumulative amount of equity that the investor had previously recognized into profit/loss only when the investor discontinues the use of the equity method on the disposal of the investment.

Question 3—Do you have any other comments on the proposals?

No.

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Appendix2:

Comments on Exposure ED/2013/6

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Question 1—proposed amendment to IFRS 10
The IASB proposes to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognised only to the extent of the unrelated investors' interests in the associate or joint venture. The consequence is that a full gain or loss is recognised on the loss of control of a subsidiary that constitutes a business, as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over, the investee. Do you agree with the amendment proposed? Why or why not? If not, what alternative do you propose?

We agree. The ED makes the IFRSs consistent in the accounting treatment of transactions between an investor and its associate or joint venture, which brings consistent treatment for similar transactions.

Question 2— proposed amendment to IAS 28 (2011)
The IASB proposes to amend IAS 28 (2011) so that:
(a)the current requirements for the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business, as defined in IFRS 3; and
(b) the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture is recognised in full. Do you agree with the amendment proposed? Why or why not? If not, what alternative do you propose?

We agreed. The ED introduces a new way with an existing concept (business) to solve the inconsistence within the framework, which makes the IFRS standards more understandable.

Question 3 — transition requirements

The IASB proposes to apply the proposed amendments to IFRS 10 and IAS 28 (2011) prospectively to sales or contributions occurring in annual periods beginning on or after the date that the proposed amendments would become effective. Do you agree with the proposed transition requirements? Why or why not? If not, what alternative do you propose?

We agree. Considering sale or contribution of assets between an investor and its associate or Joint Venture does not happen frequently, the prospective method is reasonable.

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