Comments on the Exposure Draft: Amendments to Ind AS 28, Investments in Associates and Joint Ventures

Para Number	Existing Draft	Suggestion
Para 18 (definition of "similar entities")	An entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, may elect to measure its investment in an associate or joint venture at FVTPL under Ind AS 109. Similar entities include entities that have a main business activity of investing in particular types of assets (see paragraph 49(a) of Ind AS 118).	The "main business activity of investing" test is too wide for the Indian context. Core investment companies, promoter holding companies and the investment arms of NBFCs can all argue that investing is their main activity and could then move associates from the equity method to FVTPL. We suggest the ASB (a) add an application guidance paragraph stating that the investing must be for capital appreciation, investment income or both, and that the entity manages and evaluates substantially all of its investments on a fair value basis; and (b) clarify that holding an investment to support the entity's own or its group's operating, strategic or control objectives does not qualify.
Para 18 (disclosure of judgement)	The draft does not require disclosure of the judgement that an entity is a "similar entity" for the purposes of the election.	Concluding that an entity is a similar entity is a significant judgement. We suggest requiring disclosure of that judgement and the criteria applied (for example, through a cross-reference to the significant judgements disclosures in Ind AS 1 or Ind AS 118 and Ind AS 112), so that users can see which associates and joint ventures are at fair value and why.
Paras 18 and 19 (timing of election)	An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.	The draft is silent on an existing associate or joint venture held by an entity that newly qualifies as a similar entity under the widened wording, or that was previously held under the equity method. We suggest the ASB state expressly whether the election is available to such investments, and if so, the date of election and the accounting for the difference between the equity-method carrying amount and fair value. If the election is not available, this should be said clearly.
Para 45M (transition)	If an entity has elected to apply Ind AS 118 for an earlier period in accordance with paragraph C1 of Ind AS 118, and that earlier period begins before the issuance of these amendments, the entity shall apply the amendments, in accordance with paragraph C7 of Ind AS	The transition is given entirely by cross-reference to paragraph C7 of Ind AS 118. A reader of Ind AS 28 alone cannot tell whether the change applies retrospectively or prospectively, whether comparatives are restated, or what relief is available for an investment moved to or from FVTPL.

Para Number	Existing Draft	Suggestion
	118, for the reporting period ending on or after the issuance of the amendments.	We suggest the ASB state the transition requirements within Ind AS 28 (or summarise them in a note to paragraph 45M), including any practical expedient for restating comparatives.