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From
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To
The Secretary,
Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, A-29, Sector-62, Noida – 201309

Dear Sir/Madam,

Subject: Comments on Exposure Draft – Investments in Associates and Joint Ventures (Amendments to Ind AS 28)

We welcome the opportunity to comment on the Exposure Draft of Amendments to Ind AS 28, Investments in Associates and Joint Ventures, relating to the fair value option under paragraphs 18–19 and the new paragraph 45M. We support aligning Ind AS 28 with the corresponding IFRS amendments and offer the following comments.

1. Paragraph 18 – Meaning of "similar entities"

The amended paragraph says similar entities include entities whose main business activity is investing in particular types of assets, with a cross-reference to paragraph 49(a) of Ind AS 118. We suggest the ASB clarify, by way of examples or application guidance, whether the following can qualify: investment holding companies, NBFCs including Core Investment Companies, and group companies whose main activity is holding interests in subsidiaries, associates, partnership firms and LLPs. It may also be stated that the main business activity assessment for Ind AS 28 is the same as the one made under Ind AS 118, so that no separate or inconsistent test develops in practice.

2. Paragraph 18 – Editorial correction

The reference "paragraph 49(a) of Ind 118" may be corrected to "paragraph 49(a) of Ind AS 118". In paragraph 19, a space is missing in "entity including".

3. Paragraph 45M – Transition for newly eligible entities

Paragraph 18 requires the election to be made at initial recognition of each associate or joint venture. Some entities may become eligible only because of the revised description of similar entities. We suggest the ASB clarify whether such an entity may make the election, on first applying Ind AS 118, for investments it already holds. If so, please specify the date from which fair value applies and how the change is to be reflected in comparatives.

4. Consequential consistency with Ind AS 27

Ind AS 27 links the accounting in separate financial statements to the election under paragraph 18 of Ind AS 28. The ASB may examine whether a consequential amendment to Ind AS 27 is needed so that entities newly eligible under the revised paragraph 18 are treated consistently in their separate financial statements.

5. Effective date

Under paragraph 45M, the amendments take effect only when Ind AS 118 applies, and Ind AS 118 is yet to be notified by the MCA. We suggest the ASB state expressly whether these amendments can be applied early on their own, ahead of Ind AS 118, so that preparers are not left uncertain.

6. Other matter – Investments in Indian partnership firms

This is outside the narrow scope of the Exposure Draft, but we bring it to the ASB's attention. Indian companies commonly hold 20 percent or more in partnership firms constituted under the Indian Partnership Act, 1932. Practice varies on: (a) assessing significant influence or joint control based on rights under the partnership deed and Section 12 of the Partnership Act, rather than the profit sharing ratio; (b) whether the absence of separate legal personality and the partners' unlimited, joint and several liability affect the classification as a joint venture or joint operation under Ind AS 111; (c) how capital and current account balances, and interest and remuneration received by a corporate partner, are treated when applying the equity method; and (d) how such interests are measured at fair value where the paragraph 18 election is available. We request the ASB to consider issuing an Educational Material or FAQ on these matters.

We hope these comments are useful to the Board.

Yours faithfully,

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