COMMENTS ON THE EXPOSURE DRAFT OF AMENDMENTS TO IND AS 28 - INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

To, **5th November 2026**

The Secretary
Accounting Standards Board
The Institute of Chartered Accountants of India
ICAI Bhawan, Ground Floor, Administrative Block
A-29, Sector-62, Noida, Uttar Pradesh - 201309

Subject: Comments on the Exposure Draft - Investments in Associates and Joint Ventures (Amendments to Ind AS 28), issued on 14 October 2026

Respected Sir,

The Northern India Regional Council of the Institute of Chartered Accountants of India (NIRC of ICAI) appreciates the opportunity to provide its comments on the above Exposure Draft.

NIRC agrees in principle with the proposed targeted amendments to paragraphs 18-19 of Ind AS 28 and the insertion of paragraph 45M. The clarification that the expression "similar entities" includes entities whose main business activity is investing in particular types of assets is a welcome development. It should help reduce diversity in practice, provide a more principles-based approach to determining eligibility for the fair value option and improve consistency with the relevant presentation requirements of Ind AS 118. NIRC also supports aligning the transition requirements of these amendments with the initial application of Ind AS 118, rather than introducing a separate effective date.

However, considering the practical implications of the proposed amendments, particularly in relation to investment structures, group entities, indirect holdings and transition of existing investments, NIRC recommends that the amendments be finalised after considering the following observations and suggestions.

Detailed comments and recommendations

1. **Paragraph 18 - Meaning of "similar entities", main business activity and deletion of the investment-linked insurance fund example**

The proposed reference to paragraph 49(a) of Ind AS 118 is helpful because it links the eligibility assessment to the concept of an entity having the main business activity of investing in particular types of assets.

The proposed approach is more principles-based than relying on an illustrative or open-ended list of entity types. It should help ensure that entities carrying out economically similar investment activities are treated consistently, irrespective of their legal form or organisational structure.

We support the proposed deletion of the specific reference to investment-linked insurance funds and the accompanying example relating to underlying items for insurance contracts with direct participation features. Once eligibility is determined by reference to the general main-business-activity criterion, a separate illustrative example for investment-linked insurance funds may not be necessary, provided the Board confirms that such funds remain within the scope of the revised eligibility principle.

However, since investment-linked insurance funds were expressly recognised under the existing provisions, their deletion may create uncertainty as to whether the intention is merely to remove the specific example or to change the eligibility criteria applicable to such funds.

Accordingly, we recommend that the Accounting Standards Board clarify that investment-linked insurance funds would continue to be eligible for the fair value option where they satisfy the revised definition of a "similar entity". The deletion should not inadvertently result in the exclusion of entities that would otherwise qualify under the revised principle.

Further, we recommend that additional implementation guidance or illustrative examples be provided in the Basis for Conclusions or accompanying educational material to address the following matters:

(i) Assessment of main business activity

Clarification should be provided regarding the factors to be considered while determining whether investing in particular types of assets constitutes an entity's main business activity. These may include the entity's stated investment strategy, actual investment activities, revenue-generating activities, composition of assets and the manner in which its performance is evaluated.

The guidance should also address situations where an entity has more than one main business activity, including entities undertaking both investment and operating activities. Clarification would be useful regarding whether investing in particular types of assets is required to be the sole main business activity or whether it may constitute one of multiple main business activities for determining eligibility under paragraph 18.

(ii) Particular types of assets

It would be useful to clarify that the expression "particular types of assets" is not restricted to any specific category and may include investments in equity instruments, debt instruments, real estate, infrastructure assets, private-company investments and other financial or non-financial assets, provided that investing in such assets constitutes the entity's main business activity.

(iii) Holding entities and group structures

Clarification is required regarding whether an intermediate holding company established principally to hold investments on behalf of a group can qualify as a "similar entity", particularly where it does not manage third-party capital or undertake active investment management activities.

(iv) Timing of eligibility assessment

The Standard should clarify whether eligibility is assessed at initial recognition and whether subsequent changes in the entity's main business activity affect an existing election. The accounting consequences of such changes should also be clarified.

(v) Interaction with significant influence

It should be expressly clarified that eligibility for the fair value option is not dependent on whether the qualifying intermediary has significant influence over the investee, consistent with the underlying principle of paragraph 19.

Further, the Board may clarify that merely holding investments or earning investment income should not, by itself, qualify an entity as a "similar entity". The distinction between entities whose main business activity is investing in particular types of assets and ordinary investment-holding companies holding investments for strategic or operational purposes should be illustrated through examples of eligible and ineligible entities.

2. Paragraph 18 - Election at initial recognition and subsequent changes in eligibility

We support the express requirement that an entity shall make the fair value election separately for each associate or joint venture at initial recognition. This preserves investment-by-investment discretion and prevents the fair value option from becoming a blanket accounting policy election applicable to all associates and joint ventures.

However, the proposed wording does not adequately address situations where the eligibility of an entity changes after the initial recognition of an investment.

We recommend that the final Standard or accompanying educational material clarify the following situations:

(i) Entity subsequently becomes eliFgible

Where an entity initially applies the equity method but subsequently becomes eligible for the fair value option due to a change in its main business activity, it should be clarified whether the entity would be permitted to change its existing accounting treatment from the equity method to fair value through profit or loss.

In our view, a subsequent change in eligibility should not permit an entity to change from the equity method to fair value through profit or loss for an investment already accounted for under the equity method, unless the Standard expressly provides for a prospective change in accounting policy or estimate in accordance with the applicable requirements.

(ii) Entity ceases to be eligible

Where an entity initially elects to measure an investment at fair value through profit or loss and subsequently ceases to qualify as a venture capital organisation, mutual fund, unit trust or similar entity, the Standard should clarify whether the existing fair value measurement election would continue or whether the entity would be required to apply the equity method prospectively.

(iii) Investments acquired in stages

Where an investment is acquired in multiple stages and becomes an associate or joint venture upon a subsequent acquisition, it should be clarified that the election is made when the investment first meets the definition of an associate or joint venture, rather than being reconsidered upon every subsequent acquisition.

These clarifications would reduce diversity in practice and prevent entities from using changes in eligibility to selectively alter the accounting treatment of investments.

3. Paragraphs 18-19 - Direct and indirect holdings and assessment of the qualifying entity

The proposed amendments cover investments held directly by a qualifying entity as well as investments held indirectly through a venture capital organisation, mutual fund, unit trust or similar entity.

However, the interaction between the eligibility criteria for the entity holding the investment, indirect holding arrangements and the preparation of consolidated financial statements requires further clarification.

For instance, in a group structure, the entity preparing consolidated financial statements may have manufacturing or other operating activities as its principal business, whereas the subsidiary or intermediary directly holding the investment in an associate may have investing in particular types of assets as its main business activity.

In such circumstances, it is unclear how the main-business-activity test should be applied and whether the eligibility of the intermediary would be affected by the business activities of the ultimate reporting parent.

We recommend that the Accounting Standards Board provide an illustrative example clarifying how the main-business-activity test under the "similar entity" route should be assessed in such circumstances, while separately explaining the interaction of the indirect-holding provisions with the preparation of consolidated financial statements.

The guidance should also clarify how the existing indirect-holding and portion-wise election provisions operate when a qualifying intermediary is consolidated by a reporting parent. The parent's own business activity should not automatically override the status of the qualifying entity through which the investment is held.

Illustration suggested:

A parent company whose principal business activity is manufacturing holds:
(a) a direct investment in Associate A; and
(b) an investment in Associate B through a subsidiary whose main business activity is investing in particular types of assets.

The Accounting Standards Board may clarify whether the portion of the investment in Associate B held through the qualifying subsidiary may be measured at fair value through profit or loss in the parent’s consolidated financial statements, and if so, the basis for determining that portion.

4. Paragraph 19 - Preservation of the portion-wise fair value election

Paragraph 19 is an important provision because it permits an entity to elect fair value through profit or loss for the portion of an investment in an associate held indirectly through an eligible intermediary, while continuing to apply the equity method to the remaining portion. This provision is particularly relevant in complex investment structures involving venture capital organisations, mutual funds, unit trusts and other investment entities.

We support retaining this portion-wise election and recommend that the redrafting should not inadvertently convert the existing option into an all-or-nothing election for the entire investment in an associate.

We also recommend that the final Standard or accompanying educational material clarify the determination of the eligible portion, particularly where:

- The investment is held through multiple layers of intermediaries.
- The reporting entity has both direct and indirect interests in the same associate.
- The extent of the investment held through the eligible intermediary changes during the reporting period
- Multiple qualifying and non-qualifying intermediaries are involved.

The guidance should also clarify the accounting implications of subsequent acquisitions, disposals or transfers of interests between direct and indirect holdings. For instance, where an entity initially holds a portion of an investment indirectly through a qualifying intermediary and subsequently acquires an additional portion directly, it should be clarified whether the original fair value election continues to apply only to the qualifying indirectly held portion and how the additional interest is to be accounted for. Similarly, the treatment of any portion transferred from a qualifying intermediary to the reporting entity directly should be clarified.

Further, the list and sequence of eligible entities should be consistently worded in both sentences of paragraph 19.

Suggested clean wording for the relevant portion of paragraph 19:
"*When an entity has an investment in an associate, a portion of which is held indirectly through a venture capital organisation, a mutual fund, a unit trust or a similar entity, the entity may elect to measure that portion of the investment in the associate at fair value through profit or loss in accordance with Ind AS 109, regardless of whether the intermediary has significant influence over that portion of the investment. If the entity makes that election, it shall apply the equity method to any remaining portion of its investment in the associate that is not held through a venture capital organisation, a mutual fund, a unit trust or a similar entity.*"

Disclosure implications
The application of different measurement bases to portions of the same investment under paragraph 19 may affect the comparability and understandability of financial statements. The Board may consider clarifying whether existing disclosure requirements adequately address the basis of eligibility, significant judgements involved and the portions measured at fair value through profit or loss and under the equity method, without introducing duplicative disclosure requirements.

5. Paragraph 19 – Difference in scope between associates and joint ventures

Paragraph 18 applies to investments in both associates and joint ventures. In contrast, paragraph 19 specifically addresses situations where a portion of an investment in an associate is held indirectly through a venture capital organisation, mutual fund, unit trust or similar entity.

The Exposure Draft does not explain the rationale for this difference in scope. In particular, it is unclear why the portion-wise fair value election is specifically addressed for investments in associates and whether similar treatment is intended or appropriate for investments in joint ventures.

We recommend that the Accounting Standards Board clarify whether this distinction is intentional and provide the underlying rationale. If the distinction is intentional, the treatment of partially indirectly held interests in joint ventures should be clarified. Otherwise, the Board may consider whether corresponding provisions for joint ventures are warranted.

6. Paragraph 45M - Effective date and transition requirements

We support the proposal to align the effective date and transition requirements of the amendments to Ind AS 28 with the initial application of Ind AS 118. Such synchronised application is appropriate because the revised eligibility criteria for "similar entities" are directly linked to paragraph 49(a) of Ind AS 118. This would avoid the practical difficulty of applying an eligibility assessment by reference to a Standard that has not yet become applicable.

However, the Exposure Draft proposes applying the amendments in accordance with paragraph C7 of Ind AS 118, which is yet to be notified by the Ministry of Corporate Affairs. Accordingly, we recommend that paragraph 45M be reviewed against the final notified version of Ind AS 118 before finalisation of the amendments.

In particular, the transition requirements should expressly clarify the following:

(i) Existing investments and newly eligible entities

Where an entity already holds an investment in an associate or joint venture and subsequently becomes eligible for the fair value option under the amended provisions, it should be clarified whether the entity would be permitted to change its existing accounting treatment from the equity method to fair value through profit or loss upon initial application of Ind AS 118.

The Standard should also clarify whether the transition provisions permit the fair value option to be exercised by entities that become newly eligible only because of the proposed amendments, or whether the option is also available to entities that were eligible under the previous wording but had not previously elected fair value measurement.

(ii) Prospective versus retrospective application

We recommend that the transition provisions expressly clarify whether an eligible entity may make or change the fair value election prospectively from the beginning of the reporting period in which it first applies Ind AS 118, without requiring retrospective remeasurement of investments previously accounted for under the equity method.

(iii) Early adoption of Ind AS 118

The Exposure Draft appropriately addresses entities that have elected to apply Ind AS 118 for an earlier period beginning before the issuance of these amendments. However, further clarification is required regarding the treatment of such entities, particularly where the entity has already applied Ind AS 118 but the amendments to Ind AS 28 were issued subsequently.

The Standard should clarify whether such entities would be permitted to exercise or revise the fair value election upon issuance of the amendments and the applicable date from which such election would take effect.

(iv) Clarification of issuance and notification framework

The transition provisions should clarify the meaning of "issuance" of the amendments in the Indian regulatory context and its interaction with their notification by the Ministry of Corporate Affairs. Since Ind AS 118 is yet to be notified, an illustrative timeline explaining the applicable reporting period and the operation of the earlier-application provision would be useful.

Further, the reference to paragraph C7 of Ind AS 118 should be checked after its notification by the Ministry of Corporate Affairs to ensure that the paragraph reference, effective timing and terminology remain consistent with the final notified Standard.

7. Overall conclusion

NIRC considers the proposed amendments to Ind AS 28 directionally appropriate and supports their objective of reducing diversity in practice and improving consistency in determining the entities eligible to exercise the fair value option for investments in associates and joint ventures.

However, the proposed amendments should be accompanied by adequate implementation guidance to address the practical complexities associated with determining the main business activity, direct and indirect investment structures, group-level reporting and the continuation or change of accounting treatment when eligibility changes.

Particular attention should also be given to preserving the existing portion-wise election under paragraph 19 and ensuring that the transition requirements under paragraph 45M are fully aligned with the final version of Ind AS 118 as notified by the Ministry of Corporate Affairs.

The above recommendations are intended to improve clarity and consistency in the application of the proposed amendments without changing the intended narrow scope of the proposal or extending the fair value option beyond the categories of entities contemplated by the Exposure Draft.

We request the Accounting Standards Board to consider the above suggestions while finalising the amendments.

Yours faithfully,

For Northern India Regional Council of
The Institute of Chartered Accountants of India

Chairman / Vice-Chairman
Northern India Regional Council
The Institute of Chartered Accountants of India