Comments on the Exposure Draft

Amendments to Ind AS 28, Investments in Associates and Joint Ventures (paragraphs 18, 19 and 45M)

Item	Detail
To	The Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, Noida, U.P. 201309 (commentsasb@icai.in)
Exposure Draft	Amendments to Ind AS 28 (fair value option; added paragraph 45M). Comments due 14 November 2026.
Submitted by	Jamnagar Branch (WIRC), ICAI
Date	13th November 2026

1. General comments

We support the objective of the amendments and their alignment with the IASB's targeted amendments to IAS 28 issued in June 2026, which the IASB requires to be applied together with IFRS 18. We have read the comment letters already placed before the Board. To avoid repetition, this letter does not re-ask for illustrative examples, criteria for 'similar entities', a rationale for the associate/joint-venture difference between paragraphs 18 and 19, or general clarity on the effective date. It is limited to matters that we believe the final amendment cannot leave unaddressed, and where our point touches an area already raised we say what is additional.

Five matters need resolution before the amendment is finalised:

- **Paragraph 45M:** the ED does not state the one-time election available on first application of Ind AS 118, or its retrospective mechanics (Section 2.1).
- **Eligibility versus presentation:** eligibility for fair value is tested at the entity that holds the investment, while classification of the resulting income is tested at the reporting-entity (group) level. The ED is silent on both and on how they interact (Section 2.2).
- **Decoupled tests:** the eligibility test does not ask whether the associate itself is held as part of the investing business. A safeguard through disclosure is needed (Section 2.3).
- **Selective election:** the combination of an investment-by-investment election, the nil floor on equity-method losses, and a retrospective one-time switch invites selective use (Section 2.4).
- **Linkage to Ind AS 118:** the amendments should not be capable of early application on a stand-alone basis, and the legal mechanics of the dual-version text need to be settled (Sections 2.5-2.6).

2. Matters for the Board

2.1 Paragraph 45M: the first-application election and its mechanics

Observation. The ED gives transition entirely by cross-reference to paragraph C7 of Ind AS 118, a standard not yet notified. Under the IASB's package (IFRS 18 paragraph C7 with IAS 28 paragraph 45M), an entity that is eligible under paragraph 18 has a one-time opportunity, on initial application of IFRS 18, to change its measurement of an investment in an associate or joint venture from the equity method to fair value through profit or loss, applied retrospectively under IAS 8. This is the most economically significant feature of the package for Indian preparers, yet nothing in the ED tells a reader of Ind AS 28 that it exists.

Why it matters in the Ind AS setting. If Ind AS 118 applies to annual periods beginning on or after 1 April 2027 (as respondents indicate; to be confirmed on notification), a March year-end entity presenting one comparative period would, under retrospective application, have an opening position at 1 April 2026, a date that precedes publication of this ED. Four consequences follow that the Board should address expressly:

- Fair value at 1 April 2026 and at 31 March 2027 must be measured for unquoted associates (typically Level 3 under Ind AS 113). The Board should confirm that Ind AS 8 paragraphs 23-25 (impracticability) are available, and state what evidence is acceptable where hindsight would otherwise be needed.
- Mechanics are left to inference: derecognition of the equity-method carrying amount (including goodwill embedded in it and any accumulated impairment), the entry to opening reserves, treatment of the cumulative share of the associate's other comprehensive income (for example foreign currency translation), and deferred tax under Ind AS 12.
- Separate financial statements: the existing link in Ind AS 27 (paragraph 11 of IAS 27 in the IASB text) requires the same measurement in separate statements, and this should be restated in 45M so that preparers do not apply the change in only one set of statements.
- Disclosure: the Ind AS 8 paragraph 28 disclosures for a voluntary change in policy, and the effect on each financial statement line item, should be cross-referred.

Illustrative entry on first application (amounts in INR)	Debit	Credit
Investment in associate at fair value (as at start of earliest period presented)	140	
Investment in associate under equity method (carrying amount)		100
Opening retained earnings (before deferred tax at the applicable rate and any reclassification of the associate's OCI reserve)		40

Recommendation. State the one-time election and its retrospective basis in 45M (or in application guidance to it), with a worked example. Suggested wording, subject to alignment with Ind AS 118 paragraph C7 as notified:

> *45M ... An entity shall apply these amendments at the same time and on the same basis as it applies Ind AS 118. An entity that is eligible to apply paragraph 18 may, on initial application of Ind AS 118, change its measurement of an investment in an associate or a joint venture from the equity method to fair value through profit or loss. The entity shall apply that change retrospectively in accordance with Ind AS 8 and shall account for the investment in the same way in its separate financial statements in accordance with paragraph 11 of Ind AS 27.*

What is additional. Other respondents ask whether an existing investment may be switched. The IASB framework already answers that question; the point for the Board is to state the answer in Ind AS terms and to supply the retrospective mechanics, hindsight relief and separate-statement consequence that others have not addressed.

2.2 Eligibility is tested at the holding entity; classification is tested at the group

Observation. Respondents ask at which level the 'main business activity' test is applied. The IASB's Basis for Conclusions answers it, and the answer has two limbs that the ED does not state. First, where a parent holds an investment through a subsidiary, eligibility for the fair value option depends on the nature of the entity that holds the investment (IAS 28 paragraphs 18-19, BC19Q), which may differ from the group's main business activity. Second, in the consolidated financial statements, classification of the related income and expenses under IFRS 18 is based on the main business activity of the group as a whole, and income from associates measured at fair value is classified as operating only if the reporting entity invests in those associates as a main business activity (IFRS 18 paragraphs 53 and 55, B37, BC98; IAS 28 BC19R).

Illustration. Group P is a manufacturer. Its subsidiary S has investing as its main business activity and holds 30% of associate A. P also holds 25% of associate B directly.

Investment	Measurement in P's consolidated statements	Classification of the income
A (held through S)	May be elected at fair value through profit or loss, because S, the holding entity, has investing as a main business activity.	Operating category only if the group has investing as a main business activity and invests in A as a main business activity. For a manufacturing group, presentation will ordinarily follow the group's activity, not S's.
B (held directly by P)	Equity method: P does not have investing as a main business activity.	Investing category (equity-accounted share).

Why the Board cannot ignore this. Eligibility drives measurement and profit-or-loss volatility, while classification drives presentation. Preparers and auditors will conflate the two unless the Standard separates them, and Ind AS 118 is not yet available for them to consult. Leaving the answer to educational material is not sufficient where the result changes recognised profit.

Recommendation. Add application guidance to paragraphs 18-19 stating that eligibility is determined by the entity that holds the investment, directly or through a subsidiary, and is not overridden by the parent's main business activity; and add a cross-reference stating that classification in the consolidated statements follows Ind AS 118. Reproduce the IASB's reasoning in the Board's own basis material, because Ind AS compendia do not carry the IASB Basis for Conclusions.

2.3 The eligibility test and the presentation test are decoupled

Observation. Paragraph 18 as amended makes the election available to any entity with a main business activity of investing in particular types of assets, whether or not the particular associate or joint venture is itself held as part of that business. The presentation rule in IFRS 18 paragraph 55 asks the narrower question (is the entity investing in those associates as a main business activity?). The result is that an eligible entity may elect fair value through profit or loss for a strategic associate, while its income is presented in the investing category. This gap has been criticised in commentary on the IASB proposals, which noted that the rationale for the difference was not explained.

Recommendation. We do not recommend an Ind AS-specific narrowing of eligibility (such as a capital-appreciation or fair-value-management test), because that would create a carve-out that the IASB did not make and that cannot be reconciled with paragraph 49(a) of Ind AS 118. We recommend instead a

safeguard through disclosure: identify each investment measured at fair value under paragraph 18 that is not held as part of a main business activity, the classification applied, and the significant judgement made. The Board may also relay the concern to the IASB and propose a post-implementation review of the amendment.

2.4 Selective election

Observation. Four features operate together: the election is made investment by investment; the equity method stops recognising losses when the carrying amount reaches nil (paragraphs 38-39 of Ind AS 28) while fair value measurement has no such floor; fair value recognises market gains immediately while the equity method recognises only the investor's share of reported profit; and the one-time retrospective switch can be exercised with hindsight. Taken together, they allow an entity to move appreciated holdings to fair value and leave impaired holdings on the equity method, or the reverse, depending on the reporting outcome sought.

Recommendation. Without removing investment-by-investment discretion, require that the basis of election is a documented policy applied consistently to investments with similar characteristics (Ind AS 8 paragraph 13), and require disclosure of (a) the policy, (b) material eligible investments that remain on the equity method and why, and (c) the aggregate effect of the one-time change on equity and profit or loss for the comparative period.

2.5 No stand-alone early application; legal mechanics of notification

Observation. Some respondents ask that the amendments be capable of early application ahead of Ind AS 118. The IASB requires them to be applied at the same time and on the same basis as IFRS 18, because eligibility is defined by reference to a concept (IFRS 18 paragraph 49(a)) and a presentation framework that exist only under IFRS 18. Early stand-alone application would create eligibility without the accompanying classification rules and would diverge from IFRS.

Recommendation. Retain the linked approach. Confirm that entities not yet applying Ind AS 118 continue to apply paragraphs 18-19 as currently in force, and that the compendium will therefore carry both versions until Ind AS 118 is mandatory. State that the amendment takes effect only when notified by the Ministry of Corporate Affairs together with Ind AS 118, and confirm that Ind AS 118 as notified contains paragraphs 49(a), 53, 55, B31, B37 and C7 without carve-outs, since any carve-out would silently break the cross-references in Ind AS 28.

2.6 First-time adopters and phased entrants

Observation. Paragraph 18 requires the election 'at initial recognition' of the associate or joint venture. For an entity adopting Ind AS for the first time (including entities such as banks, non-banking finance companies and insurers that will move to Ind AS in phases), associates acquired years earlier were never 'initially recognised' under Ind AS. The C7 relief cited in 45M is available only to entities already applying Ind AS, and one respondent has asked for it to be extended to banks. A cross-reference to a relief in Ind AS 118 will not serve first-time adopters, whose transition is governed by Ind AS 101.

Recommendation. Provide that a first-time adopter that is eligible under paragraph 18 may make the election, investment by investment, at its date of transition to Ind AS, in the same way that Ind AS 101 allows designation of financial instruments at fair value through profit or loss on the basis of facts and circumstances at that date, and add a corresponding statement to Ind AS 101.

2.7 Fair value measurement quality (Ind AS 113)

Observation. Widening eligibility moves a larger population of unquoted associates into fair value through profit or loss, mostly at Level 3. The ED is silent on unit of account and on premiums or discounts for significant-influence stakes, an area where practice is diverse, and on calibration of the valuation technique to the transaction price at initial recognition (Ind AS 113 paragraph 64). Fair value that moves profit or loss each period, and that was first measured retrospectively in the comparative period, will draw heavily on valuation judgement.

Recommendation. Require the Ind AS 113 paragraph 93 disclosures (valuation technique, significant unobservable inputs and, for recurring Level 3, a reconciliation and sensitivity) for investments elected under paragraph 18; state the unit of account assumed; and have the Board's educational material cross-refer to the ICAI Valuation Standards for equity interests, so that registered valuers and preparers apply a consistent approach.

2.8 Disclosure

Observation. Respondents ask generally whether disclosure is adequate. We suggest specific items. Ind AS 112 requires disclosure of whether each material associate or joint venture is measured under the equity method or at fair value through profit or loss (paragraph 21(b) of IFRS 12). The summarised financial information requirements in Ind AS 112 are directed at equity-accounted interests, so users lose that detail for interests newly moved to fair value.

Recommendation. Add 'the determination that an entity has a main business activity of investing in particular types of assets' to the examples of significant judgements in Ind AS 112; require for fair-value interests the carrying amount, percentage held, fair value hierarchy level and fair value changes recognised in the period; and require the Ind AS 8 paragraph 28 disclosures for the one-time change.

2.9 Interaction with Ind AS 110 and paragraph 36A of Ind AS 28

Observation. An entity that qualifies as a 'similar entity' under paragraph 18 is not necessarily an investment entity under Ind AS 110. It may therefore consolidate its subsidiaries while measuring its associates at fair value. Separately, paragraph 36A of Ind AS 28 allows an investor to retain fair value measurement applied by an associate that is an investment entity, so uniform-policy requirements (paragraphs 35-36) interact with the widened election.

Recommendation. State that an entity that is an investment entity under Ind AS 110 satisfies the main-business-activity test, that the reverse does not hold, and cross-refer paragraph 36A so that the two routes to fair value are not applied inconsistently within a group.

2.10 Indian regulatory touchpoints

Observation. Fair value gains on associates and the classification of income will meet statutory and regulatory frameworks that the ED does not mention.

- Schedule III to the Companies Act, 2013 prescribes line items and formats; Ind AS 118's operating and investing categories do not map onto them without an MCA amendment.
- Banks, non-banking finance companies and insurers prepare statements in regulator-prescribed formats, and unrealised fair value gains may carry prudential and solvency consequences (RBI, IRDAI).
- The treatment of unrealised fair value gains in distributable profits under Section 123 of the Companies Act, 2013, and the tax effect (deferred tax under Ind AS 12 and any book-profit consequences under the tax law in force), should be confirmed.

Recommendation. The Board should coordinate with the MCA, RBI, IRDAI and SEBI before notification and say in the final amendment that the effective date is contingent on corresponding formats and rules being aligned.

2.11 Investment-linked insurance funds and fidelity to the IASB text

Observation. The IASB removed the example of an investment-linked insurance fund because it considered the example unnecessary once 'similar entities' is anchored to the main-business-activity concept; it did not change the eligibility of entities that already use the option as a venture capital organisation, mutual fund, unit trust or similar entity (IAS 28 BC19L). Some respondents read the deletion as removing eligibility for insurers' investment-linked funds, and one proposes an explicit statement that 'similar entities' does not include them. That proposal would narrow the option below the IASB's and conflict with BC19L. The ED also deletes the words 'including investment-linked insurance funds' from the operative sentences of paragraphs 18 and 19 and changes 'unit trust and similar entities' to 'unit trust or similar entity'; the IASB's published descriptions refer only to removal of the example.

Recommendation. Confirm in the basis material that insurance-related funds remain eligible where they meet the test, reject any Ind AS-specific exclusion, and verify the operative wording of paragraphs 18 and 19 word for word against IAS 28 as amended in June 2026. Any departure, however small, should be listed in a statement of differences from IFRS.

3. Drafting and fidelity checks

Paragraph	Point	Suggested action
18, 19	'unit trust and similar entities' became 'unit trust or similar entity' and the phrase 'including investment-linked insurance funds' is deleted from the operative text, not only the example.	Confirm each change is intended and matches IAS 28 as amended.
18	The parenthetical '(See Ind AS 117, Insurance Contracts, for terms used in this paragraph that are defined in that Standard.)' is deleted.	Confirm no remaining term in the paragraph depends on Ind AS 117.
45M	The asterisk note that Ind AS 118 is yet to be notified is time-bound.	Remove on notification and replace by the effective-date mechanism in Section 2.5.

4. Notes on sources

This letter draws on the Exposure Draft, the comment letters placed before the Board, and public IASB-related material: the IASB's June 2026 amendments to IAS 28 and IFRS 18 transition requirements as summarised in KPMG IFRG's July 2026 questions and answers, a PwC in-brief on the amendments, and published commentary on the IASB proposals. Paragraph references to IFRS 18, IAS 28 (including its Basis for Conclusions), IFRS 12 and IAS 27 are taken from those secondary sources. All references should be verified against the official texts before considering the same for the final version.

Yours faithfully,

(Compiled by)

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