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

To,

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

14th November 2026

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

The Branch broadly supports the objective of 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 constructive step towards a principles-based assessment of eligibility for the fair value option. It is also appropriate to align the transition requirements with the initial application of Ind AS 118, given the proposed linkage with paragraph 49(a) of that Standard.

At the same time, the proposed amendments may give rise to practical interpretational issues for entities having group structures, investment-holding subsidiaries, indirect interests and investments whose eligibility status changes over time. Based on the practical considerations relevant to preparers, auditors and other stakeholders, the Branch submits the following observations and recommendations for consideration before finalisation.

Detailed comments and recommendations

1. Paragraph 18 – Meaning of "similar entities" and assessment of main business activity

The proposed reference to paragraph 49(a) of Ind AS 118 provides a useful basis for determining whether an entity has the main business activity of investing in particular types of assets. A principles-based test is preferable to an exhaustive list of entity forms, as entities carrying out similar economic activities should ordinarily be assessed consistently, irrespective of their legal constitution.

The proposed deletion of the specific reference to investment-linked insurance funds and the related example is understandable in view of the broader criterion. However, the deletion may create uncertainty as to whether the eligibility of such funds is intended to change or whether the example is being removed only because the revised principle is expected to cover them.

Accordingly, the Branch recommends that the Accounting Standards Board clarify that investment-linked insurance funds would continue to be eligible for the fair value option where they meet the revised definition of a "similar entity". The deletion of the example should not inadvertently narrow the scope of entities that may qualify under the revised principle.

The following additional guidance or illustrative examples may also be included in the Basis for Conclusions or accompanying educational material:

(a) Factors for determining the main business activity

The Standard should identify relevant indicators for assessing whether investing in particular types of assets constitutes an entity's main business activity. Such indicators may include:

- the entity's constitutional documents, stated investment mandate and approved investment strategy;
- the nature, scale and frequency of actual investment activities;
- the composition and deployment of the entity's assets;
- the extent to which returns from investments contribute to the entity's income and overall performance; and
- the manner in which the entity's performance is evaluated and reported to its key management personnel.

Clarification is also required for entities having more than one main business activity, including entities that undertake both investment and operating activities. The Board may clarify whether investment activity must be the sole main business activity or may be one of multiple main business activities.

(b) Meaning of "particular types of assets"

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

(c) Holding companies and group structures

The Board may clarify whether an intermediate holding company established primarily to hold investments for a group can qualify as a "similar entity", particularly where it does not manage third-party funds or undertake active portfolio management. An illustrative distinction between an investment entity and an ordinary strategic holding company would be helpful.

(d) Timing of assessment

The Standard should specify whether eligibility is assessed at the date of initial recognition of each investment and explain the accounting implications where the entity's main business activity changes subsequently.

(e) Interaction with significant influence

It should be expressly clarified that an entity's eligibility for the fair value option under paragraph 18 is not dependent on whether the qualifying intermediary has significant influence over the investee, consistent with the principle underlying paragraph 19.

The Branch also recommends clarifying that merely holding investments or earning investment income should not, by itself, make an entity a "similar entity". Examples of entities qualifying and not qualifying under the revised criterion would reduce inconsistent application.

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

The Branch supports the requirement that the fair value election be made separately for each associate or joint venture at initial recognition. This preserves an investment-wise election and avoids the fair value option being treated as a blanket accounting policy choice for all associates and joint ventures.

However, the proposed wording should address circumstances in which an entity's eligibility changes after an investment has already been recognised. The Branch recommends clarification on the following matters:

(a) Entity subsequently becomes eligible

Where an entity initially applies the equity method but subsequently becomes eligible for the fair value option because its main business activity changes, it should be clarified whether the entity may change the accounting treatment of an existing investment to fair value through profit or loss. In the Branch's view, such a change should not be permitted merely because eligibility arises subsequently, unless the Standard expressly provides for it and specifies the applicable transition and measurement requirements.

(b) Entity ceases to be eligible

Where an entity has elected fair value measurement and subsequently ceases to qualify as a venture capital organisation, mutual fund, unit trust or similar entity, the Standard should clarify whether the existing election continues or whether the entity is required to apply the equity method prospectively.

(c) Investments acquired in stages

Where an investment is acquired in stages and becomes an associate or joint venture only 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. The election should not be reopened merely on each subsequent acquisition.

These clarifications would improve consistency and reduce the possibility of selective changes in measurement basis arising solely from changes in eligibility.

3. Paragraphs 18–19 – Direct and indirect holdings and consolidated financial statements

The proposed amendments address 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, further guidance is required on the application of the eligibility test in group structures and in the preparation of consolidated financial statements.

For example, a parent company may be engaged primarily in manufacturing or another operating activity, while a subsidiary directly holding an investment in an associate may have investing in particular types of assets as its main business activity. The Exposure Draft should clarify whether the subsidiary's status is assessed independently and how the indirect-holding provisions operate in the parent's consolidated financial statements.

The Branch recommends that the Board provide an illustrative example clarifying:

- whether the main-business-activity test is applied with reference to the entity that holds the investment or the ultimate reporting parent;
- whether consolidation of the qualifying intermediary by the parent affects the intermediary's eligibility;
- how the eligible portion of an investment is identified in consolidated financial statements; and
- how the provisions apply where the parent has both direct and indirect interests in the same associate.

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 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 identifying and measuring that portion.

The parent's own operating activities should not automatically override the status of a qualifying intermediary, unless such an outcome is intended by the Standard and is expressly stated.

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

The Branch supports retaining the portion-wise fair value election in paragraph 19. This provision is relevant where an entity holds a portion of an investment in an associate indirectly through an eligible intermediary and wishes to measure that portion at fair value through profit or loss while applying the equity method to the remaining portion.

The redrafting should not inadvertently convert the existing option into an all-or-nothing election for the entire investment. The final Standard or educational material should clarify how the eligible portion is determined, 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 proportion held through an eligible intermediary changes during the reporting period; or
- multiple qualifying and non-qualifying intermediaries are involved.

The accounting consequences of subsequent acquisitions, disposals or transfers between direct and indirect holdings should also be explained. For example, where an entity initially holds a portion indirectly through a qualifying intermediary and subsequently acquires an additional portion directly, it should be clear whether the original fair value election continues only for the qualifying indirectly held portion.

For drafting consistency, the list and sequence of eligible entities should be identical in both relevant sentences of paragraph 19. The Branch suggests that the Board consider the following wording, subject to its technical and drafting review:

> *"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 considerations: Applying different measurement bases to portions of the same investment may affect comparability and understandability. The Board may clarify whether the existing disclosure requirements adequately capture the basis of eligibility, significant judgements and the portions measured at fair value through profit or loss and under the equity method, without creating unnecessary duplication.

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

Paragraph 18 applies to investments in both associates and joint ventures, whereas paragraph 19 specifically addresses a portion of an investment in an associate 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. The Branch recommends that the Board clarify whether the distinction is intentional and provide the underlying reasoning. If the distinction is intentional, the accounting treatment of partially indirectly held interests in joint ventures should be explained. If no substantive distinction is intended, the Board may consider whether corresponding provisions for joint ventures are appropriate.

6. Paragraph 45M – Effective date and transition requirements

The Branch supports aligning the effective date and transition requirements of the amendments to Ind AS 28 with the initial application of Ind AS 118. Such alignment is appropriate because the revised eligibility criteria for "similar entities" are linked to paragraph 49(a) of Ind AS 118.

However, paragraph 45M should be reviewed against the final version of Ind AS 118 as notified by the Ministry of Corporate Affairs (MCA). The transition provisions should clearly address the following:

(a) Existing investments and newly eligible entities

Where an entity already holds an investment in an associate or joint venture and becomes eligible for the fair value option under the amended provisions, it should be clarified whether it may change the existing accounting treatment from the equity method to fair value through profit or loss on initial application.

The Board should also clarify whether the transition relief is available only to entities that become eligible for the first time because of the amendments, or also to entities that were eligible under the earlier wording but had not previously elected fair value measurement.

(b) Prospective or retrospective application

The transition provisions should expressly state 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 retrospective remeasurement of investments previously accounted for under the equity method.

(c) Early application of Ind AS 118

Further clarification is required for entities that have already elected to apply Ind AS 118 early, before the issuance or notification of the amendments to Ind AS 28. The Board should specify whether such entities may exercise or revise the fair value election after the amendments are issued and the date from which such election would be effective.

(d) Issuance and notification in the Indian regulatory framework

The transition provisions should clarify the meaning of "issuance" of the amendments in the Indian regulatory context and its interaction with notification by the MCA. An illustrative timeline explaining the applicable reporting period and the operation of the early-application provision would be useful.

The reference to paragraph C7 of Ind AS 118 should also be verified after notification of the final Standard to ensure that the paragraph reference, effective date and terminology are accurate and consistent.

7. Additional implementation guidance and illustrative examples

Given that the proposed amendments use a principles-based test, the Branch considers that concise implementation guidance would materially assist preparers and auditors, particularly entities that do not routinely apply the fair value option. The Board may consider issuing examples covering:

- an investment fund whose principal activity is investing in a defined class of assets;
- a strategic holding company holding shares for business synergies rather than investment returns;
- an operating company with a substantial investment portfolio alongside its operating activities;
- an intermediate investment subsidiary within a manufacturing or service group;
- a qualifying intermediary holding an investment through one or more subsidiaries; and
- a change in the entity's principal activities after the initial recognition of an associate or joint venture.

Such examples would support consistent application without expanding the intended scope of the fair value option.

8. Overall conclusion

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

The Branch recommends that the final amendments be supplemented by adequate guidance on the assessment of main business activity, holding and group structures, direct and indirect interests, changes in eligibility and the determination of the portion eligible for fair value measurement. The existing portion-wise election under paragraph 19 should be preserved, and the transition requirements under paragraph 45M should be aligned with the final version of Ind AS 118 as notified by the MCA.

The above comments are intended to assist in improving clarity, practicability and consistent application of the proposed amendments, while retaining the targeted scope and underlying intent of the Exposure Draft.

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

Yours faithfully,

For Sonepat Branch of NIRC of ICAI



CA Rajesh Rani Malik

Chairperson

Sonepat Branch of NIRC of ICAI