# Exposure Draft on Equity Method of Accounting - IAS 28, *Investments in Associates and Joint Ventures* (revised 202x)

## Submitted by : Bhopal Branch (CIRC)

| Question | Suggested Response |
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| 1. Measurement of cost of an associate (Appendix A, paras. 13, 22, 26, 29) | We agree with measuring the cost of an associate at the fair value of the consideration transferred, including any previously held interest. This approach aligns with other IFRS standards and reflects the economic reality. However, as an alternative, the IASB could consider providing more guidance on determining the fair value of contingent consideration in situations where observable market inputs are unavailable. This would help reduce estimation uncertainty and increase consistency in practice. |
| 2. Changes in ownership interest while retaining significant influence (Paras. 30–34) | We support this. The proposals provide clear guidance on changes in ownership interest, such as additional investments or disposals. This helps resolve practical challenges under IAS 28. An alternative approach could be to explore the possibility of revaluing the entire investment when significant ownership changes occur, especially in cases where additional shares are issued by the associate, to provide a more comprehensive reflection of economic changes. |
| 3. Recognition of investor's share of losses (Paras. 49–52) | We agree with the proposal that previously unrecognized losses should not be caught up when acquiring additional ownership interests. This avoids unnecessary complexity. Additionally, as an alternative, the IASB could consider a hybrid approach where unrecognized losses are "caught up" only if the investor's ownership increases significantly, which could provide a more accurate cumulative reflection of the investor's position over time. |

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| 4. Transactions with associates (Para. 53) | We agree with recognizing full gains and losses from upstream and downstream transactions, including transactions involving loss of control of a subsidiary. This aligns the treatment with IFRS 10, promoting consistency across standards. |
| 5. Impairment indicators (Para. 57) | We support the proposals. Assessing impairment based on fair value relative to the carrying amount provides a clearer view of the asset's current value. Removing the "significant or prolonged" decline threshold simplifies the impairment assessment. |
| 6. Investments in subsidiaries to which the equity method is applied in separate financial statements | We agree with retaining the existing flexibility in IAS 27, allowing entities to use the equity method for investments in subsidiaries in separate financial statements. This offers practical benefits for reporting entities. |
| 7. Disclosure requirements (IFRS 12 and IAS 27) | We agree with the enhanced disclosure requirements. These changes enhance transparency around gains, losses, and ownership changes. |
| 8. Disclosure requirements for eligible subsidiaries (IFRS 19) | We agree. These proposals strike a balance between transparency and reducing the disclosure burden for eligible subsidiaries. |
| 9. Transition (Paras. C3–C10) | We support the retrospective application of recognizing the full gain or loss on transactions. The proposed timeline is reasonable. |
| 10. Expected effects of the proposals | We agree with the IASB's analysis of the expected effects. The proposals should lead to greater consistency in practice and enhance the usefulness of financial statements. |
| 11. Other comments | We have some additional comments regarding the implementation and educational support for these proposals. While the changes introduced are generally positive and well thought out, we believe that the IASB should consider developing educational materials or illustrative examples to aid implementation, particularly for entities in jurisdictions where the equity method is less commonly applied. Such guidance could include specific case studies |

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| | demonstrating the application of the amendments in different industries or scenarios. Additionally, the transition process could benefit from supplementary guidance or a phased implementation approach for more complex entities. Lastly, as the proposals will likely lead to significant operational adjustments for many entities, conducting a post-implementation review within 2-3 years of adoption could help assess the practical impact of these changes and address any emerging issues. |