Comments on Exposure Draft on Equity method of accounting – IAS 28 Investments in Associates and Joint Ventures (revised 202x)._Thrissur Branch (SIRC)

Question	Comments
Measurement of cost of an associate	Agree with proposal of measuring the cost of an associate at Fair value of consideration transferred, including any previously held interest. This amendment is in line with other Ind ASs / IASs and aligns with the economic nature of transaction.
Changes in an investor's ownership interest while retaining significant influence	Agree with proposal. Proposal clarified the accounting treatment of change in controlling interest by retaining significant influence, in line with the amendment proposed in measurement of cost of associate.
Recognition of the investor's share of losses	Agree with proposal. In this amendment, IASB is proposing investor on purchasing of additional ownership interest, not to recognise its share for an associate's losses that it has not recognised by reducing the carrying amount of additional ownership interest. It also recommends investor to recognise and present separately its share of the associate's profit or loss and its share of the associate's other comprehensive income.
Transactions with associates	Agree with the proposal. According to this amendment, investor can recognise in full, gain / loss on upstream and downstream transactions with associate. This keeps the accounting less complex and in line with Ind AS 110 / IFRS10
Impairment indicators (decline in fair value)	Agree with proposal. Decision to compare Fairvalue with Carrying value rather than cost is in line with the amendment proposed in measurement of cost of associate.
Investments in subsidiaries to which the equity method is applied in separate financial statements	Agreed with proposal
Disclosure requirements	Agreed with proposal. Disclosure requirements complements the other proposals mentioned in the exposure draft and enhance transparency
Disclosure requirements for eligible subsidiaries	Agreed with proposal
Transition	Agreed. Transition date and retrospective effect is reasonable
Expected effects of the proposals	Agreed
Other comments	No other comments

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Observations

1. Applying the updated recognition criteria, particularly for constructive obligations or those dependent on future events, may introduce judgmental inconsistencies. The IASB should consider adding more illustrative examples for complex cases.

2. The amendments could lead to significant changes in liability recognition for some entities. The IASB should clarify the transition requirements and allow sufficient time for entities to adjust.

3. While aligning definitions is conceptually sound, terms like "present obligation" and the conditions for its existence may remain open to subjective interpretation. Further guidance or application examples could mitigate this.

Suggestions

1. Provide Illustrative Guidance:

- Include examples for scenarios such as levies, constructive obligations, and obligations linked to future activities to reduce ambiguity

2. Allow for a transitional period or phased implementation to enable preparers to adapt without undue burden.

Comments on exposure draft of Equity method of accounting