

## Comments On Exposure Draft

### Equity Method of Accounting - IAS 28, Investments in Associates and Joint Ventures (revised 202x) issued by the IASB

The **Exposure Draft on the Equity Method of Accounting** issued by the IASB proposes significant revisions to **IAS 28, Investments in Associates and Joint Ventures**. Below are some key comments and considerations regarding the draft:

#### **1. Objective and Clarity of the Equity Method**

- While the draft provides much-needed guidance, some complexities in applying the method remain unresolved, particularly in situations involving step acquisitions, partial disposals, or changes in ownership interest without loss of significant influence or joint control. Include specific scenarios and examples illustrating the treatment of these complex cases to ensure consistent application.

#### **2. Scope and Definitions**

- The concept of "significant influence" might still lead to interpretation challenges, especially in borderline cases or arrangements involving indirect influence through other entities. The IASB could consider enhancing the definitions and including additional criteria or indicators for significant influence, particularly for emerging business models like virtual entities or decentralized structures.

#### **3. Adjustments to the Investor's Share of Net Assets**

- The proposal provides detailed guidance on how to adjust the investor's share of net assets for changes in the investee's equity. The guidance appears comprehensive but might be cumbersome to implement when frequent adjustments are required due to remeasurements, unrealized profits, or other equity changes. Simplify the adjustment process or allow for practical expedients in situations involving high-frequency changes.

#### **4. Transactions Between Investor and Investee**

- The draft could face implementation challenges in distinguishing unrealized from realized transactions when there are complex intra-group arrangements or multi-tier investments. Provide detailed examples of upstream and downstream transaction treatments in different contexts to enhance practical application.

#### **5. Transitional Provisions**

- Transitioning could be complex for entities with significant historical investments and varied practices. Allow retrospective application with simplifications or practical expedients to ease the transition burden.