Consultation Comments on the Exposure Draft—Amendments to Ind AS 28

To
The Accounting Standards Board
The Institute of Chartered Accountants of India

Subject: Comments on the Exposure Draft—Amendments to Ind AS 28, Investments in Associates and Joint Ventures

Dear Sir/Madam,

We appreciate the opportunity to submit comments on the proposed amendments to paragraphs 18–19 and the proposed transition provision in paragraph 45M of Ind AS 28. Our comments focus on clarifying eligibility for the fair value option, promoting consistent application and facilitating implementation. The following observations and recommendations are submitted for the Board's consideration.

1. Scope of "similar entities"—Paragraph 18

Comment: The proposed inclusion of entities having a main business activity of investing in particular types of assets would benefit from clearer eligibility boundaries. Without further explanation, the wording may be interpreted as extending the exemption to ordinary investment-holding companies or entities holding investments primarily for strategic purposes.

Recommendation: We recommend that the Board clarify the characteristics distinguishing qualifying entities from strategic investment-holding companies. Illustrative examples of eligible and ineligible entities, together with the reasons for those conclusions, would support consistent application.

2. Assessment of main business activity—Paragraph 18

Comment: Paragraph 18 refers to paragraph 49(a) of Ind AS 118 when identifying entities whose main business activity is investing in particular types of assets. The practical application of this reference may require further explanation, particularly for entities with multiple business activities and investments held through intermediary entities.

Recommendation: We recommend accompanying implementation guidance explaining the assessment where an entity has multiple main business activities. The guidance should also clarify whether eligibility is assessed at the reporting-entity level or at the level of the intermediary through which the investment is held.

3. Subsequent changes in eligibility—Paragraph 18

Comment: The election is required to be made separately for each associate or joint venture at initial recognition. However, the proposed wording does not expressly explain the consequences where an

entity subsequently starts or ceases to have investing as a main business activity.

Recommendation: We recommend clarifying whether eligibility must be reassessed after initial recognition and whether a subsequent change in business activity affects an existing election. The Board should explain or cross-reference the applicable requirements governing any resulting change between fair value measurement and the equity method.

4. Transition for existing investments—Paragraphs 18 and 45M

Comment: The initial-recognition requirement raises a practical question as to whether an entity newly qualifying under the amendments may elect fair value through profit or loss for an associate or joint venture already held and previously accounted for using the equity method. Paragraph 45M refers to paragraph C7 of Ind AS 118 without explaining its practical effect within this exposure draft.

Recommendation: We recommend an illustrative transition example addressing an existing equity-method investment. The example should explain whether a fresh election is permitted, the date at which any permitted election is made, and the treatment of comparative information under the referenced transition requirements.

5. Measurement of indirectly held portions—Paragraph 19

Comment: Paragraph 19 permits fair value measurement of a qualifying indirectly held portion of an investment in an associate, with the equity method applied to the remaining portion. Further guidance would be helpful where ownership proportions change or interests are transferred between direct and indirect holdings.

Recommendation: We recommend an example involving an interest held directly and another portion held through a qualifying entity. The example should explain how subsequent acquisitions, disposals and intra-group transfers affect the portion covered by the election and the portion remaining subject to the equity method.

6. Difference in scope between associates and joint ventures—Paragraphs 18–19

Comment: Paragraph 18 applies to investments in both associates and joint ventures, whereas paragraph 19 addresses only a portion of an investment in an associate. The reason for this difference in scope is not apparent from the exposure draft.

Recommendation: We recommend explaining whether this distinction is intentional and the rationale supporting it. If intentional, the Board should clarify the treatment of partially indirectly held interests in joint ventures. Otherwise, the Board should consider whether corresponding wording for joint ventures is appropriate.

7. Effective date and notification framework—Paragraph 45M

Comment: Application of the amendments is linked to application of Ind AS 118, while the footnote in the exposure draft states that Ind AS 118 is yet to be notified by the Ministry of Corporate Affairs. The earlier-application provision would also benefit from clarification of the meaning of "issuance" in the Indian context.

Recommendation: We recommend clearly distinguishing publication of the exposure draft, issuance of the final amendment and notification by the Ministry of Corporate Affairs. An illustrative timeline should explain the applicable reporting period and the operation of the earlier-application provision, subject to the applicable Indian notification framework.

8. Adequacy of disclosures relating to the election

Comment: The proposed clarification of eligible entities, together with the use of different measurement methods for portions of the same investment under paragraph 19, may affect comparability unless the basis for the election and its application are transparently explained. The exposure draft does not discuss whether existing disclosure requirements sufficiently address these matters.

Recommendation: We recommend that the Board assess the adequacy of existing disclosure requirements and consider whether additional disclosures are necessary. Relevant disclosures could include the basis for eligibility, significant judgements, investments or portions covered by the election, and the measurement methods applied to remaining interests.

Closing comments

We request the Board to give particular consideration to eligibility boundaries, transition for existing investments and coordination of the effective date with the Indian notification framework. Addressing these matters through clear drafting and practical examples would promote consistent interpretation and implementation of the amendments.

We thank the Board for considering our comments.