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Project Manager
International Accounting Standards Board
30 Cannon Street
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22 March 2013

Dear Sir/Madam

RESPONSE OF THE ACCOUNTING COMMITTEE OF CHARTERED ACCOUNTANTS IRELAND

ED 2012-3 EQUITY METHOD; SHARE OF OTHER NET ASSET CHANGES PROPOSED AMENDMENTS TO IAS 28

The Accounting Committee ('AC') of Chartered Accountants Ireland welcomes the opportunity to comment on the proposals contained in the above exposure draft. The responses to the questions posed in the ED are provided in the appendix to this letter.

AC has major reservations about the proposals in the ED in that it believes that the recognition of an investor's share of the changes in the net assets of an investee in equity is in breach of the fundamental principles of financial reporting and, particularly, the need to separate changes in ownership interest from non-ownership changes in equity.

AC's majority view is that the changes would be more appropriately accounted for within profit and loss although a minority would also accept the changes through OCI.

The more specific responses are contained in the appendix.

Should you wish to discuss any of the views expressed, please feel free to contact me.

Yours faithfully

Mark Kenny

Mark Kenny
Secretary to the Accounting Committee

APPENDIX

Question 1

The IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or OCI of the investee, and that are not distributions received. Do you agree? Why or why not?

Clearly the consequential changes to IAS 28 from the revised IAS 1 have left it fairly unclear as to how to account for post-acquisition changes in other net assets. Two possible solutions would be to record the changes in profit or loss or as part of OCI. The IASB has opted for a short-term solution of recognising them directly in equity.

AC's view is that these are clearly non owner changes and the majority of AC members would opt for the changes to be reported directly in profit and loss although a minority would support their recognition within OCI. AC believes that the changes are not part of owner changes and thus there is inconsistency with the main objective of IAS 1.

Question 2

The IASB also proposes that an investor shall reclassify to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. Do you agree? Why or why not?

Although the majority of AC members support recognition in profit or loss, if the changes were to be reported in OCI then they would support the recycling of same through profit or loss on the discontinuance of the equity method.

Question 3

Do you have any other comments on the proposals?

AC has no further comments to make except to emphasise that this is a short-term solution to a very practical problem and further consideration needs to be given to the whole basis of equity accounting in a longer term reassessment of that topic.