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Our Ref: PSD/ED03/2013

22 March 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom
Email: CommentLetters@ifrs.org

Dear Sir/ Madam,

ICPAK SUBMISSION ON THE EXPOSURE DRAFT ON EQUITY METHOD: SHARE OF OTHER NET ASSET CHANGES

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on exposure draft on **Equity Method: Share of Other Net Asset Changes** issued by the International Accounting Standards Board (IASB).

ICPAK's detailed responses to the questions set out in the Invitation to Comment in the Exposure Draft ED/2012/3 are included as an appendix to this letter; the comments have been prepared by the Professional Standards Committee (PSC) of ICPAK.

Should you wish to discuss these comments further, please contact the undersigned on icpak@icpak.com or alternatively to the undersigned at nixon.omindi@icpak.com.

Yours Faithfully,

Nixon Omindi
Manager Standards

Appendix – ICPAK submissions on the Exposure Draft ED/2012/3

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?

Agree. The proposed amendments in IAS 28 endevour to capture the changes in the value of the net assets of investee to reflects the actual position of investment in associate or joint venture. This is not provided for under the current provisions and it is an area having inconsistencies for instance between paragraph 3 and 10 of IAS 28. However IASB should resolve the inconsistency with the existing standards arising from the proposals. Further replacing the word entity with investors enhances clarity in reference to investor and investee

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?

Agree. However IASB needs to isolate and clearly state the circumstances under which the entity should apply the treatment, this is mainly because there are number of scenarios that would lead to an entity cease use of equity method: investment becomes, *discontinued operations, loss of significant control/ investee ceases to be an associate or a joint venture. For instance retained interest in the former associate or joint venture is a financial asset, the entity investor shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The proposal to* reclassify to profit or loss the cumulative amount of equity *would apply in case of discontinued operations.*

Question 3

Do you have any other comments on the proposals?

IASB should consider streamlining the inconsistency arising from the amendment proposal in paragraph 22 with IAS 1 regarding transactions between an investee and third parties or with any other existing standard, further to come up with all inclusive long lasting solution to address some aspect such as call option transactions and proposal to use equity as a temporary 'home' for such other net asset changes.