Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

March 22, 2013

Dear Sir,

Sub: Invitation to comment – Exposure Draft ED/2012/3 Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)

I appreciate the opportunity to comment on the ED. I agree that diversity in practice exists on how investors should recognise their share of the changes in the net assets of an investee that are not recognised in profit or loss or other comprehensive income of the investee, and are not distributions received ('other net asset changes').

However, I do not support both the proposals and recommend that a comprehensive study of the circumstances in which changes in investee's net assets could occur should be undertaken. Please find my detailed comments on the questions raised in the ED in the appendix to this letter.

I once again thank you for the opportunity to submit my contribution and trust that you will find comments useful while finalising the accounting in this area.

Thanks and regards,

Manisha Jajodia

Appendix – Answers to the questions of the exposure draft

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?

I disagree with the above proposal as the accounting suggested is inconsistent with established accounting principles in certain areas.

As per paragraph 22 of IAS 28 when there is an actual part disposal of stake in equity accounted investments, any gains or losses arising from such disposal is to be recognised in income statement of the investor. When an investee issues shares without the investor's participation, which is generally regarded as "deemed" disposal, gains or losses arising from such deemed disposal would need to be recognised in equity in accordance with the ED. Given the economic similarity of these transactions, adopting different accounting is not desirable.

Further, this approach would result in recognition of transactions between the investee and third parties in investors' equity contrary to the provisions of IAS 1 Presentation of Financial Statements which requires an investor to present only transactions with owners in their capacity as owners through equity.

I, therefore request the IASB to deliberate the issue further and develop a more consistent approach.

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?

Response:

Notwithstanding my comments to question1, if the Board chooses to continue with the existing proposal~~,~~ I recommend reclassifying cumulative amount of equity within equity rather than recycling to profit and loss as the current proposal is not consistent with basic principle cited in paragraph 22 of IAS 28. Paragraph 22 requires an investor to account for all amounts previously recognised in OCI in relation to an investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Accordingly on discontinuance of equity accounting, investors' share of revaluation gain or loss and actuarial gains or losses of investee are never recycled to profit and loss and are simply reclassified within equity. The proposal to recycle cumulative equity to profit and loss would therefore be in conflict with paragraph 22.

Question 3

Do you have any other comments on the proposals?

Response:

No other comments.