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International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

RESPONSE TO EXPOSURE DRAFT – EQUITY METHOD: SHARE OF OTHER NET ASSET CHANGES

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Accounting Standards Board (IASB) in November 2012.

Our comments on the proposed amendments in the ED are as follows:

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?

We do not agree with the proposal. Our view is that associates are not part of a consolidated group and as such, the investor should not recognise its share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received, in its own equity. These changes should be accounted for in profit or loss which is consistent with the accounting treatment for the actual disposal of interests in an entity being an associate.

In addition, the proposed example illustrating paragraph 10(d) is one of dilution in an investment in associate while retaining significant influence. In the example, the gain from the dilution in net assets of the associate is taken to the investor's equity with a corresponding increase in the cost of investment in the associate. We are of the view that this is inconsistent with the principle in IAS 1 *Presentation of Financial Statements* which requires an entity to present all owner changes in equity within a statement of changes in equity. Changes in the net assets of associates are non-owner changes in equity of the investor and should therefore be presented in the statement of comprehensive income.

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?

Based on our response to Question 1, reclassification would not be required as any gains or losses would be reported in profit or loss in the period which the net asset change occurs.

Question 3:
Do you have any other comments on the proposals?

None.

Should you require any further clarification, please feel free to contact Ms Jezz Chew, Manager, Technical Standards Development and Advisory, from ICPAS via email at jezz.chew@icpas.org.sg.

Yours faithfully,

Ms Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance