12 February 2013

Mr H. Hoogenvorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6Xh
UNITED KINGDOM

Dear Mr Hoogenvorst

ED/2012/3 'Equity Method: share of other net asset changes'

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. We are pleased to comment on the Exposure Draft.

Q1 *The IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of 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?*

The G100 agrees with the principle that the investor's share of all post-acquisition changes in the net assets of the investee should be recognised in the carrying amount of the investment and supports efforts to clarify the requirements and remove an inconsistency between IAS 28 paras 3 and 10.

However, the G100 is concerned that the proposed approach to recognise the changes in the investor's equity is mixing owner changes affecting the investor's equity with non-owner changes being changes in the equity of the investee with the result that the nature of equity in effect becomes a 'shandy' or a 'cocktail'. This approach would be inconsistent with the presentation requirements in IAS 1 'Presentation of Financial Statements'.

The G100 suggests that the expediency proposed and acknowledged by the IASB would be better addressed by treating the effect of the investor's share of the change of net assets of the investee as a deemed acquisition or disposal of an interest in the associate and to treat the event in the same way as an actual acquisition or disposal. Under this approach the recognition of the investor's share of gains or losses would be consistent with the existing IAS 28 requirements relating to a partial disposal and deemed acquisitions would be treated in the same way as actual acquisitions.

Q2 *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?*

If an investor's share of an investee's other net asset changes are accounted for as deemed acquisitions or disposals recycling would not be necessary as the amounts would have been recognised in profit or loss in the period in which the other net asset changes occurred.

Q3 *Do you have any other comments on the proposals?*
No.

Yours sincerely
Group of 100 Inc

Terry Bowen
President