



Response to the IASB Exposure Draft
Equity Method: Share of Other Net Asset Changes
Proposed amendments to IAS 28

22 March 2013

INTRODUCTION

ICAS welcomes the opportunity to comment on the IASB's Exposure Draft: Equity Method: Share of Other Net Asset Changes (Proposed Amendments to IAS 28).

The ICAS Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Accounting Standards Committee has considered the Exposure Draft and I am pleased to forward their comments.

Any enquiries should be addressed to Ann Buttery, Assistant Director, Technical Policy and Secretary to the Accounting Standards Committee.

RESPONSE TO THE EXPOSURE DRAFT

We are concerned about the IASB's generalised approach in this Exposure Draft, specifically the IASB's proposed one size solution to a number of different types of situations involving changes in the 'other net assets' of an investee. These include changes in the share capital of the investee, such as the investee issuing, or buying back, shares to/from third parties, as well as movements in other components of the investee's equity, such as when the investee enters into a share-based payment transaction.

We agree with the 'Alternative View' expressed by Mr Ochi in the Exposure Draft in that the IASB's proposal would lead to inconsistencies with existing concepts and principles of IFRS, thereby increasing complexity.

We believe that any solution should be analysed from the reporting entity's perspective, that an investor's acquisition of an interest in an associate or joint venture is more similar to the acquisition of an asset (rather than the acquisition of the control of a business) and therefore to apply consolidation principles when an investor does not control an associate or joint venture would not be appropriate.

As such, we agree with the proposals submitted by the IFRS Interpretations Committee in March 2011, in that an investee's 'other net asset' changes, which result in a change in the investor's ownership in the investee, should be accounted for as a deemed disposal or acquisition of that ownership interest, in the same way that one would account for an actual disposal or acquisition of an interest in an investee.

We also note that the IASB is again introducing the concept of "recycling" in this Exposure Draft, with 'other net asset' changes being recognised in equity and then reclassified to the profit or loss when the investor discontinues the use of the equity method. As we noted in our response to ED/2012/4, 'Classification and Measurement: Limited Amendments to IFRS 9', we are concerned that the IASB is introducing situations where recycling is required without further debate as to its conceptual merits.

In conclusion, we believe that there needs to be a more thorough conceptual debate about the fundamentals of the equity method of accounting. In particular, consensus should be reached as to the meaning of the equity method of accounting and whether it is a one-line consolidation method, or more similar to a valuation method.