

Appendix C— Comment letter on tentative agenda decision

The attached comment letter on the tentative agenda decision was received, but was unintentionally omitted from Agenda Paper 07.



Mr Michael Stewart
Director of Implementation Activities
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

21 October 2014

Dear Mr Stewart

Tentative agenda decision – IAS 28 Investments in Associates and Joint Ventures – fund manager’s significant influence over a fund

We are responding to the IFRS Interpretation Committee’s publication in the September IFRIC Update of the tentative decision not to take onto the Committee’s agenda a request to clarify whether a fund manager should include, in the assessment of whether it has significant influence, its participation in financial and operating policy decision that it undertakes on behalf of, and for the benefit of, others. The tentative decision states that the issue would be better considered as part of the IASB’s comprehensive project on the equity method of accounting.

We note that the agenda decision confirms that a fund manager does need to make an assessment as to whether it has significant influence, and should make that assessment in accordance with the guidance in IAS 28. However, the staff paper on the issue acknowledges that IAS 28 does not address whether the rights to participate in financial and operating policy decisions held by the fund manager in their capacity as an agent should form part of that assessment.

The application of IFRS 10 has brought an added emphasis to identifying whether a party is an agent. We believe that the question as to how rights held by the fund manager as an agent should be included in the assessment of significant influence is a fundamental one. It is difficult to perform a complete assessment without knowing how to incorporate such rights. We further note that responses to the staff outreach confirmed that there was diversity in practice and could have a significant effect on financial institutions.

Although the tentative agenda decision recommended the issue be taken on to the research project on equity accounting, that project is still in its initial phase and the timetable to present conclusions is not currently known. Due to the importance of this issue, we request that the IFRIC Interpretations Committee reconsider the tentative decision. We believe that it would be possible to provide clarification on how rights held by fund managers should form part of the assessment of significant influence in the form of an interpretation of or narrow-scope amendment to the existing paragraphs within IAS 28.

PricewaterhouseCoopers International Limited, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk



If you have any questions in relation to this letter please do not hesitate to contact Mary Dolson (020 7804 2930).

Yours faithfully

A handwritten signature in black ink, which appears to read "PricewaterhouseCoopers", is written over the printed name.

PricewaterhouseCoopers