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International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
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Dear Sirs,

RESPONSE TO EXPOSURE DRAFT – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (PROPOSED AMENDMENTS TO IAS 27)

The Institute of Singapore Chartered Accountants (ISCA), formerly the Institute of Certified Public Accountants of Singapore, appreciates the opportunity to comment on the above Exposure Draft (ED) issued by the International Accounting Standards Board (IASB) in December 2013.

To solicit meaningful feedback for this ED, ISCA sought views from its members through a one-month public consultation and the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms.

We support the restoration of the option in IAS 27 *Separate Financial Statements* to use equity method for the accounting of investments in subsidiaries, associates and joint ventures in an entity's separate financial statements.

Our detailed comments and responses to the questions in the ED are set out below.

Question 1 - Use of the equity method

The IASB proposes to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Do you agree with the inclusion of the equity method as one of the options? If not, why?

Yes, we agree to the inclusion of the equity method as one of the options. Notwithstanding that the introduction of a third option (first two options being at cost or in accordance with

IFRS 9 *Financial Instruments*) may increase diversity in reporting, we recognise that this will eliminate one of the existing differences between the requirements in IFRS and local regulations in jurisdictions in which entities may elect or be required to use equity method in their separate financial statements.

Question 2 - Transition provisions

The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

We agree with the proposed transition provisions as this would provide useful and comparable information. Furthermore, most, if not, all of the information should be readily available.

Question 3 - First-time adopters

The IASB does not propose to provide any special relief for first-time adopters. A firsttime adopter electing to use the equity method would be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Do you agree that a special relief is not required for a first-time adopter? If not, why and what alternative do you propose?

Yes, we agree that a special relief is not required for a first-time adopter.

Question 4 - Consequential amendment to IAS 28 *Investments in Associates and Joint Ventures*

The IASB proposes to amend paragraph 25 of IAS 28 in order to avoid a conflict with the principles of IFRS 10 Consolidated Financial Statements in situations in which an entity loses control of a subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, and the entity elects to use the equity method to account for the investments in its separate financial statements.

Do you agree with the proposed consequential amendment? If not, why?

The intention of IASB is not apparent from the proposed consequential amendment to paragraph 25 of IAS 28. We are not clear which of the following is the intention of IASB:

a) Whether the principles in IFRS 10 *Consolidated Financial Statements* take precedence over that of IAS 28 when an entity loses control of a subsidiary but retains an ownership interest that gives the entity significant influence or joint control; or

b) Whether the difference in the respective carrying amounts of an investment in "associates or joint ventures" in the consolidated financial statements and separate financial statements is allowed, despite the use of equity method for both sets of financial statements.

Hence, IASB should consider redrafting the consequential amendment to IAS 28 to state and clarify its position.

Question 5 – Other comments
Do you have any other comments on the proposals?

We do not have any other comments on the proposals.

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

Yours faithfully,

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