

20 April 2026

International Accounting Standards Board  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Board Members,

**RESPONSE TO EXPOSURE DRAFT AMENDMENTS TO THE FAIR VALUE OPTION FOR INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (PROPOSED AMENDMENTS TO IAS 28) (“ED”)**

ISCA sought views from its members through a one-month public consultation and from the ISCA Financial Reporting Committee which comprises experienced technical professionals from audit firms, preparers of financial statements and other stakeholders.

We appreciate and support the IASB’s efforts to provide clarity on the population of entities eligible to apply the fair value option in IAS 28 for investments in associates and joint ventures. We are generally supportive of the proposals in the ED. However, we have identified certain areas where additional clarifications could be provided to enhance consistency in application and improve comparability.

Our detailed comments on specific questions in the ED are set out below.

**Question 1— Proposed amendments to paragraphs 18–19 of IAS 28**

Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).

Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB’s rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

**(i) Ambiguity in the meaning of “main business activity”**

We note that the proposed amendments rely on the concept of “main business activity” to determine whether an entity falls within the scope of “similar entities” eligible to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (i.e. the fair value option). However, it is unclear how this concept is intended to be applied in practice, which may result in diversity in application.

*Is the entity required to have “investing in assets” as a single predominant business activity?*

Although we noted that paragraphs B30 to B33 of IFRS 18 provide guidance on the assessment of specified main business activities, clarification within IAS 28 would be helpful as to whether the entity must have a single predominant business activity, being investing in assets, in order to qualify for the fair value option.

*What happens if “investing in assets” is the main business activity at the subsidiary level but not at group level?*

Clarification would also be helpful on whether eligibility for the fair value option is assessed at the level of the reporting entity or may differ between the reporting entity (which is a subsidiary) and the group. Where investing in assets is the main business activity at the subsidiary level but not at the group level, it is unclear whether the election to apply the fair value option made by the subsidiary would be required to be unwound on consolidation.

*What happens if there are subsequent changes in main business activity?*

Although it is explained in BC17 of the Basis for Conclusions that the election of the fair value option is irrevocable, we are concerned that any subsequent changes in main business activity would render the previous policy choice made to be non-representative of the entity’s current circumstances. We would like to suggest for the IASB consider allowing entities to change its policy choice with appropriate safeguards in place.

*Interaction between the proposed amendments in IAS 28 and IFRS 18*

When an eligible entity elects the fair value option under IAS 28, the related income and expenses would not automatically be classified in the operating category under IFRS 18, unless the entity invests in associates, joint ventures and unconsolidated subsidiaries as a main business activity.

This is because entities whose main business activity is investing in assets per paragraph 49(a) should also consider paragraphs 53 and 55 of IFRS 18 when determining the classification of income and expenses. In particular, paragraph 55 specifies that income and expenses from investments in associates, joint ventures, and unconsolidated subsidiaries not accounted for under the equity method (i.e. measured at fair value) are classified in the operating category when the entity invests in those assets as a main business activity. For entities that do not invest in associates, joint ventures, and unconsolidated subsidiaries as a main business activity, the related income and expenses would be classified in the investing category.

We are concerned that the above might not be apparent and possibly leading to misinterpretation in practice since the proposed amendments only reference to paragraph 49(a) of IFRS 18. Hence, we suggest for the IASB to consider explicitly acknowledging this in the Basis for Conclusions.

## **(ii) Scope of the fair value option**

*Is the fair value option available to real estate investment trusts (REITs)?*

Singapore has a large REIT market, with 38 traded Singapore REITs and Property Trusts with a total market capitalisation of approximately S\$100 billion.<sup>1</sup> REITs are funds that invest in a portfolio of income-generating real estate assets such as shopping malls, offices, hotels and industrial properties with the aim of generating income for unit holders of the REIT.

REITs typically account for their investments in associates and joint ventures using the equity method. For these investments, IFRS 18 requires income and expenses to be classified in investing category even if they arise from the entity’s main business activity. As REITs have a main business activity of investing in assets, the proposed amendments appear to suggest that REITs could fall within the clarified definition of “similar entities”. If this interpretation is intended, permitting REITs to elect to apply the fair value option would be consistent with their business model where income and expenses would be classified under the operating category under IFRS 18.

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<sup>1</sup> Overview of the S-REIT industry (<https://www.reitas.sg/singapore-reits/overview-of-the-s-reit-industry/>)

Conversely, if the proposed amendments are not intended to apply to REITs, the resulting classification of income and expenses under the investing category under IFRS 18 would not faithfully represent the primary business activity of these entities.

*Consider the possibility of making the fair value option available to all entities*

We suggest the IASB consider making the fair value option available to all entities, rather than restricting it to particular types of entities. Similar to the view expressed in paragraph BC11, permitting a broader application of the fair value option would enable entities to measure investments in associates and joint ventures in a manner that provides more meaningful information to users of the financial statements. This approach would also be consistent with equivalent requirements in US GAAP. We acknowledge that this may warrant more extensive consultation, and accordingly suggest that the IASB consider this as part of a broader project plan.

Should you require any further clarification, please feel free to contact Ms Felicia Tay at [felicia.tay@isca.org.sg](mailto:felicia.tay@isca.org.sg) or Ms Alice Tan at [alice.tan@isca.org.sg](mailto:alice.tan@isca.org.sg).

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Terence LAM', written in a cursive style.

Mr Terence LAM  
Director, Professional Standards & Advocacy