ACRA
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

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(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON EQUITY METHOD OF ACCOUNTING—IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (REVISED 202X)

The Singapore Accounting Standards Committee (ASC), under the Accounting and Corporate Regulatory Authority (ACRA), welcomes the opportunity to comment on the Exposure Draft on *Equity Method of Accounting—IAS 28* Investments in Associates and Joint Ventures *(revised 202x)* (the ED) issued by the International Accounting Standards Board (the IASB) in September 2024.

We appreciate the IASB's efforts to address the questions raised by stakeholders on how to apply the equity method to investments in associates [1] in particular circumstances. Addressing these application questions will reduce diversity in practice and lead to more comparable and understandable information for users of financial statements (users).

We are generally supportive of the proposals set out in the ED but have specific comments on certain aspects. Our comments are as described below.

[1] Consistent with the ED, references to 'investor', 'associate' and 'significant influence' in this letter should be read as also referring to 'joint venturer', 'joint venture', and 'joint control' in relation to investments in joint ventures unless otherwise indicated.

Question 1—Measurement of cost of an associate (Appendix A and paragraphs 13, 22, 26 and 29 of [draft] IAS 28 (revised 202x))
Paragraph 32 of IAS 28 requires an investor that obtains significant influence to account for the difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities either as goodwill (included in the carrying amount of the investment) or as a gain from a bargain purchase (recognised in profit or loss). However, IAS 28 does not include requirements for how an investor measures the cost of the investment on obtaining significant influence—for example: (a) Whether to measure any previously held ownership interest in the associate at fair value; or (b) Whether and if so how to recognise and measure contingent consideration. The IASB is proposing an investor: (a) Measure the cost of an associate, on obtaining significant influence, at the fair value of the consideration transferred, including the fair value of any previously held interest in the associate. (b) Recognise contingent consideration as part of the consideration transferred and measure it at fair value. Thereafter: (i) Not remeasure contingent consideration classified as an equity instrument; and (ii) Measure other contingent consideration at fair value at each reporting date and recognise changes in fair value in profit or loss. Paragraphs BC17–BC18 and BC89–BC93 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? If you disagree, please explain why you disagree and your suggested alternative.

We agree with the proposals on the basis of the IASB's rationale and because they would be largely consistent with the current practice of applying the principles underlying IFRS 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements*. We have the following suggestions for refining the proposals:

Acquisition-related costs

The agenda decision issued by the IFRS Interpretation Committee (IFRIC) in July 2009 clarified that the cost of an investment in an associate comprises its purchase price and any directly attributable expenditures necessary to obtain it, i.e., acquisition-related costs. This contrasts with IFRS 3 that requires acquisition-related costs to be expensed for acquisition of a business. We suggest the IASB revisit and clarify the

appropriate accounting treatment for the acquisition-related costs for an associate since the proposals for cost measurement are more aligned with IFRS 3.

Measurement period

Paragraph 45 of IFRS 3 grants an acquirer of a business a measurement period of up to one year after the acquisition date to adjust the provisional amounts recognised for a business combination if the initial accounting is incomplete by the end of the reporting period in which the combination occurs. We suggest granting a similar relief for acquisitions of ownership interest in an associate given that the fair value exercise, often referred to as a purchase price allocation (PPA), to be performed for both types of acquisition would be the same.

Associates with non-controlling interests (NCI)

An associate may be a parent without fully owned subsidiaries, in which case its consolidated financial statements would include NCI. Neither IAS 28 nor the proposals in the ED specify whether, applying the equity method in such scenarios, the investor's share of the associate's profit or loss (P/L), other comprehensive income (OCI) and net assets should be based on the amounts before or after allocation to NCI in the associate's consolidated financial statements. We suggest the IASB use this ED as an opportunity to clarify this.

Question 2—Changes in an investor's ownership interest while retaining significant influence (Paragraphs 30–34 of [draft] IAS 28 (revised 202x))
IAS 28 does not include requirements on how an investor accounts for changes in its ownership interest in an associate, while retaining significant influence, that arise from: (a) The purchase of an additional ownership interest in the associate; (b) The disposal of an ownership interest (partial disposal) in the associate; or (c) Other changes in the investor's ownership interest in the associate. The IASB is proposing an investor: (a) At the date of purchasing an additional ownership interest in an associate: (i) Recognise that additional ownership interest and measure it at the fair value of the consideration transferred; (ii) Include in the carrying amount the investor's additional share of the fair value of the associate's identifiable assets and liabilities; and (iii) Account for any difference between (i) and (ii) either as goodwill included as part of the carrying amount of the investment or as a gain from a bargain purchase in profit or loss.

(b) At the date of disposing of an ownership interest:

  (i) Derecognise the disposed portion of its investment in the associate measured as a percentage of the carrying amount of the investment; and

  (ii) Recognise any difference between the consideration received and the amount of the disposed portion as a gain or loss in profit or loss.

(c) For other changes in its ownership interest in an associate:

  (i) Recognise an increase in its ownership interest, as if purchasing an additional ownership interest. In (a)(i), 'the fair value of the consideration transferred' shall be read as 'the investor's share of the change in its associate's net assets arising from the associate's redemption of equity instruments'.

  (ii) Recognise a decrease in its ownership interest, as if disposing of an ownership interest. In (b)(ii) 'the consideration received' shall be read as 'the investor's share of the change in its associate's net assets arising from the associate's issue of equity instruments'.

Paragraphs BC20–BC44 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals?

If you disagree, please explain why you disagree and your suggested alternative.

We see a disconnect in the conceptual basis underlying the proposals for an investor, at the date its ownership interest in an associate:

(a) Increase while retaining significant influence, to include in the carrying amount the investor's additional share of the fair value of the associate's identifiable assets and liabilities; and

(b) Decrease while retaining significant influence, to derecognise the disposed portion of its investment in the associate measured as a percentage of the carrying amount of the investment, i.e., applying a weighted average method to determine the amount to derecognise.

The proposal in (a), which would necessitate the investor having to perform a PPA each time its ownership interests in the associate increases, appears to view the investment as comprising multiple layers per paragraph BC30(b) of the Basis for Conclusions on the ED (the BC). This contrasts with how the IASB developed the proposal in (b) by viewing the investment as a single unit of account. As this inconsistency may create confusion in the application of the equity method, we suggest the IASB reconsider its proposals relating to changes in an investor's ownership interest while retaining significant influence.

It is also not clear if the benefits of performing a PPA for each increase in the ownership interest in an associate will outweigh the costs for preparers. In addition, performing a PPA is contingent on the investor having access to the relevant financial information from its associate. This contradicts how some of the other proposals in the ED, for example, those pertaining to transactions with associates, are intended to address the difficulties investors sometimes had in accessing information from associates.

Should the IASB decide to proceed with the proposals as they are currently drafted, we have the following comments:

Alignment with IFRS 10

Through our outreach, some of our stakeholders informed us that they generally do not perform a PPA for each increase in their ownership interests in an associate, whether through a purchase or the associate's redemption of equity instruments, as long as significant influence is retained. This may be due to paragraph 26 of IAS 28, which can be interpreted to imply that the concepts underlying the consolidation procedures described in IFRS 10 should be referred to when there is uncertainty about the application of the equity method, and IFRS 10 does not require a PPA to be performed when an investor's ownership interest in its subsidiary changes without loss of control. Since paragraph 26 of IAS 28 is proposed to be retained in full, we suggest the IASB amend or remove this paragraph.

Question 3— Recognition of the investor's share of losses (Paragraphs 49–52 of [draft] IAS 28 (revised 202x))
Paragraph 38 of IAS 28 requires that if an investor's share of losses equals or exceeds its interest in the associate, the investor discontinue recognising its share of further losses. However, IAS 28 does not include requirements on whether an investor that has reduced the carrying amount of its investment in an associate to nil: (a) On purchasing an additional ownership interest, recognises any losses not recognised as a 'catch up' adjustment by deducting those losses from the cost of the additional ownership interest; or (b) Recognises separately its share of each component of the associate's comprehensive income. However, IAS 28 does not include requirements on whether an investor that has reduced the carrying amount of its investment in an associate to nil: (a) On purchasing an additional ownership interest, not recognise its share of an associate's losses that it has not recognised by reducing the carrying amount of the additional ownership interest. (b) Recognise and present separately its share of the associate's P/L and its share of the associate's other comprehensive income.

Paragraphs BC47–BC62 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals?

If you disagree, please explain why you disagree and your suggested alternative.

Purchase of additional ownership interest

Paragraph 49 of the ED states that on purchasing an additional ownership interest, an investor that has not recognised its share of an associate's losses shall not recognise those losses by reducing the carrying amount of the investment. One of the IASB's reasons for this proposed requirement was to be consistent with the proposed approach of measuring the purchase of an additional interest in an associate after obtaining significant influence as an accumulation of purchases. We reiterate our comment in Question 2 on the disconnect in conceptual basis underlying different proposals and further highlight that the aforementioned reason implies that the proposal in paragraph 49 of the ED is to be applied by viewing the investment in an associate as comprising multiple layers per paragraph BC30(b) of the BC and allocating the investor's share of P/L and OCI to each layer of the investment based on their carrying amounts or percentage ownership. In our view, this may result in significant complexity in applying the equity method on an ongoing basis which goes against the IASB's objective of improving the understandability of IAS 28. For example, in a scenario where an investment in an associate comprises (1) an initial layer with nil carrying amount and unrecognised losses in P/L; and (2) a new layer for a recent purchase of additional ownership, it will be unclear whether the investor's subsequent share of the associate' profits in P/L should be:

(a) Offset against unrecognised losses in P/L before recognising any excess profits in P/L; or

(b) Allocated between the two layers, resulting in the portion allocated to the initial layer being offset against unrecognised losses in P/L while the remaining portion for the new layer will be recognised in P/L for the current period.

Accordingly, we express concerns regarding this proposal and suggest the IASB address the conceptual disconnect before finalising it.

Separate recognition and presentation of share of P/L and OCI

Paragraph 52 of the ED provides an example where an investor has reduced its net investment in an associate to nil and the associate's total comprehensive income for the period is a *loss* comprising a *loss* in P/L and a *profit* in OCI. Applying the proposed requirement in this paragraph, the investor recognises a *profit* in OCI and a corresponding *loss* in P/L. From a commercial perspective, recognition of profits for

the investment in an associate with a nil carrying amount is not appropriate. The investor should resume recognising its share of profits only after its share of the profits equals the share of losses not recognised, i.e., the carrying amount of the investment is no longer nil. However, we acknowledge that the reversal of unrecognised share of losses of an associate could be useful information to users. Therefore, instead of the proposed requirement, we suggest the IASB expand on the existing disclosure requirement in paragraph 22(c) of IFRS 12 *Disclosure of Interests in Other Entities* and require an investor to disclose any offsetting of its cumulative unrecognised share of losses of the P/L (or OCI) of its associate against its share of the current period profits of the P/L (or OCI) of that associate.

Other than our comments above, we are broadly supportive of the other proposals for this question on the basis of the IASB's rationale.

Question 4—Transactions with associates (Paragraphs 53 of [draft] IAS 28 (revised 202x))
Paragraph 28 of IAS 28 requires an investor to recognise gains and losses resulting from transactions between itself and an associate only to the extent of unrelated investors' interests in the associate. This requirement applies to both 'downstream' transactions (such as a sale or contribution of assets from an investor to an associate) and 'upstream' transactions (such as a sale of assets from an associate to an investor). If an investor loses control of a subsidiary in a transaction with an associate, the requirement in IAS 28 to recognise only a portion of the gains or losses is inconsistent with the requirement in IFRS 10 to recognise in full the gain or loss on losing control of a subsidiary. The IASB is proposing to require that an investor recognise in full gains and losses resulting from all 'upstream' and 'downstream' transactions with its associates, including transactions involving the loss of control of a subsidiary. Paragraphs BC63–BC84 of the Basis for Conclusions explain the IASB's rationale for this proposal. Do you agree with this proposal? If you disagree, please explain why you disagree and your suggested alternative.

We received mixed views from our stakeholders on the proposal to require an investor to recognise in full gains and losses resulting from all transactions with its associates. While we acknowledge that this proposal would address the practical challenges and difficulties investors face in accessing and monitoring information from associates, we are also cognisant of the view of some stakeholders that the approach currently applied in practice, which is to apply the requirements in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, appears conceptually superior because it would result in a more faithful representation of the differing commercial substance of each type of transaction with associates and investors having less leeway

in structuring transactions with associates for earnings management. These stakeholders also disagree with paragraph BC69 of the BC that this approach would introduce unnecessary complexity given that determining whether a transaction involved a business is already established under IFRS 3.

On balance, we generally agree with the proposal in the ED because:

(a) This application question is a longstanding issue impacting stakeholders, and further re-evaluation will entail the IASB taking up significant additional time and resources that could be better utilised for other projects of greater priority; and

(b) The proposed requirement in Question 7 of the ED for an investor to disclose gains or losses resulting from 'downstream' transactions with its associates would be a deterrence to structuring of transactions with associates.

That said, we suggest the IASB consider adding a disclosure requirement for an investor to state whether the transactions with its associates are made on terms equivalent to those that prevail in arm's length transactions. This specific requirement would complement paragraph 23 of IAS 24 *Related Party Disclosures* to alleviate concerns about structuring of transactions.

In addition to the above, we noted that the IASB proposed to remove from paragraph 28 of IAS 28 the phrase 'gains and losses resulting from 'upstream' and 'downstream' transactions involving assets'. This removal and the lack of a definition for both 'upstream' and 'downstream' transactions call into question whether such transactions also include those not involving assets, such as borrowing costs or management fees. We suggest the IASB clarify this.

Question 5—Impairment indicators (decline in fair value) (Paragraphs 57 of [draft] IAS 28 (revised 202x))
Paragraphs 41A–41C of IAS 28 describe various events that indicate the net investment in an associate could be impaired. Paragraph 41C of IAS 28 states that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. One of the application questions asked whether an investor should assess a decline in the fair value of an investment by comparing that fair value to the carrying amount of the net investment in the associate at the reporting date or to the cost of the investment on initial recognition. The IASB is proposing: (a) To replace 'decline…below cost' of an investment in paragraph 41C of IAS 28 with 'decline…to less than its carrying amount'; (b) To remove 'significant or prolonged' decline in fair value; and (c) To add requirements to IAS 28 explaining that information about the fair value

of the investment might be observed from the price paid to purchase an additional interest in the associate or received to sell part of the interest, or from a quoted market price for the investment.

The IASB is also proposing to reorganise the requirements in IAS 28 relating to impairment to make them easier to apply, and to align their wording with the requirements in IAS 36.

Paragraphs BC94–BC106 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals?

If you disagree, please explain why you disagree and your suggested alternative.

We generally agree with the proposals as they would result in the requirements in IAS 28 relating to impairment being more aligned with IAS 36 *Impairment of Assets*. However, while we acknowledge that paragraph 57(h) of the ED would consider a bargain purchase gain as information about the fair value, a bargain purchase gain arising from a purchase of additional ownership interest in an associate should, on its own, be a strong indicator of impairment on the purchase date if there is goodwill remaining in the net investment in that associate. Accordingly, a bargain purchase gain in such scenarios should be a standalone indication to be considered, as a minimum, to make it clear that the recoverable amount of the entire investment should be estimated on the purchase date if this indication exists.

We also have the following comments:

Significant or prolonged

The proposed removal of the phrase 'significant or prolonged' used in paragraph 41C of IAS 28 may lead to impairment, and subsequent reversals of impairment, of investments in listed associates based solely on temporary mark-to-market fluctuations in the market share price of the associates. Changes in the market share price are influenced by a myriad of factors, including but not limited to interest rate outlook and general market volatility. As such, the market share price of an associate at a specific point in time may not accurately reflect the true fair value of an investment in that associate, especially if the investment is intended for long term income generation (for example, investments in real estate investment trusts), or if the nature of the investment is such that synergies, and the resulting returns, would take some time to be realised. Therefore, we suggest the IASB consider including in IAS 28 the requirement in paragraph 12(a) of IAS 36.

Downgrade of credit rating or decline in fair value

The IASB proposed:

(a) Requiring an investor, when determining whether there is objective evidence that the net investment in an associate may be impaired, to consider if there is a downgrade of the associate's credit rating (paragraph 57(g) of the ED) or a decline in the fair value of the net investment to less than its carrying amount (paragraph 57(h) of the ED); and

(b) Removing the phrase 'observable data that comes to the attention of the entity' in paragraph 41A of IAS 28 and deleting paragraph 41B of IAS 28.

These proposed amendments, when taken together, appear to suggest that it is mandatory for an investor to determine both the credit rating and fair value of its associates even if it may have difficulties accessing the relevant information because, for example, the associate does not have any publicly trade equity or debt instruments. Hence, we suggest the IASB consider requiring the indications an investor shall consider, as a minimum, to be 'observable indications' to be consistent with paragraph 12(a) of IAS 36.

Objective evidence

Under both IAS 28 and the ED, an investor is required to determine whether there is objective evidence that its net investment in the associate may be impaired. The term 'objective evidence' is replicated from the superseded impairment requirements in IAS 39 *Financial Instruments: Recognition and Measurement* and no longer used in IAS 36. Thus, we suggest the IASB consider amending or removing this term.

Alternatively, the IASB can consider fully replicating in IAS 28, or including in IAS 28 a reference to, the requirements in IAS 36 to address all of the issues above. An exception is paragraph 42 of IAS 28 which sets out impairment requirements that are unique to investments accounted for using the equity method.

Question 6—Investments in subsidiaries to which the equity method is applied in separate financial statements
Paragraph 10 of IAS 27 permits a parent entity to use the equity method in IAS 28 to account for investments in subsidiaries, joint ventures and associates in separate financial statements. The IASB is proposing to retain paragraph 10 of IAS 27 unchanged, meaning that the proposals in this Exposure Draft would apply to investments in subsidiaries to which the equity method is applied in the investor's separate financial statements. Paragraphs BC112–BC127 of the Basis for Conclusions explain the IASB's rationale for this proposal. Do you agree with this proposal? If you disagree, please explain why you disagree and your suggested alternative.

We agree with the proposal on the basis of the IASB's rationale. Accordingly, our comments in Questions 1 to 5 are also applicable to investments in subsidiaries to which the equity method is applied in the separate financial statements.

Question 7—Disclosure requirements (Paragraphs 20(c), 21(d)–21(e) and 23A–23B of IFRS 12 and paragraph 17A of IAS 27)
The IASB is proposing amendments to IFRS 12 in this Exposure Draft. For investments accounted for using the equity method, the IASB is proposing to require an investor or a joint venturer to disclose: (a) Gains or losses from other changes in its ownership interest; (b) Gains or losses resulting from 'downstream' transactions with its associates or joint ventures; (c) Information about contingent consideration arrangements; and (d) A reconciliation between the opening and closing carrying amount of its investments. The IASB is also proposing an amendment to IAS 27 to require a parent—if it uses the equity method to account for its investments in subsidiaries in separate financial statements—to disclose the gains or losses resulting from its 'downstream' transactions with its subsidiaries. Paragraphs BC137–BC171 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? If you disagree, please explain why you disagree and your suggested alternative.

Subject to our comments in Question 2 on the proposals relating to changes in an investor's ownership interest in an associate while retaining significant influence, we agree with the proposals on the basis of the IASB's rationale. See also our comment in Question 3 on the separate recognition and presentation of share of P/L and OCI as well as our suggestion in Question 4 on adding a disclosure requirement for an investor to state whether the transactions with its associates are made on terms equivalent to those that prevail in arm's length transactions.

Question 8—Disclosure requirements for eligible subsidiaries (Paragraphs 88(c), 91A and 240A of IFRS 19)
IFRS 19 permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. It specifies the disclosure requirements an eligible subsidiary applies instead of the disclosure requirements in other IFRS Accounting Standards.

As part of developing proposed amendments to the disclosure requirements in other IFRS Accounting Standards, the IASB regularly considers which of those proposed amendments should be included in IFRS 19, based on the IASB's principles for reducing disclosure requirements for eligible subsidiaries.

The IASB is proposing amendments to IFRS 19 to require an eligible subsidiary:

(a) To disclose information about contingent consideration arrangements; and

(b) To disclose gains or losses resulting from 'downstream' transactions with its associates or joint ventures.

The IASB is also proposing an amendment to IFRS 19 to require a subsidiary that chooses to apply the equity method to account for its investments in subsidiaries in separate financial statements to disclose gains or losses resulting from 'downstream' transactions with those subsidiaries.

Paragraphs BC172–BC177 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals?

If you disagree, please explain why you disagree and your suggested alternative, taking into consideration the principles for reducing disclosure requirements for eligible subsidiaries applying IFRS 19 (see paragraph BC175 of the Basis for Conclusions).

In our view, the explanation provided in paragraphs BC176 and BC177 of the BC is not sufficient to enable a reader of the ED to independently apply the six broad principles used to develop IFRS 19 and reach the same conclusions as the IASB. To be able to do so, a reader has to refer to the IASB staff paper and/or the webcast for the IASB meeting in February 2024. Therefore, we suggest the IASB include more details on how the proposed disclosures for IFRS 19 were arrived at by leveraging on the information already available in the staff paper.

Subject to our comments for Question 7, we agree with the proposals on the basis of the IASB's rationale discussed in the staff paper and the webcast.

Question 9—Transition (Paragraphs C3–C10 of [draft] IAS 28 (revised 202x))

The IASB is proposing to require an entity:

(a) To apply retrospectively the requirement to recognise the full gain or loss on all transactions with associates or joint ventures;

(b) To apply the requirements on contingent consideration by recognising and measuring contingent consideration at fair value at the transition date—generally the beginning of the annual reporting period immediately preceding the date of initial application—and adjusting the carrying amount of its investments in associates or joint ventures accordingly; and

(c) To apply prospectively all the other requirements from the transition date. The IASB is also proposing relief from restating any additional prior periods presented. Paragraphs BC178–BC216 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? If you disagree, please explain why you disagree and your suggested alternative.

Subject to our comments in Question 2 on the proposals relating to changes in an investor's ownership interest in an associate while retaining significant influence, we agree with the proposals on the basis of the IASB's rationale.

Question 10—Expected effects of the proposals
Paragraphs BC217–BC229 of the Basis for Conclusions explain the IASB's analysis of the expected effects of implementing its proposals. Do you agree with this analysis? If not, which aspects of the analysis do you disagree with and why?

We do not have anything to add to our comments for Questions 1 to 9.

Question 11—Other comments
Do you have any comments on the other proposals in this Exposure Draft, including Appendix D to the Exposure Draft or the Illustrative Examples accompanying the Exposure Draft? Do you have any comments or suggestions on the way the IASB is proposing to re-order the requirements in IAS 28, as set out in [draft] IAS 28 (revised 202x)?

We do not have other comments except for the suggestion below:

One-line consolidation vs measurement method

We understand from:

(a) Paragraph BC8 of the BC that the scope of projects excludes whether the equity method is a one-line consolidation or a measurement method; and

(b) Paragraph IN2 of the ED that the IASB's approach to resolving stakeholders' questions on applying the equity method includes applying the principles underlying IAS 28 to answer application questions.

However, some of the proposals in the ED[2] were developed in line with the principles underlying IFRS 3 and/or IFRS 10 while others[3] appeared to deviate from these principles. Consequently, the proposals in the ED do not seem to be based on a set of consistent principles, resulting in the issues we raised in:

(a) Question 2 on the disconnect in conceptual basis underlying different proposals. For example, if the underlying principle is to view the investment in an associate as a single unit of account, it appears conceptually inconsistent not to require the investor to:

  (i) Offset bargain purchase gains arising from purchases of additional ownership interest, while retaining significant influence, against any remaining goodwill attributable to past acquisitions; or

  (ii) Offset any unrecognised share of the associate's losses against purchases of additional ownership interest; and

(b) Question 4 on how some stakeholders perceived the proposal therein to be conceptually weaker than the approach applied in practice.

The absence of a set of consistent principles may also cause more diversity in practice in the future when stakeholders encounter particular circumstances not specifically addressed by this ED and not know which principles to apply. Accordingly, we see merit in determining whether the equity method is a one-line consolidation or a measurement method to establish consistent principles relevant to associates and suggest the IASB consider including this in a future project or the next agenda consultation.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project managers Yat Hwa Guan at Guan_Yat_Hwa@acra.gov.sg and Eddie Lim at Eddie_Lim@acra.gov.sg.

Yours sincerely

Wee Khim Tan (Ms)
Technical Director
For and on behalf of Accounting Standards Committee
Accounting and Corporate Regulatory Authority

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[2] For example, those relating to measurement of cost of an associate, deferred tax effects related to fair value adjustments and contingent consideration arrangements.

[3] For example, those relating to increase in an investor's ownership interest in its associate while retaining significant influence and transactions with associates.