

Introduction and Invitation to Comment

The International Accounting Standards Board proposes to amend the following standards to clarify the disclosures required of an investor in an associate or a venturer in a jointly controlled entity that accounts for its interest in the associate or jointly controlled entity at fair value in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, with changes in fair value recognised in profit or loss:

IAS 28 *Investments in Associates*

IAS 31 *Interests in Joint Ventures*

IAS 32 *Financial Instruments: Presentation*

IFRS 7 *Financial Instruments: Disclosures*

The Board invites comments on the proposed amendments. It would particularly welcome answers to the questions set out below. Comments are most helpful if they indicate the specific paragraph, contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 28, IAS 31, IAS 32 and IFRS 7 not addressed in the exposure draft.

Questions

1. Do you agree with the proposal to clarify the disclosures required of an investor in an associate that accounts for its interest in the associate at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?
2. Do you agree with the proposal to clarify the disclosures required of a venturer in a jointly controlled entity that accounts for its interest in the jointly controlled entity at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss? If not, why?

Proposed amendments to IAS 28 *Investments in Associates*

In the Standard, paragraph 1 is amended (new text is underlined, deleted text is struck through).

Scope

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

- (a) venture capital organisations, or**
- (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds**

that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Such investments shall be measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change. An entity holding such an investment shall give the disclosures required by paragraph 37(f) of this Standard.

Proposed amendments to IAS 31 *Interests in Joint Ventures*

In the Standard, paragraph 1 is amended (new text is underlined, deleted text is struck through).

Scope

- 1 This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:**
- (a) venture capital organisations, or**
 - (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds**

that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Such investments shall be measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change. A venturer holding such an interest shall give the disclosures required by paragraphs 55 and 56 of this Standard.

Proposed amendments to IAS 32 *Financial Instruments: Presentation*

In the Standard, paragraph 4 is amended (new text is underlined, deleted text is struck through).

Scope

- 4 This Standard shall be applied by all entities to all types of financial instruments except:
- (a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the requirements of the disclosure requirements in IAS 27, IAS 28 or IAS 31 ~~in addition to those in~~ this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures.

Proposed amendments to IFRS 7 *Financial Instruments: Disclosure*

In the Standard, paragraph 3 is amended (new text is underlined, deleted text is struck through).

Scope

- 3 This IFRS shall be applied by all entities to all types of financial instruments, except:
- (a) those interests in subsidiaries, associates ~~and~~or joint ventures that are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the requirements of ~~disclosure requirements in IAS 27, IAS 28 or IAS 31~~ in addition to those in this IFRS. Entities shall also apply this IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32.

**Basis for Conclusions on
Proposed Amendments to IAS 28 *Investments in Associates*, IAS 31
Interests in Joint Ventures, IAS 32 *Financial Instruments*:
Presentation and IFRS 7 *Financial Instruments*: *Disclosure***

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Scope

- BC1 The Board identified an apparent inconsistency in the disclosure requirements for entities that are eligible to and elect to account for investments in associates or jointly controlled entities at fair value in accordance with IAS 39. These entities are excluded from the scope of IAS 28 and IAS 31 and, therefore, are not required to give the disclosures that those standards would otherwise require. However, IAS 32 and IFRS 7 both require entities that account for investments in associates or jointly controlled entities in accordance with IAS 39 to give the disclosures required by IAS 28 or IAS 31 in addition to the disclosures required by IAS 32 and IFRS 7.
- BC2 The Board decided to address this inconsistency by removing from IAS 32 and IFRS 7 the general requirement to give the IAS 28 or IAS 31 disclosures, and identifying the specific disclosures that shall be given. The Board also proposes to delete from IAS 32 and IFRS 7 the requirement to give the disclosures in IAS 27 because this duplicates the requirement in IAS 27.