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International Accounting Standards Board
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Comments on the Exposure Draft *Equity Method of Accounting(IAS 28 Investments in Associates and Joint Ventures(revised 202x))*

To the IASB Board Members:

The Japanese Institute of Certified Public Accountants (JICPA) appreciates the continued efforts of the International Accounting Standards Board (IASB) to develop high quality accounting standards and welcomes the opportunity to comment on the Exposure Draft *Equity Method of Accounting(IAS 28 Investments in Associates and Joint Ventures(revised 202x))* (Exposure Draft).

We support the IASB's decision to clarify certain requirements for the application of the equity method in accordance with the current IAS 28 particularly from the viewpoint of auditing practice.

At the same time, we are concerned about the IASB's approach to discuss individual accounting treatments without undertaking a fundamental review of the equity method as referred to in paragraph BC5 of the ED. Under such circumstances, we have noticed some of the answers to application questions developed in the ED would lack clear rationale or a basis for the conclusion, which may cause diversity in practice. We highly recommend the IASB to address such issues individually for further clarification.

In addition, we must say that we strongly disagree with the proposed accounting

treatment in Question 4, which requires an investor to recognise in full the gains and losses resulting from transactions with its associates (and joint ventures). We believe the proposal not only will significantly change the existing accounting treatments and impose unintended consequence on preparers and auditors in practice, but also may cause the risk of introducing accounting structuring.

Please see our comments to each Question in the following pages.

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.

Comment:

JICPA basically agrees with the proposed accounting treatments. That said, we recommend the following should be clarified:

(i) The 'cost of an associate or joint venture' is newly defined in the ED to be the 'fair value of the consideration transferred.' However, the accounting treatment for costs directly related to such acquisitions, including transaction costs, is not clearly stipulated in the ED. According to paragraphs 37 and 53 of IFRS 3 *Business Combinations*, consideration transferred upon obtaining control of a business shall be measured at fair value and shall not include acquisition-related costs. If it is the IASB's intention to propose that the same accounting treatment shall be applied to transactions that obtain significant influence, then we suggest

the Board clarify why the current practice needs to be changed. In relation to paragraph 10 of IAS 28 under the exisiting IFRS, it has been confirmed in the Agenda Decisions made at the IFRIC Meeting in July 2009 that the cost of an investment in an associate includes directly attributable expenditures necessary to obtain the investment upon measuring the equity method investment at initial recognition. We also believe that the same logic applies to the accounting treatment for transaction costs associated with consideration transferred when purchasing an additional ownership interest in an associate. Although the ED does not use the term 'cost' for the purchase of an additional ownership interest, it should be considered in the same manner.

(ii) We recommend the definition of 'contingent consideration' should be clarified in the ED so the amount will be properly included as part of the cost of acquiring an investee under the equity method. Paragraph BC93 of the ED emphasises the consistency with IFRS 3 for the accounting for contingent consideration; however, the term 'contingent consideration' itself is not defined in the ED. IFRS 3 defines contingent consideration as 'an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree,' which obviously does not take the equity method accounting into consideration.

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 to require that 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.

Comment:

We basically agree with the proposed accounting treatments. That said, we recommend the following should be clarified:

(i) We suggest the guidance be clarified in paragraph 34 of the ED for the accounting for deemed acquisitions and disposals of an entity's ownership interest as to whether such changes in ownership interest should be measured as a percentage of the ownership or in the amount of ownership interest. For example, when an equity-accounted investee buys back its own shares, an investor's percentage of ownership increases but the amount of ownership interest may decrease. In such cases, inconsistency may arise in practice when accounting for the change in ownership interest, depending on whether the transaction is considered to be a deemed acquisition or deemed disposal.

Also, further clarification is required in the ED for deemed acquisitions, as there is no explanation about the credit side when investment on the debit side increases for the additional ownership interest.

(ii) According to paragraph BC23 of the ED, an investor would not remeasure the carrying amount of the previously held interest when it purchases an additional interest in an associate while retaining significant influence. We highly recommend the decision should be stated in the main text of the Standard in order to avoid unnecessary inconsistency in practice.

(iii) When significant influence is obtained through multiple transactions, no guidance is currently provided in the ED as to whether such transactions should be accounted for as a single transaction. We recommend the IASB to include guidance in the ED by referring to paragraph B97 of IFRS 10 *Consolidated Financial Statements*.

(iv) According to paragraph BC78 of the ED, the IASB identified the principle of 'application of the equity method includes an investor's share in the associate's or joint venture's net asset changes in an investor's statement of financial position.' That said, paragraph BC46 of the ED states that the Board decided not to include requirements for equity-settled share-based payments and share warrants in the ED, considering time to be consumed for developing such requirements. However, issues arise quite often in practice for the accounting treatment in the following types of transactions: as described above, the total amount of net assets of an equity-accounted investee does not change but profit or loss is recognised under the equity method due to changes in expense and net assets (i.e. the accounting for equity-settled share-based payments over the vesting period); and the total amount of net assets of an equity-accounted investee changes but no profit or loss is recognised under the equity method (i.e. the accounting for premium received upon the issuance of share warrants). Although it is stated in paragraph BC46 that stakeholder feedback suggested such transactions typically do not have a pervasive or significant effect for investors, our experience tells us that there are quite a few cases where practice can actually be impacted significantly. Therefore, we highly recommend equity-settled share-based payments and share warrants should be included in the scope of the revised IAS 28. Another example where net assets of an equity-accounted investee change without affecting comprehensive income is when the investee enters into a cash flow hedge covering a forecast transaction that results in the recognition of a non-financial asset or non-financial liability. As

discrepancies between the investment amount under the equity method and the amount of change in net assets would also arise in this case, we recommend the transaction should also be considered in the revised IAS 28.

(v) When a constructive obligation exists in a transaction in which an investor is expected to provide additional funds to a loss-making associate, paragraph BC55 indicates the investor is required to recognise a liability. When such liability is already recognised, there is no requirement in the ED for the accounting treatment for a transaction when additional funds are actually paid by the investor.

There could be other cases where an investor that initially did not owe such obligation to an equity-accounted investee subsequently owes a constructive obligation when situations surrounding the investee changes afterwards and the investor has no choice but to bail out the investee. The ED does not provide any requirement for such transactions, including when the investor is required to account for the obligation.

Furthermore, an obligation may arise for an investor to provide additional funds even when an associate is not making any losses. We suggest the IASB consider appropriate accounting treatments according to each fact pattern.

We highly recommend the IASB clarify the accounting treatments for the above-mentioned transactions and reflect them into the section titled 'Recognising an investor's or joint venturer's share of losses' in paragraphs 45–49 of IAS 28.

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.

The IASB is proposing an investor:

(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 profit or loss 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.

Comment:

We recommend further clarification in the ED is required in the following areas:

(i) Purchasing an additional ownership interest

In addition to the scenario described in the ED in which profit is subsequently recognised in PL/OCI by an investee, we understand there are several other scenarios where the carrying amount of an equity method investment becomes positive after reducing the carrying amount to nil due to losses recognised in PL/OCI by an investee. For example, when an impairment loss on an equity method investment recognised in the past is reversed or when equity increases without a change in ownership ratio, the carrying amount of the equity method investment can become positive. As the accounting treatments for these cases are not covered in the ED, we recommend the IASB to provide clarification for individual expected scenarios.

(ii) Recognising comprehensive income

According to paragraphs 50–52 of the ED, an investor's share of profit or loss (PL) and its share of other comprehensive income (OCI) are recognised separately, and even after reducing the net investment to nil, the investor is required to recognise a loss (profit) in profit or loss up to the amount of profit (loss) incurred as its share of other comprehensive income. On the other hand, paragraphs 45–48 only refer to the accounting for total comprehensive income, without clarifying specific accounting treatments in PL and OCI, respectively. The IASB should explain the reason why accounting treatments in PL and OCI need not be clarified, otherwise we are afraid it will create confusion in practice due to interpreting IAS 28 differently amid various situations entities may encounter in the real world. In particular, we suggest the IASB provide the rationale for the accounting

treatment in paragraph BC48(b), which was determined not to be included in the main text of the Standard, because we believe a certain narrative will be quite helpful for entities as a reference in considering the order of reversing PL/OCI components that were not recognised in the past.

We suggest the equity method accounting should at least be halted in such cases. When it comes to a point that a loss previously not recognised is eventually fully recovered due to changes in subsequent periods and the entity decides to resume the equity method accounting, then the IASB can, for example, require the entity to adjust equity components appropriately to achieve the same result as if the loss had been continuously recognised from the past.

Question 4—Transactions with associates **(Paragraph 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.2 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.

Comment:

We disagree with the proposal in the ED due to the following reasons. We believe an investor should eliminate an amount equivalent to its share of a gain or loss arising from transactions between itself and an associate.

(i) Need to review the concept of the equity method

The IASB has decided not to undertake a fundamental review of the equity method according to paragraph BC5 of the ED. Instead, the IASB is trying to

argue that it is not necessarily clear why a gain or loss arising from a transfer of assets between an investor and a non-consolidated equity-method entity—unlike transfers of assets between a parent and its subsidiaries—should be eliminated. However, without sufficiently considering the reasonableness and rationale of accounting treatments under the current equity method, we are afraid the IASB's argument is simply not strong enough to justify its proposal not to eliminate an investor's share of a gain or loss arising from transactions between itself and an associate. We are strongly against the proposal because it would significantly change the current accounting treatments and likely cause unintended consequences in practice.

Obtaining joint control or having a significant influence could possibly lead to transactions made on terms that are not equivalent to those in arm's length transactions, which is similar in nature to intra-group transactions on a consolidated basis. We believe such information is too important to be replaced by footnote disclosures. We recommend the IASB to carefully consider similarities in nature between the equity method accounting and consolidation accounting before requiring investors not to eliminate their share of a gain or loss under the equity method only for the reason that transactions are not between intra-group entities.

(ii) Possibility of encouraging inappropriate accounting treatments

There is always a possibility that transactions with a joint venture in which a joint venturer has joint control are made on terms that are not equivalent to those in arm's length transactions. If a gain or loss arising from such transactions is not eliminated, the risk of accounting structuring may emerge. As such, we believe the joint venturer should eliminate its share of a gain or loss arising from transactions between itself and a joint venture. We are concerned in a similar way for transactions with associates with significant influence.

Question 5—Impairment indicators (decline in fair value) (Paragraph 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 Impairment of Assets.

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.

Comment:

Among the indications of impairment to be considered as a minimum, paragraph 57(h) refers to 'a decline in the fair value of a net investment to less than its carrying amount.' Although the paragraph further continues by mentioning 'information about the fair value might be observed…,' the proposal can be interpreted as a requirement for investors to measure the fair value of their investments not only in listed companies but also in non-listed companies at the end of each reporting period. We agree with paragraph 57(h) only if it is the Board's intention that an indication of impairment can be observed either when quoted price exists or when fair value information is relatively easy to obtain, which should be clearly stipulated in the Standard.

If, on the other hand, it is the Board's intention to apply the fair value measurement requirement to investments in non-listed companies at the end of each reporting period for the purpose of assessing the indication of impairment, we cannot agree with the proposal in the ED, because the requirement will impose undue burden to preparers of financial statements and audit practioners. Also, as fair valuing non-listed companies generally entails a high degree of uncertainty, we do not think such information would serve its purpose of identifying an indication of impairment on a timely basis.

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.

Comment:

No comments from JICPA.

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.

Comment:

We disagree with the proposed accounting treatment in Question 4; however, if the proposal not to eliminate gains and losses resulting from transactions with associates were to be finalised, we suggest certain parts of the proposal for disclosure requirements should be reconsidered due to the following reasons:

- The IASB is proposing that an investor or a joint venturer should disclose gains or losses resulting from downstream transactions. However, we want to point out that, even under the current IFRS Standards, not the entire amount of gains and losses resulting from downstream transactions is deferred by an investor or a joint venturer but only the amount representing its ownership interest in an equity-accounted investee is deferred. Accordingly, we doubt whether useful information can be provided to users of financial statements by disclosing the total amount of gains and losses resulting from downstream transactions, especially if a reporting entity has multiple equity method investments with a variety of percentage of ownership interest. Instead, we believe much more useful information can be provided to users for the purpose of assessing the nature of profit earned by an investor if the investor is required to disclose the amount of gains or losses proportionate to its percentage of ownership interest (or may be both in total and proportionate amounts).

- According to BC145 of the ED, the IASB has decided not to propose a disclosure requirement for gains or losses recognised in upstream transactions, arguing that such disclosures could be costly and burdensome for investors. However, given that investors are already eliminating those gains or losses in current practice, we do not necessarily think the disclosure requirement is too burdensome for them. We recommend the IASB to reconsider the need to include disclosures for upstream transactions upon finalisation.

- We suggest clarification be made to the scope of downstream transactions subject to the disclosure requirement. The ED is unclear whether disclosures are required only for transactions eliminated at the end of the reporting period under the existing requirements, or for the entire downstream transactions incurred during the reporting period. If it were for the latter case, disclosures could become more costly and burdensome for preparers of financial statements when compared to the existing requirement under the current IFRS Standards. We also doubt whether such disclosures would provide useful information to users of financial statements.

・ Unlike subsidiary acquisitions (paragraph 59 of IFRS 3), the existing IFRS Standards do not have a specific disclosure requirement for the acquisition of an entity accounted for under the equity method. That being said, it is hard to understand why paragraph 23A of IFRS 12 in the ED is proposing a specific disclosure requirement for contingent consideration, which only represents a part of consideration. Therefore, we recommend the IASB to newly develop a disclosure requirement for the acquisition of equity-accounted investees before requiring entities to disclose information on contingent consideration arrangements.

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).

Comment:

No comments from JICPA.

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.

Comment:

We disagree with the proposed accounting treatment in Question 4; however, if the proposal not to eliminate gains and losses resulting from transactions with associates were to be finalised, we would also disagree with the proposal in Question 9.

Transactions with associates not only include sales and purchase transactions whose gain and losses are deferred under the current IFRS Standards and realised in a relatively short period, but also other transactions whose deferred gains and losses are not realised soon or those in the midst of losing control of a subsidiary (i.e. a subsidiary becomes an associate). Under such circumstances, we are afraid the IASB's proposal to retrospectively apply paragraph 53, which requires an investor to recognise in full the gains and losses resulting from all transactions with its associates, will impose undue burden on preparers and auditors.

We also suggest the IASB consider providing some kind of relief to first time adopters of IFRS 1 *First Time Adoption of International Financial Reporting Standards* for the same reason.

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?

Comment:

We are concerned about the ED's proposal to require an investor to include, in the carrying amount of the investment in an associate under the equity method, deferred tax liabilities related to measuring at fair value its share of the associate's identifiable assets and liabilities. Given that the accounting for deferred taxes could be diverse in practice among entities, we are afraid a certain number of entities may need to change their accounting treatments due to the proposal.

For example, when newly investing or purchasing an additional ownership interest in an associate using the equity method, the investor may apply the exception for the initial recognition of a deferred tax liability in accordance with paragraph 15(b) of IAS 12 *Income Taxes* based on an assumption that it simply acquired a single asset, namely 'investment.' In such cases, it is likely that no deferred tax liability is recognised by the investor in practice.

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)?

Comment:

No comments from JICPA.

Yours faithfully,

Eriko Otokozawa
Executive Board Member－Business Accounting Standards and Practice/Corporate Disclosure
The Japanese Institute of Certified Public Accountants