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Submitted via website

Brussels, 6 January 2025

Subject: Exposure Draft - Equity Method of Accounting - IAS 28 Investments in Associates and Joint Ventures (revised 202x).

Dear Mr. Barckow, Mr. Klinz,

We are pleased to respond to the International Accounting Standards Board (IASB or the Board) Exposure Draft (ED) *Equity Method of Accounting - IAS 28 Investments in Associates and Joint Ventures (revised 202x).* and EFRAG's Draft Comment Letter (DCL) thereon.

Accountancy Europe generally welcomes the proposed amendments to IAS 28 and consider them as useful to foster consistency.

In our view, this project is a unique opportunity to clarify whether (or when) the Equity Method (EM) is a consolidation or measurement method. The response to this question would provide a more robust principle-based approach and will address some of the practical questions.

Accountancy Europe is mainly concerned with the proposal that an investor would perform a full Purchase Price Allocation (PPA) exercise and recognise goodwill, or a bargain purchase each time an additional ownership interest is purchased while retaining significant influence. We are not convinced that the cost-benefit test is met. In our view, this is not only costly and burdensome, but also provides little relevant information. We invite the Board to explore more simplified ways to account for this change in ownership.

We also draw the Board’s attention to the following important matters:

- We note concerns that arise when using the equity method, as proposed in the ED, to account for a subsidiary in the parent’s separate financial statements in accordance with IAS 27. Applying the equity method as proposed in the ED will result in differences in the share of profit or loss under IAS 28 compared with the subsidiary’s profit or loss attributable to owners of the parent in accordance with IFRS 10. Similarly, there would be differences in the share of net assets under IAS 28 compared with the subsidiary’s equity attributable to owners of the parent under IFRS 10. Answering the question of consolidation or measurement approach for the equity method could lead to a better understanding of, or eliminating, these differences.
- IAS 28 does not make any distinction between the acquisition of a business or of a group of assets. In certain circumstances, the recognition of goodwill is questionable at both initial and subsequent recognition.
- Some of the additional disclosure requirements are difficult to produce and, in certain cases, are seen to be commercially sensitive. Therefore, they seem to contradict the simplification objective pursued by the project.

* * *

We kindly refer to the annexes to this letter (i.e. Annex 1 and Annex 2) for our detailed responses.

Please do not hesitate to contact Nael Braham (nael@accountancyeurope.eu) in case of any questions or remarks.

Sincerely,

Eelco van der Enden

Chief Executive Officer

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ANNEX 1: IASB ED – QUESTIONS FOR RESPONDENTS

We are pleased to provide below our detailed responses to the questions.

Proposed amendments to IAS 28

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.

(1) Overall, Accountancy Europe welcomes these amendments which to a large extent aligns with the current practice and will foster consistency.

(2) Subject to our response to question 11 in paragraphs [28-32], the IASB should clarify how transaction costs are treated. As things currently stand, we believe that transaction costs should be included in the carrying amount of the investment. The EM is inherently a cost-based approach adjusted for changes in net assets, it would therefore seem consistent to capitalise transaction costs as part of the initial investment. This would also be consistent with a previous IFRIC agenda

decision[1]. However, we observe that the term cost is not consistently defined and/or used across IFRS standards (IFRS 3, IAS 27…) and we encourage the IASB to consider whether cost in the context of IAS 28 needs to be distinguished from the other definitions when finalising these amendments.

(3) We believe that deferred tax effects should be included in the carrying amount of an investment in an associate[2] only to the extent the acquisition represents a business and a PPA exercise was performed. If deferred tax effects were ignored, the investor's share of the associate's post-tax profit or loss, would not be consistent with the treatment (depreciation and amortisation) of the associate's assets based on their revalued amount from the PPA.

(4) The ED is silent on how the EM should be applied when an investor obtains significant influence in an entity that holds only assets, i.e. that does not contain a business. This might arise, for example, when a corporate entity holds only a single asset, as is often seen in connection with real estate. An associate that does not contain a business cannot contain goodwill. The IASB should specify how an investor should account for a difference between the amount paid and the share of the fair value of the identifiable net assets of the associate in such a circumstance. This issue arises when significant influence is obtained, and for additional purchases of the associate while retaining significant influence.

(5) Finally, we recommend defining the term "contingent consideration" as the existing definition is IFRS 3 focused. It would also be useful to specify if fair value changes of contingent considerations should be presented under the operating category in the profit and loss statement in accordance with IFRS 18.

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*

[1] IFRIC (International Financial Reporting International Committee) decision dated 9 July 2009: "*[…] Therefore, the cost of an investment in an associate at initial recognition determined in accordance with paragraph 11 of IAS 28 comprises its purchase price and any directly attributable expenditures necessary to obtain it.*"

[2] For simplification purposes, investment in associates also includes investments in joint ventures.

(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

(6) We are especially concerned that the requirement for an investor to perform a full Purchase Price Allocation (PPA) each time an additional ownership interest is purchased while retaining significant influence does not meet the cost-benefit test. Similarly, as stated in paragraph [4], we do not believe a goodwill should be recognised when the investee does not represent a business.

(7) In our view, this PPA requirement would be costly and time-consuming, and we are not convinced that it would provide sufficiently relevant information. The goodwill included in the carrying amount of investment in associates and joint ventures is not separately identified in the investor balance sheet. We also think that the difficulties faced by an investor in obtaining the information needed to produce the PPA, both initially and on subsequent purchases, should not be underestimated.

(8) We therefore ask the Board to explore more simplified ways to account for such a change in ownership. For the sake of clarity, we do not question the accounting treatment when obtaining significant influence, provided that the information can be obtained.

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*

(9) In our view, a catch-up adjustment might be required in certain cases. For example, if an investor is buying an additional ownership interest in a loss-making associate in order to "bail it out." In this case the investor is providing additional investment because of the losses – so for the investor to record a positive carrying amount and thereby not reflect the losses that it is covering does not seem to reflect the economics of the investment.

(10) Additionally, based on the current principles, it is unclear whether the original and new interests should be tracked separately going forward.

(11) Finally, we are sceptical about the usefulness of requirements of paragraph 52 of the ED requiring an investor to recognise its share of loss to the extent it equals its share of OCI profit, retaining a net investment of zero. In some cases, the share of OCI profit represents a pure exchange rate profit. The costs and complexity of applying these requirements seem to outweigh the benefits, if any, that might be gained from the information.

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.*
>
> *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.*

(12) We acknowledge the pragmatic and cost-effective approach the recognition of full gain and loss might provide. Nevertheless, we draw the attention to the risk of earnings management for downstream transactions which seems to be quite high. This risk mainly applies to equity accounted subsidiaries in separate financial statements, but also to joint ventures in consolidated and separate financial statements. This amendment represents, in our view, a significant change that might go beyond the primary objective of answering application questions about how to apply the equity method.

(13) Furthermore, as highlighted in paragraphs [15-18], we are concerned this might lead to different accounting values for the same entity depending on the set of financial statements used.

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.

(14) With regards to the requirements prescribed by (c) above, we suggest replacing "might be observed from" by "might be derived from". When acquiring significant influence over the associate, the investor is reasonably expected to pay a premium that will not be reflected again in the cost of any additional ownership interest. Therefore, the price paid to purchase an additional ownership in an associate is not necessarily a good indicator of the fair value of the investment.

Application of the proposed requirements to investments in subsidiaries to which the equity method is applied in separate financial statements

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.

(15) We agree with keeping paragraph 10 of IAS 27 unchanged.

(16) Notwithstanding our agreement with having a single equity method of accounting, we note that by not introducing a modified version of equity accounting for an investment in a subsidiary, a different performance result (profit or loss and OCI) may be recognised by a parent in its separate financial statements compared with its consolidated financial statements in respect of its subsidiary. This difference will arise despite the fact that the Board proposes to continue to describe in new paragraph 55 (old paragraph 26) of IAS 28 that "many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10". We are concerned about the consequences of these differences for entities that are required by local company law to apply equity accounting to subsidiaries in their separate financial statements. (These consequences include changes to distributable dividends)

(17) We note that these differences arise principally in relation to the following:

a. Elimination of gains on transactions between the parent and subsidiary in consolidated financial statements; and
b. Transaction costs on purchase of an interest in the subsidiary would (we expect) be capitalised for equity accounting but are expensed in consolidated financial statements.

(18) We also expect that a difference would arise from:

a. the requirement for a PPA to be performed for the parent's equity accounting of the subsidiary if it obtains an additional interest in the subsidiary whilst retaining control, although we note that the ED is not specific on this matter. For consolidated financial statements, no PPA would be performed in this situation; and
b. a disposal gain or loss to be recognised for the parent's equity accounting when disposing of an interest in a subsidiary whilst retaining control. For consolidated financial statements, this transaction would be a transaction between shareholders and not result in the recognition of a gain or loss.

Proposed amendments to IFRS 12 and IAS 27—Disclosure requirements

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.

(19) In our view the required disclosures are difficult to produce and may require considerable efforts to collect the information. This would, especially be the case with associates.

(20) Furthermore, we observe that a certain level of overlap exists with IAS 24 Related Parties requirements.

(21) Additionally, there seems to be an inconsistency between, on one hand, removing the need for investors to adjust gains and losses from transactions with associates, and on the other hand, introducing new requirements to recalculate these gains and losses and disclose them.

(22) Finally, in certain jurisdictions, the application of these disclosures seems to interfere with the rules related to secrecy of transactions within listed entities and might lead to premature disclose of information. For example, when a listed group owns another listed group and have each different closing dates.

(23) In conclusion, we believe that the challenges around the proposed disclosures seem to contradict the simplification objective pursued by the project.

Proposed amendments to IFRS 19

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).

(24) We reiterate the same comments made in paragraph [21] above.

Other matters

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.

(25) We believe that a full retrospective approach is difficult to implement when it comes to:

- Paragraph C4 – requiring to retrospectively not eliminate gains and losses from transactions with associates
- Paragraph C8– requiring an estimation of the recoverable amount of the investment at the transition date

(26) Furthermore, paragraph C6 requires to measure the contingent consideration at fair value at the transition date. In our view this requirement should only cover unpaid amounts.

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?

(27) We do not have comments on paragraphs BC217-BCC229

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)?

(28) We believe this is a unique opportunity for the IASB to clarify whether (or when) the equity method is a consolidation or measurement method as this might address some of the practical questions such as:

- Should transaction costs be included in the carrying amount of the investment in associates?
- How to deal with step acquisitions?
- Is it allowed to use a measurement period of one year to finalise any provisional amounts of identifiable assets and liabilities? (By analogy to paragraph 45 of IFRS 3 Business Combinations).

(29) As we comment in our answer to Question 6, we note concerns that arise when using the equity method, as proposed in the ED, to account for a subsidiary in the parent's separate financial statements in accordance with IAS 27. Applying the equity method as proposed in the ED will result in differences in the share of profit or loss under IAS 28 compared with the subsidiary's profit or loss attributable to owners of the parent in accordance with IFRS 10. Similarly, there would be differences in the share of net assets under IAS 28 compared with the subsidiary's equity attributable to owners of the parent under IFRS 10. Answering the question of consolidation or measurement approach for the equity method could lead to a better understanding of, or eliminating, these differences.

(30) In our view, and based on the current IFRS standards, it appears to us that the Equity Method leans more towards a measurement approach than a consolidation method for the following reasons:

- Paragraph 10 (c) of IAS 27 allows entities to account for their subsidiaries, joint ventures, and associates according to IAS 28 and therefore apply the EM in their separate financial statements and,
- Separate financial statements clearly do not allow for consolidation methods, hence EM can only be seen as a measurement approach.

(31) We draw the attention to the conflict between the definition of EM in paragraph 3 of IAS 28, and the mechanics of EM laid out in paragraph 10 of IAS 28. While the first paragraph refers to a change in share of "net assets," the latter refers to share of profit or loss and OCI. Certain transactions only have an impact on net assets (such as those under IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments). There are indications that this question is common in practice and therefore we recommend the IASB to re-consider their conclusions in BC46 and assess whether this matter should be addressed as part of this project.

(32) Finally, we welcome the illustrative examples provided by the ED, and we encourage the IASB to provide further examples illustrating more complex situations.

ANNEX 2: EFRAG'S DRAFT COMMENT LETTER – QUESTIONS FOR RESPONDENTS

Hereinafter, we are pleased to provide our detailed responses to the questions posed by EFRAG.

Questions 1.1 - 1.3: Measurement of cost of an associate or joint venture

> ***1.1*** *Should transaction costs incurred during the acquisition of an associate or joint venture be included in the cost of the investment and capitalised, or expensed as incurred? Please provide reasons for your preference and describe any practical implications.*
>
> ***1.2*** *As outlined in paragraphs 20 to 23, some stakeholders are concerned about a) the proposed recognition of goodwill upon obtaining significant influence and for each subsequent layer of ownership interest acquired (addressed in Question 2 of the ED); and*
>
> *b) the ED's proposal to not offset bargain purchase gains with previously recognised goodwill. Do you agree with these concerns? Please explain.*
>
> ***1.3*** *As described in paragraphs 24 to 27, EFRAG has received mixed views on the proposed inclusion of deferred tax effects in the carrying amount of investment. Do you agree or disagree with the proposed inclusion of deferred tax effects in the carrying amount of all equity-method accounted investments? Based on your experience, is the proposed treatment of including deferred tax effects in the carrying amount of the investment common in practice? Please explain.*

(33) Please refer to paragraphs [1-5] of our letter.

Question 2.1: Change in ownership while retaining significant influence

> ***2.1****. Paragraph 48 lays out alternatives to the ED's proposal for accounting for purchases of additional ownership interest. Considering the complexity and cost, do you agree with the suggested alternative measurement methods when accounting for purchases of an additional ownership interest while retaining significant influence?*

(34) We commend EFRAG for the work done to identify simplified alternatives when accounting for changes in ownership. Alternative 1 seems to us a more practical approach that could be explored further. Alternative 2 as currently drafted, seems to mix two ways of accounting for investments in associates and is less consistent from a conceptual point of view, but could have merit if the "no PPA approach" was applied consistently from the date that significant influence was obtained, as well as to subsequent purchases which retain significant influence. We refer to paragraphs [6-8] of our letter for additional comments.

Questions 6.1-6.3: separate financial statements

> ***6.1.*** *In your jurisdiction, is the equity method for transactions with subsidiaries applied by companies? If so, is it analogised to IFRS 3 and IFRS 10 requirements (e.g., for transaction costs, and the elimination of gains or losses for transactions with subsidiaries)? Are there significant differences between any of the line items in the separate financial statements versus consolidated financial statements?*
>
> ***6.2.*** *Do you agree with the suggested clarification of the applicability of the equity method principles towards investments that are measured at cost in separate financial statements?*
>
> ***6.3.*** *Do you agree with the suggestion for an option to be allowed and a reconciliation required as stated in paragraphs 132 to 134? If not, please explain why.*

(35) Please refer to paragraphs [15-18] of our letter.

Question 9.1: Transition

9.1. Do you agree with EFRAG's recommendation for prospective application for restricted (unrecognised) gains or losses from transactions with investees prior to application date? Please explain

(36) Please refer to paragraphs [25-26] of our letter.