

22 March 2013

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

Dear Mr Hoogervorst

**EXPOSURE DRAFT ED/2012/3 — EQUITY METHOD: SHARE OF OTHER NET ASSET CHANGES**

---

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the IASB Exposure Draft ED/2012/3 *Equity Method: Share of Other Net Asset Changes* (Proposed amendments to IAS 28).

We appreciate the IASB's efforts to amend IAS 28 *Investments in Associates and Joint Ventures* to clarify how post-acquisition changes in net assets of an investee should be recognised by the investor. Our detailed responses are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms. Tan Bee Leng at +603 2240 9200 or by email at [beeleng@masb.org.my](mailto:beeleng@masb.org.my).

Thank you.

Yours sincerely,



**MOHAMMAD FAIZ AZMI**  
Chairman

**Appendix****Question 1**

**The IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or Other Comprehensive Income (OCI) of the investee, and that are not distributions received. Do you agree? Why or why not?**

Response

We agree with the proposal primarily because this undoubtedly is an expeditious short term solution in achieving the IASB's desire to address diversity in practice.

Conceptually, we believe the proposal made in this Exposure Draft is inconsistent with the requirement of IAS 1 *Presentation of Financial Statements*. IAS 1 requires an entity to present all owner changes in equity within the statement of changes in equity. The investor's share of the changes in the net assets of the investee that are not recognised in profit or loss or OCI of the investee, and that are not distributions received, however, is not part of the equity of the investor, accordingly should not be presented in the investor's statement of changes in equity. Having said that, we appreciate IASB's observation that recognising these other net asset changes in profit or loss can cause misleading representation of the investee's performance and anomalous results in certain circumstances.

**Question 2**

**The IASB also proposes that an investor shall reclassify to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. Do you agree? Why or why not?**

Response

Whilst we agree with the proposal primarily because it serves as a short term solution, we are concerned that the proposed reclassification adjustment may cause confusion on the distinction between "equity" and "other comprehensive income".

The fundamental issue, we believe, is due to lack of conceptual guidance and inconsistent requirement (across various IFRSs) on the recognition of gains or losses in OCI and subsequent reclassification of such items to profit or loss.

We urge the IASB to develop a conceptual guidance on the presentation of "other comprehensive income" and "reclassification adjustment".

**Question 3**

**Do you have any other comments on the proposals?**

Response

As this proposal only serves as a quick fix to address diversity in practice, we would recommend the IASB to re-examine this topic upon completion of the IFRS Conceptual Framework project, particularly on the elements of financial statements and the presentation of OCI.