Accounting Standards Board
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Submitted electronically via www.ifrs.org

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

Re: Equity Method in Separate Financial Statements (Proposed amendments to IAS 27) (ED/2013/10)

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)", issued in December 2013.

The AcSB is Canada's national accounting standard setting body, which has adopted a strategy of importing IFRSs into Canada for publicly accountable enterprises. The AcSB consists of members from a variety of backgrounds, including financial statement users, preparers, auditors and academics. Additional information about the AcSB can be found at www.frascanada.ca.

The views expressed in this letter take into account comments from individual members of the AcSB and its staff. However, they do not necessarily represent a common view of the AcSB, its committees, or staff. Formal positions of the AcSB are developed only through due process.

We commend the IASB for its prompt response in addressing an issue raised in the 2011 Agenda Consultation. While we think that relatively few entities within Canada will be directly affected by this proposal, we agree that the proposed amendment will reduce compliance costs for many entities globally and provide information helpful to an assessment of the investor's net assets and profit or loss. We think that the proposal is responsive to the business circumstances entities operate in and the requirements imposed on those entities.

We support the narrow scope amendments to IAS 27 as proposed in the Exposure Draft. However, we propose that the consequential amendment to IAS 28 should be redrafted to reflect more clearly the IASB's intention as stated in paragraph BC11 of the Exposure Draft. We are aware of other issues regarding the equity method and we recommend that the IASB expedite its work on the equity method of accounting research project for which preliminary work has commenced.

Detailed responses to the questions posed in the Exposure Draft are provided in the Appendix to this letter.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Peter Martin, Director, Accounting Standards (+1 416 204-3276 or email pmartin@cpacanada.ca) or Nicky Lahner, Principal, Accounting Standards (+1 416 204-3348 or email nlahner@cpacanada.ca).

Yours truly,

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APPENDIX

Question 1 – Use of the equity method
The IASB proposes to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. Do you agree with the inclusion of the equity method as one of the options? If not, why?

1. We agree with the proposed amendment to permit the equity method as one of the options to account for an entity's investment in subsidiaries, joint ventures and associates in the entity' separate financial statements, for the reasons identified in paragraphs BC7 to BC8 of the Exposure Draft.

Question 2 – Transition provisions
The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?

2. We agree that an entity electing to change to the equity method should be required to apply that change retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* The information we have gathered tells us that entities that prepare separate financial statements in addition to consolidated financial statements generally would have the information available to apply the change retrospectively or the entities may already be applying the equity method because of their local regulatory requirements.

Question 3 – First-time adopters
The IASB does not propose to provide any special relief for first-time adopters. A first-time adopter electing to use the equity method would be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Do you agree that a special relief is not required for a first-time adopter? If not, why and what alternative do you propose?

3. We agree that a first-time adopter electing to use the equity method should not be provided with any special relief and should be required to apply the method from the date of transition to IFRSs in accordance with the general requirements of IFRS 1. As noted in the previous response, generally entities that prepare consolidated financial statements in addition to separate financial statements would have the information available to apply the change retrospectively. Thus, the same considerations that apply for entities already applying IFRSs should also apply to first-time adopters.

Question 4 – Consequential amendment to IAS 28 Investments in Associates and Joint Ventures
The IASB proposes to amend paragraph 25 of IAS 28 in order to avoid a conflict with the principles of IFRS 10 *Consolidated Financial Statements* in situations in which an entity loses control of a subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, and the entity elects to use the equity method to account for the investments in its separate financial statements. Do you agree with the proposed consequential amendment? If not, why?

4. We agree that when an entity accounts for a subsidiary using the equity method in its separate financial statements and it loses control of that subsidiary but retains an ownership interest in the former subsidiary that gives the entity significant influence or joint control, the entity should not apply paragraph 25 of IAS 28. We agree that the entity should, instead, apply the principles of IFRS 10 to that situation. However, we do not think that the amendment to paragraph 25 of IAS 28 is clearly articulated to achieve the accounting that the IASB intends in such situations. We note that an entity that choses to use the equity method to account for its investments in subsidiaries is required by paragraph 10 of IAS 27 to use the equity method as described in IAS 28. The proposed amendment could be interpreted as still requiring an entity that loses control of a subsidiary to apply paragraph 25 of IAS 28 if the investment continues to be classified either as an associate or a joint venture.

Question 5 – Other comments
Do you have any other comments on the proposals?

5. We think that the amendment to the definition of separate financial statements in paragraph 6 appears to be unclear. The amendment states that separate financial statements are those presented in addition to the financial statements of an entity that does not have investments in subsidiaries ie investor in an associate or joint venture. We think the use of "ie" is not clear and may cause confusion with paragraph 7, which states that the financial statements of an entity that does not have a subsidiary, associate, or joint venturer's interest in a joint venture are not separate financial statements.