MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

15 September 2014

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

Dear Mr Hoogervorst

EXPOSURE DRAFT ED/2014/2 *INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION* (PROPOSED AMENDMENTS TO IFRS 10 AND IAS 28)

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft ED/2014/2 *Investment Entities: Applying the Consolidation Exception* (Proposed amendments to IFRS 10 and IAS 28).

Our responses to the respective questions are detailed in the Appendix to 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.

Thank you.

Yours sincerely,

DATO' MOHAMMAD FAIZ AZMI
Chairman

Appendix

Question 1: Exemption from preparing consolidated financial statements

The IASB proposes to amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiaries at fair value in accordance with paragraph 31 of IFRS 10. Do you agree with the proposed amendment? Why or why not?

We agree with the proposal.

Question 2: A subsidiary that provides services that relate to the parent's investment activities

The IASB proposes to amend IFRS 10 to clarify the limited situations in which paragraph 32 applies. The IASB proposes that the requirement for an investment entity to consolidate a subsidiary, instead of measuring it at fair value, applies only to those subsidiaries that act as an extension of the operations of the investment entity parent, and do not themselves qualify as investment entities. The main purpose of such a subsidiary is to provide support services that relate to the investment entity's investment activities (which may include providing investment-related services to third parties). Do you agree with the proposed amendment? Why or why not?

We agree with the proposal.

Question 3: Application of the equity method by a non-investment entity investor to an investee entity investee

The IASB proposes to amend IAS 28 to:

(a) require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate to its interests in subsidiaries; and

(b) clarify that a non-investment entity investor that is a joint venturer in a joint venture that is an investment entity cannot, when applying the equity method, retain the fair value measurement applied by the investment entity joint venture to its interests in subsidiaries.

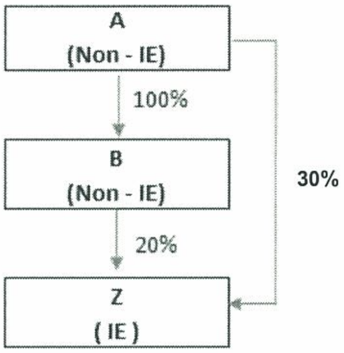
Do you agree with the proposed amendments? Why or why not?

We agree with the proposal.

However, considering that the IASB proposes to introduce paragraph 36A on the ground of significant practical difficulty for an entity in unwinding the fair value measurement used by an investment entity associate for its interests in its subsidiaries, we believe paragraph 36A should only be included as an option instead of a mandatory requirement.

We also believe that paragraph 36A should be expanded to require appropriate disclosure in the event an entity takes advantage of the practical expedient, explaining why it is unable to unwind the fair value measurement used by the investment entity associate for its interest in its subsidiaries in spite of having significant influence over the associate.

We would also like to recommend the IASB to consider the following example. We believe that, for an investment entity which is ultimately controlled / jointly controlled by the ultimate holding company but is an associate to the intermediate non-investment entity parent, it is unclear whether the intermediate parent should unwind the fair value measurement.



Z is an associate of B and assuming it is also a joint venture of A. While it is unclear whether B should unwind the fair value measurement of Z, we believe the intermediate non-investment entity investor (B) should unwind the fair value measurement applied by the investment entity associate (Z) to be conceptually consistent with IFRS 10 and IAS 28. In any case, the information will be available for the ultimate holding company (A).