MINISTERIO

DE ECONOMÍA, COMERCIO

icac Instituto de Contabilidad y Auditoria de Cuentas

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

Mr. Wolf Klinz

President of the EFRAG Financial Reporting Board

European Financial Reporting Advisory Group

35 Square de Meeûs

Brussels B-1000

Belgium

Comment Letter on EFRAG's draf comment letter on IASB's exposure draft *Equity Method of Accounting IAS 28 Investments in Associates and Joint Ventures*.

Madrid, 6th January 2025

Dear Wolf,

On behalf of the Institute of Accounting and Auditing (ICAC), we are writing to express our comments and welcome the initiative of the IASB to lead this initiative, as we understand the importance of this project.

Given the diversity in the application of the equity method by companies, this Institute acknowledges the importance of addressing issues related to its implementation in specific circumstances. We also agree with the approach adopted by the IASB, which aims to develop solutions to these issues based on the principles established in IAS 28.

Overall, we welcome the amendments proposed by the IASB, understanding that these clarifications will help address the current challenges related to the diversity of practices and the lack of guidance for preparers. We are confident that these improvements will enhance the

contabilidad@icac.gob.es



C/ HUERTAS, 26

28014 MADRID

TEL.: 91 389 56 22 /

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d

DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

comparability and reliability of the information reported by companies regarding the application of the Equity Method.

Regarding EFRAG's position outlined in the draft comment letter (DCL) on the IASB's Exposure Draft (ED), this Institute broadly supports the concerns and suggestions raised by EFRAG. We agree with the issues highlighted in paragraphs 20 to 23 of the DCL, particularly the recognition of goodwill and the treatment of advantageous purchase gains. While the IASB's proposal to recognise goodwill upon acquiring significant influence aligns with its general approach, we believe it may not fully reflect the nature of investments in associates.

Although we generally support EFRAG's position in the DCL, the ICAC believes that the suggested alternative measurement methods when accounting for purchases of an additional ownership interest while retaining significant influence, as proposed by EFRAG, offer limited informational value relative to their complexity and cost. In this context, the ICAC supports the IASB's proposal to value additional acquisitions at fair value, as it provides a simpler and more operationally efficient solution.

The appendix to this letter sets out our responses to the questions in the Exposure Draft.

We would like to end this letter by thanking you for the opportunity to allow this Institute to participate in this comment process and hope that our input will contribute to the development of the project.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm



CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

**APPENDIX**

| **ED Question 1- Measurement of cost of associate or joint venture**<br><br>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:<br><br>(a) whether to measure any previously held ownership interest in the associate at fair value; or<br><br>(b) whether and if so how to recognise and measure contingent consideration.<br><br>The IASB is proposing an investor:<br><br>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.<br><br>recognise contingent consideration as part of the consideration transferred and measure it at fair value. There after:<br><br>(i) not remeasure contingent consideration classified as an equity instrument; and<br><br>(ii) measure other contingent consideration at fair value at each reporting date and recognise changes in fair value in profit or loss.<br><br>Paragraphs BC17–BC18 and BC89–BC93 of the Basis for Conclusions explain the IASB's rationale for these proposals. |
|---|



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

Do you agree with these proposals?

(i) If you disagree, please explain why you disagree and your suggested alternative.

**EFRAG's questions to constituents- 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 common in practice? Please explain.

The ICAC supports the IASB's proposal, considering that it promotes greater consistency in the measurement of investments in associates, aligning them with fair value according to the IASB's general financial instruments framework.

However, the ICAC shares similar concerns to those raised by interested parties in paragraphs 20 to 23 of the EFRAG's DCL, particularly regarding the proposal to recognise goodwill and the



CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

treatment of advantageous purchase gains. The IASB's proposal to recognise goodwill upon acquiring significant influence may align with its general approach to acquiring control, but in the context of the equity method, this treatment might not be the most suitable to reflect the nature of investments in associates.

Regarding the IASB's proposal on the recognition and measurement of contingent consideration at fair value, the ICAC also agrees with the IASB's approach, as it is in line with the principles of IFRS 3. This approach provides conceptual coherence in the treatment of these transactions and supports consistency in the application of international standards.

Regarding the question raised by EFRAG about transaction costs, our local regulations establish that they must be included in the cost of the investment and capitalized.

In relation to the IASB's proposal to include the effects of the deferred tax on the carrying amount of the investment, the ICAC agrees with this proposal, as it considers that it is consistent with the logic of the equity method. This approach faithfully represents both an associate's investment and results, as the inclusion of deferred tax effects more accurately reflects the real economic value of the shareholding.

Finally, in response to the question raised by EFRAG as to whether it is common in practice to treat the inclusion of the effects of the deferred tax in the carrying amount of the investment, in the Spanish case, this practice is common, as it is established by local legislation.

**ED Question 2- Change in ownership**

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.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

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'.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

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.

**EFRAG question to constituents- 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?

Overall, the ICAC welcomes the proposals put forward by the IASB regarding the accounting of changes in investor participation in companies in which significant influence is maintained.

However, with respect to the recognition of the negative difference directly in the income statement as a gain on an advantageous purchase in proposal a), this Institute considers that, conceptually, the negative difference should be used to adjust goodwill, so that it reflects a prudent valuation of the transaction and avoids speculative gains in results. This adjustment better reflects the risks and benefits of the transaction and allows for an approach of accounting prudence that protects the true and fair view of the financial statements.

From the perspective of goodwill defined in IFRS 3 as "An asset representing future economic benefits arising from other assets acquired in a business combination that are not individually identified or separately recognized", it is essential to underline that a negative difference in a subsequent acquisition is an indicator that the price paid has been favourable to the investor, which usually reflects a decrease in expectations of future economic benefits. By recognizing a negative difference and adjusting the goodwill in the carrying amount of the investment put



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

into equity, it is ensured that the value of the interest is representative of the real value of the transaction.

Therefore, this Institute understands that the adjustment of goodwill to the negative difference arising from the new acquisition reflects an economic value that considers both the future benefits and the implicit risks of the transaction.

About the alternative measurement methods suggested when accounting for purchases of an additional ownership stake while maintaining significant influence proposed by EFRAG, the ICAC considers that the alternatives proposed by EFRAG offer little informational benefit in relation to their complexity and cost. In this context, the ICAC supports the IASB's proposal.

**Question 3- Recognition of investor's share of losses**

Paragraph 38 of IAS 28 requires that if an investor's share of losses equals or exceeds its interest in the associate, the investor discontinues 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.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

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.

The ICAC recognises the relevance of the proposal submitted by the IASB and does not disagree with the reasons supporting the ED's proposal not to offset losses on previously held ownership interest against the carrying amount of an additional ownership interest acquired (while retaining significant influence). We understand that the latter is a separate and distinct unit of account from the former. Furthermore, as noted in paragraph BC 53 of the Basis for Conclusions, losses of an associate or joint venture are not necessarily an indicator of impairment of the investment.

However, in line with EFRAG, we consider that the recognition of additional goodwill in situations where the net assets of an investee are already negative would be inappropriate, giving primacy to the application of a consistent unit of account in this instance even when it may distort the faithful representation of economic reality seems to be unjustified. Accordingly, we share EFRAG's recommendation to the IASB to also prohibit the recognition of additional goodwill when the carrying amount of the investment is nil.

Should the IASB proceed with the current proposal, this Institute shares the view of EFRAG suggesting that the IASB explicitly state that when an entity purchases an additional equity interest while having unrecognised losses, the entity should assess whether this additional investment represents an implicit financing of the associate or the joint venture and whether this is indicative of a constructive obligation having been created.

**Question 4- Transactions with associates and joint ventures**

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



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

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 these proposals?

If you disagree, please explain why you disagree and your suggested alternative.

The ICAC welcomes the IASB's effort to address the inconsistency identified between IFRS 10 and IAS 28, by proposing to fully recognize gains and losses arising from all "upstream" and "downstream" transactions with associates, including those involving the loss of control of a subsidiary. We appreciate the intention of this proposal, which seeks to ensure a more coherent accounting treatment aligned with the economic approach underlying IFRS.

However, we note that the proposed change represents a significant modification to the current approach established in IAS 28, which could have a considerable impact on common accounting practices.

In addition, since our national regulations are aligned with the current approach of IAS 28, this modification could cause material differences between the consolidated financial statements prepared in accordance with IFRS and those prepared in accordance with local regulations. This challenge would not be unique to our jurisdiction, as other regions with distinct national accounting frameworks could also face similar difficulties.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

In this regard, we suggest that the IASB carefully assess whether the benefits arising from the proposed change outweigh the practical problems that could arise at the global level.

**Question 5- Impairment indicators (decline in fair value)**

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.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

The ICAC welcomes the IASB's proposals on the recognition of impairment losses on investments used in the equity method. The proposed amendments, such as replacing the term "below cost" with "less than it carrying amount" and removing the requirement of a "significant or protracted" decline in fair value, are appropriate and will improve the practical application of the standard.

Regarding the indications of impairment, this Institute has no objections, and we understand that they will provide clarity and be useful for the identification of impairment.

**Question 6 - 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 these proposals?

If you disagree, please explain why you disagree and your suggested alternative.

**EFRAG questions to constituents- 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



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

> 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.

The ICAC understands and supports the IASB's objective of ensuring alignment in the application of the equity method in both the consolidated and separate financial statements.

For this reason, the ICAC has no comments against the proposal made by the IASB to keep paragraph 10 of IAS 27 unchanged and to apply the proposals in the Draft Standard to investments in subsidiaries accounted for using the equity method in the separate financial statements.

About the questions raised by EFRAG about the application of the equity method in transactions with subsidiaries, under our national regulations, in our national legislation, investments in group companies, joint ventures and associates in the individual financial statements are measured at cost. The equity method is applied exclusively in the consolidated financial statements. As for the possible differences between the separate and consolidated financial statements, the main ones are in the valuation approach: the cost in the separate financial statements versus the equity method in the consolidated financial statements. In addition, the elimination of gains or losses from intra-group transactions, typical of the consolidation process, is also highlighted.

With respect to the suggested clarification on the applicability of the principles of the equity method to investments that are measured at cost in the separate financial statements, the ICAC has no comments against this proposal, and considers that this clarification may avoid possible confusion.

Finally, in relation to the suggestion to allow an option and require a conciliation, the ICAC has no contrary comments. This measure could improve transparency and understanding of the differences between the two types of financial statements. However, it must be ensured that its

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm



**CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d**
**DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm**
**FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica**

implementation is balanced, to avoid an excessive administrative burden and to ensure that the benefits of greater transparency are proportionate to the efforts required.

| **Question 7- Disclosures**<br><br>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 venture to disclose:<br><br>(a) gains or losses from other changes in its ownership interest;<br><br>(b) gains or losses resulting from 'downstream' transactions with its associates or joint ventures.<br><br>(c) information about contingent consideration arrangements; and<br><br>(d) a reconciliation between the opening and closing carrying amount of its investments.<br><br>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.<br><br>Paragraphs BC137–BC171 of the Basis for Conclusions explain the IASB's rationale for these proposals.<br><br>Do you agree with these proposals?<br><br>If you disagree, please explain why you disagree and your suggested alternative |
|---|

The ICAC welcomes the proposal put forward by the IASB to improve IFRS 12 in relation to the disclosure of information on investments in associates and joint ventures, as it considers that this proposal is consistent with the proposed amendments to IAS 28, adequately responding to



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

the need to improve the transparency and understanding of the financial information of investments in associates and joint ventures.

In particular, the ICAC welcomes the intention to increase clarity on the movements and financial impacts of these investments, which would facilitate a more accurate assessment by users of the financial statements.

Regarding the proposed amendment to IAS 27, the ICAC has no objections and believes that this proposal ensures consistency between the information reported in individual and consolidated financial statements, which will contribute to greater coherence and comparability in the presentation of financial statements globally.

**Question 9- Transition**

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.



Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm

CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

**EFRAG Question to constituents**

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

The ICAC understands EFRAG's approach and supports its recommendation to prospectively apply the recognition of previously unrecognized gains or losses in transactions with associates or joint ventures that occurred prior to the date of application. We also appreciate EFRAG's consideration of the transitional aspects and the need for further clarification.

**Question 10 – Expected effects of the proposals**

Paragraphs BC217-229 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?

If you disagree, please explain why you disagree and your suggested alternative

The ICAC has no comments against to the analysis carried out by the IASB on the expected effects of the proposals. We understand that the feedback received from preparers and other stakeholders highlights concerns about the cost and complexity of some aspects of the proposals, such as the acquisition of additional interest, changes in interest without transactions, and new requirements for impairment testing. However, we also recognize the anticipated benefits, such as increased comparability and transparency, that will contribute to a better understanding of the financial statements by users.

Please, don´t hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm



CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica

Santiago Durán Domínguez

Chairman of ICAC

Código seguro de Verificación : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d | Puede verificar la integridad de este documento en la siguiente dirección : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm



CSV : GEN-5217-688f-17e4-164c-bb2d-86f3-b30b-c43d
DIRECCIÓN DE VALIDACIÓN : https://sede.administracion.gob.es/pagSedeFront/servicios/consultaCSV.htm
FIRMANTE(1) : SANTIAGO DURÁN DOMÍNGUEZ | FECHA : 06/01/2025 14:37 | Sin acción específica