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EFRAG

Françoise Flores

Chairman EFRAG TEG

35 Square Meeûs

Berlin, 8 February 2013

B-1000 Brussels

Dear Françoise,

EFRAG's Draft Comment Letter on the IASB's Exposure Draft *Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)*

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on EFRAG's Draft Comment Letter on the IASB's ED *Equity Method: Share of Other Net Asset Changes*. The ASCG welcomes the intended specification of the equity method and therefore appreciates the opportunity to comment on EFRAG's Draft Comment Letter.

We support the intention to address the diversity in practice and - while acknowledging the concerns and arguments expressed in EFRAG's Draft Comment Letter's View 2 and View 3 - agree with the proposals in the Exposure Draft and therefore View 1.

For further details, please see our comment letter to the IASB as attached to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President



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Mr Hans Hoogervorst
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Berlin, 08 February 2013

Dear Hans,

**IASB Exposure Draft ED/2012/3 *Equity Method: Share of Other Net Asset Changes*
(Proposed amendments to IAS 28)**

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the IASB Exposure Draft ED/2012/3 *Equity Method: Share of Other Net Asset Changes* (herein referred to as 'ED'). The ASCG welcomes the intended specification of the equity method and therefore appreciates the opportunity to comment on the ED.

We support the intention to address the diversity in practice and agree with the proposals in the Exposure Draft.

Please find our detailed comments on the questions raised in the invitation to comment in the appendix to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President



Appendix – Answers to the questions of the exposure draft

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 OCI of the investee, and that are not distributions received.

Do you agree? Why or why not?

The ASCG agrees with the proposed amendments to 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 OCI of the investee, and that are not distributions received.

We support the IASB's desire to address the current diversity in practice and rate the proposed amendments as a pragmatic short-term solution. We appreciate that the proposed approach covers all types of other net asset changes and deem the requirements to be consistent and viable.

Other net asset changes of the investee result from the investee's equity transactions, which do not represent a performance of the investee. Therefore, the investor's share of the investee's other net asset changes should be directly recognised in the investor's equity. The gain or loss resulting from the investee's other net asset changes will only be realised, when the investor disposes of its interest in the investee or if distributions are received.

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?

The ASCG agrees that the cumulative amount of equity that the investor had previously recognised should be reclassified to profit or loss, when the investor discontinues the use of the equity method.



Question 3

Do you have any other comments on the proposals?

With reference to our answer to Question 1, we support the proposed amendments as a short-term solution in order to address the diversity in practice. Even so, we deem it necessary to address the future of the equity method of accounting with a more comprehensive debate about the conceptual issues related to the equity method.