Warsaw, 15 January 2015

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

Dear Mr. Hoogervorst,

RE: **Exposure draft: Measuring Quoted Investment Entities. Proposed Amendments to IFRS 10, IFRS 12, IAS 36 and IAS 28 and Illustrative Examples for IFRS 13 (ED/2014/4)**

The Polish Accounting Standards Committee (PASC – Komitet Standardów Rachunkowości) is pleased to respond to the request for comments on the *Exposure draft: Measuring Quoted Investment Entities.*

Generally, PASC supports IASB proposals although our comments which are enclosed below are not fully unanimous in some cases. However, we present those diverging comments hoping that they will be of value for the IASB when considering the responses.

Yours sincerely,

Joanna Dadacz
Chairman
Polish Accounting Standards Committee

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c/c EFRAG

Question 1 – The unit of account for investments in subsidiaries, joint ventures and associates

PASC agrees with the conclusion on the unit of account for investments in subsidiaries, joint venture and associates. Such unit of account is not questionable, when all of the components of the investment are quoted on regular markets. Question arises in a case, where at least one component of the investment is not quoted. Therefore we suggest to separate the investment into two categories (quoted and unquoted) or to allow the entity to choose the unit of account for the investment in such a situation.

Question 2 – Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates

PASC generally agrees with the conclusion on a calculation for each of the investment in subsidiaries, joint ventures and associates, being the simple product of the quoted price (P) and the quantity of financial instruments held (Q). This conclusion must be taken in terms of principles for fair value measurement in IFRS 13 from the reliability perspective. However, having in mind, that information to be presented in financial statements should be useful in terms of its relevance too, we suggest to give

an entity the possibility to use other measurement for the investment (or at least a right or obligation to disclose proper information in the notes), if its value can be more precisely measured. This could be for example the case, where an entity calls for buying some of (or entire) investment and is sure, that the buyer would buy the investment for price, which differs from that, calculated as P x Q. Other issue is that: even on active markets, the quantity of traded instruments of the listed companies is usually very low: analyses confirm, that in many cases the number of traded instruments is counted as pro mille or small percentage of overall shares in issue. Such a measure, especially for investments in subsidiaries, cannot be extrapolated for the entire investment in subsidiaries. In many cases the value of the investment in subsidiary includes or should include the premium for control, which is not taken in measurement of quoted price.

Some PASC members more strongly disagreed with P x Q being the absolute principle for calculation of the value of the investments in subsidiaries, associates and joint ventures. They point out that the overall principle in IFRS 13 is to determine the fair value based on the unit of account. The unit of account is the entire investment in subsidiary, associate or joint venture and not the individual share. Given the unit of account as a whole, the fair value measurement should be determined at this level. There would not be a quoted price for the total investment, and as such, it would be a level 2 or level 3 valuation. Following the provisions of IFRS 13, the quoted price of individual share would be a relevant observable input and should be used in determining fair value.

Question 3 – Measuring the fair value of a CGU that corresponds to a quoted entity

PASC generally agrees with the conclusion on measuring the fair value of a CGU as a basis for measuring the recoverable amount for the quoted investment. Some problem arises in case, where the investment is composed of some instruments not being quoted, but we realize that proposed amendments do not cover such situations.

PASC members who objected to use P x Q for the valuation of investments in subsidiaries, associates and joint ventures, also object to use it as an absolute measure for CGU for the reasons described above in question 2.

Question 4 – Portfolios

PASC agrees with the proposal for inclusion of an illustrative example in IFRS 13 and has no other comments on that, as the scope of the new regulation is narrowed to quoted prices of all the components of the investments.

Question 5 – Transition provision

PASC agrees with the proposal on transitional provisions for new amendments by adjusting the opening retained earnings, or other components of the equity, as appropriate. We also support the view to apply new regulations on measurement of the quoted investments on a prospective basis and have no other comments on that.

Some PACS members noted that fair value is an estimate. Changes in estimates are generally reflected in profit or loss for the period, and when there is a doubt whether a change represents a change in accounting policy or accounting estimate, IAS 8 directs to assume that such change is a change in estimate. Therefore, they would rather support a prospective application of any clarifications of the fair value methodology, both for valuation of investment as well as for the impairment purposes.