FRC/Adm/133

15 September 2014

The Director
International Accounting Standards Board
30 Cannon Street
EC4M 6XH
London
UNITED KINGDOM

Dear Sir

**Exposure Draft on Investment Entities: Applying the Consolidation Exemption**

The Financial Reporting Council (Mauritius) has one of its main functions to ensure coordination and cooperation with international institutions in the development and enforcement of financial reporting, accounting and auditing standards.

The FRC is pleased to respond to the International Accounting Standards Board’s (IASB’s) Exposure Draft, *Investment Entities: Applying the consolidation Exemption*. The comments and responses to the specific questions are included in the following pages.

For any further clarifications, please contact us at [frc.mauritius@intnet.mu](mailto:frc.mauritius@intnet.mu).

Yours faithfully

S. Naiken
Chief Executive Officer
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?

Comments to Question 1

Yes,

The amendment is consistent with the application of the principle that fair value measurement is the most relevant measurement for all of an investment entity’s subsidiaries.

Given that the entity meets the definition of Investment entity, measuring all its subsidiaries at fair value through profit or loss will give meaningful information to users of financial statements and also meets the objective of reducing costs.

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?

Comments to Question 2

Yes,

It will add value to take into consideration all support investment related services that were used to provide the investment decisions as part of the investment entity activity such that these investment related services need to be consolidated along with the investment entity parent to get a clear picture of the performance of the investment entity.

The proposed amendment clarifies the limited situations. It is proposed that those subsidiaries that only provide services and act as an extension of the operations of the Investment entity’s parent and also those providing services to third parties be categorized as Investment Operating
Subsidiaries to distinguish them from subsidiaries carrying investment together with providing services to their parent.

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

Comments to Question 3

Given that non-investment entity has invested in an investment entity in the form of an associate, taking a share of the fair value of the subsidiaries of an investment entity gives more transparency and clarity on the performance of these sub-associates and what share of income may be derived should the investment entity dispose of these subsidiaries.