

14 April 2026

Dr Andreas Barckow
Chair – International Accounting Standards Board
IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Submitted to: www.ifrs.org

Dear Dr Barckow,

IASB/ED/2026/1 Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28

Thank you for the opportunity to comment on Exposure Draft IASB/ED/2026/1 *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures – Proposed amendments to IAS 28* (the ED).

The ED has been exposed for comment in New Zealand, and some constituents may comment directly to you. Our comments have been informed by outreach activities and consultation with preparers, users and practitioners (including for-profit advisors) and cover a range of industries and sectors.

The proposals in the ED are becoming more relevant to reporting entities in New Zealand, as the number and complexity of investment entities has grown significantly in recent years, and as some insurance entities have been closely considering these amendments, particularly in the context of preparing for implementation of IFRS 18 *Presentation and Disclosure in Financial Statements*.

We support the International Accounting Standards Board (IASB's) objective to address diversity in practice and the timely nature of the proposed amendments in advance of IFRS 18 to assist with entities implementations of the new standard.

However, we do not consider an eligibility-based approach to be conceptually appropriate. In our view, the fair value option should be available to all entities, consistent with the alternative view presented in the ED. An unrestricted approach is more principles-based and better reflects how investments are managed and evaluated and is therefore more likely to result in decision-useful information for users.

To support the timely finalisation of the amendments ahead of the implementation of IFRS 18, we have identified several targeted actions that would enhance the usefulness and consistency of information if the IASB proceeds with the current eligibility-based scope.

Our key observations relate to:

- **Revocation of the fair value option when business activities change**

Currently, the fair value option cannot be revoked once applied, even if an entity's main business activity changes, which can lead to inconsistent reporting and in turn reduce comparability. To support timely finalisation of the amendments, we recommend allowing revocation when business activities change, or allowing an accounting policy choice for the use of the fair value option, along with clear transition guidelines for recognition and disclosure to maintain transparency and comparability.

- **Scope of the fair value option under these proposed amendments**

The proposed amendments permit entities investing in assets as their main business activity under IFRS 18 to use the fair value option, even if investments in associates or joint ventures are not included in that part of that activity. This may cause inconsistent reporting, as eligibility depends on the entity's main business rather than the investment's nature or user information needs. Linking eligibility to business activity could also create practical challenges for subsidiaries and group entities with different main activities. We recommend the IASB address these issues when reviewing the proposals.

- **Interaction with application guidance in IFRS 18**

There may be confusion between the proposed amendments and paragraph B38 of IFRS 18, particularly for entities that only hold investments in associates and joint ventures and are not required to assess whether they invest as a main business activity. We recommend the IASB provide additional clarification on the interaction, with application guidance in IFRS 18.

Alternative View

We agree with the alternative view that an unrestricted fair value option would be a more principle-based solution, as there does not appear to be a clear conceptual basis for allowing only particular entities to use this option.

While an unrestricted option may still result in diversity in practice across investments, entities will typically elect to use the option where this results in better information for their users, based on their underlying investments, and this will result in more understandable and decision-useful reporting than eligibility criteria based solely on an entity's main business activity.

An unrestricted fair value option will also benefit entities that have limited access to timely and complete financial information about associates, joint ventures and unconsolidated subsidiaries. This may arise, for example, where:

- Associates or joint ventures have different reporting periods and information is not complete at the time of the investor's reporting,
- Information is not available from associates, joint ventures and unconsolidated subsidiaries on a timely basis due to being located across differing jurisdictions, or
- There are practical constraints on accessing information needed to apply the equity method appropriately, including where information is considered commercially sensitive.

In these circumstances, applying the equity method may be challenging and may not result in decision-useful information for users who evaluate investments on a fair value basis. We recommend that the IASB extend the option to all entities as part of the ongoing project on the equity method or the next phase of this project.

Additionally, we suggest permitting an accounting policy choice for the use of the fair value option. Any revocation or changes should be subject to paragraph 14 of IAS 8 *Basis of Preparation of Financial Statements*¹, requiring entities to demonstrate that the change provides more relevant and reliable information to users. This will set a high threshold for change, help mitigate the risk of selective application and remain consistent with the IASB's principles-based approach to standard setting.

Response to the questions proposed in the ED

Our recommendations and responses to the specific questions for respondents are set out in the Appendix to this letter.

If you have any queries or require clarification of any matters raised in this letter, please contact accounting@xrb.govt.nz or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carolyn Cordery', with a stylized flourish at the end.

Dr Carolyn Cordery

Chair – New Zealand Accounting Standards Board

¹ The current title of IAS 8 is *Accounting Policies, Changes in Accounting Estimates and Errors* but had been amended to *Basis of Preparation of Financial Statements* from 1 January 2027 due to IFRS 18.

Appendix

Question 1 — Proposed amendments to paragraphs 18–19 of IAS 28

Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 Financial Instruments if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities, including investment-linked insurance funds.

The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).

Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB’s rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

Response to Question 1: Proposed amendments to paragraphs 18–19 of IAS 28

1. We support the IASB’s proposed narrow-scope amendments to IAS 28 *Investments in Associates and Joint Ventures* as a timely and pragmatic step to support initial application of IFRS 18. However, we do not consider an eligibility-based approach to be conceptually appropriate, and we strongly support a fair value option that would permit entities to choose between applying the fair value method and the equity method, in line with the alternative view within the ED.
2. We have the following observations on the proposed amendments and how they may cause challenges in practice due to the interaction of IAS 28 with other IFRS Accounting Standards.

Irrevocable fair value option when business activities change

3. In accordance with paragraph 18 of IAS 28, the election to use the fair value option at initial recognition of an investment in an associate or joint venture is irrevocable. We note an entity’s main business activities may change over time, as noted by paragraph 51(c) of IFRS 18. There is a risk of increased diversity in reporting over time and across sectors, if entities change their main business activities and cannot revoke their use of the fair value option.
4. We acknowledge the IASB’s rationale for deciding that the fair value option remain irrevocable in paragraph BC17-BC18 of the basis for conclusions in the ED. However, given this risk of increased diversity in reporting is a direct result of the proposed amendments, we recommend the IASB allow for the fair value option to be revoked if an entity’s main business activity changes to the extent that it is no longer a specified main business activity as determined by the requirements in IFRS 18.
5. In addition, practical challenges may arise where investors elect to apply the fair value option and the nature of the investment subsequently changes and the way users evaluate the investments change. For example, an investment that is initially measured using observable market inputs may later become unobservable, making fair value measurement more judgemental and users

focus more on the investor's shares of reported profits. In these circumstances, the IASB should consider whether entities should be permitted to reconsider the application of the fair value option or permit an accounting policy choice for the continued use of the fair value option. The IASB should also consider what safeguards or disclosures would be needed to support consistency and useful information to users.

6. If the IASB permits revocation of the fair value option when an entity's main business activity changes, the requirements should also include clear and operational transition requirements. In particular, the IASB should specify that, on revocation, the carrying amount of the investment is determined using its fair value at the date of change as the deemed cost for applying the equity method. This provides a clear measurement starting point and avoids the need for costly retrospective assessments. The IASB should also clarify the treatment of comparative information and require appropriate disclosures to support transparency and comparability.

Scope of the fair value option under these proposed amendments

7. The proposed amendments allow for any entity that invests in particular assets as a main business activity to elect to use the fair value option (paragraph 18) even if the investment in an associate or joint venture is not part of that main business activity (for example, an entity that only invests in property as a main business activity). This may result in further diversity in reporting and result in challenges for users to understand why certain entities have applied the fair value option and others have not.
8. We recommend the IASB better explain in the basis for conclusions why the scope of the fair value option has been broadened in the proposed way – that is, why entities that do not have a main business activity of investing specifically in associates or joint ventures are able to use the fair value option and why the IASB consider this to be appropriate.
9. Paragraph B37 of IFRS 18 notes “*the assessment of whether investing in assets or providing financing to customers is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes.*”
10. There is a risk that a subsidiary whose main business activity is investing in assets may apply the fair value option, while the consolidated group main business activity would not be investing in assets. In these situations, this would result in inconsistent reporting between the subsidiary and group entities and may result in challenges in users understanding and evaluating investments in line with the way the subsidiary invests in these assets when using the group consolidated financial statements.
11. We encourage the IASB to consider how the proposed amendments should be applied consistently at the consolidated group level and whether additional clarification is needed.

Interaction with application guidance in IFRS 18

12. Paragraph B38 of IFRS 18 states that “*An entity need not assess whether it invests as a*

main business activity in associates, joint ventures and non-consolidated subsidiaries accounted for using the equity method because it is required to classify the income and expenses from those investments in the investing category.”

13. While the proposed amendments clarify that an entity is eligible to use the fair value option if it invests in *particular assets* as a main business activity, there may be confusion when reading the requirements in paragraph B38 together with the proposed amendments if an entity *only* has investments in associates, joint ventures and non-consolidated subsidiaries.
14. We recommend that the IASB provide additional clarification of the interaction between the proposed paragraph 18 in the ED and paragraph B38 in IFRS 18 to support consistent application for these entities.

Question 2 — Effective date and transition

The IASB proposes that an entity apply the amendments to paragraphs 18–19 of IAS 28 at the same time and on the same basis as it applies IFRS 18.

Paragraphs BC20–BC21 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

Response to Question 2: Effective date and transition

15. We support the proposal for an entity to apply the proposed amendments at the same time, and on the same basis, as it applies IFRS 18. This alignment will assist entities in applying the transition requirements in IFRS 18 and in determining whether income and expenses from these investments are classified within the operating or investing categories.