

20 April 2026

International Accounting Standards Board
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Email: commentletters@ifrs.org



Dear Sir/Madam

SAICA SUBMISSION ON IASB/ED/2026/1: EXPOSURE DRAFT – AMENDMENTS TO THE FAIR VALUE OPTION FOR INVESTMENTS IN ASSOCIATES AND JOINT VENTURES: PROPOSED AMENDMENTS TO IAS 28

In response to your request for comments on Exposure Draft – *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures*: Proposed Amendments to IAS 28, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, preparers, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this Exposure Draft.

Please do not hesitate to contact us should you wish to discuss any of our comments.

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Chairperson: APC

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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.

We broadly support the proposed amendments that clarify that similar entities include those entities that have a main business activity of investing in particular types of assets. We agree that this clarification will improve consistency in practice. However, we are concerned that the amendments may still result in diversity in practice as entities assess whether they qualify as ‘similar entities’. Beyond entities whose main business activity is investing in particular types of assets, it is unclear which other entities would be considered ‘similar’ and therefore eligible to apply the fair value option in paragraphs 18–19 of IAS 28. We would therefore welcome additional application guidance or illustrative examples clarifying which types of entities the Board considers to be ‘similar entities’ for the purpose of these paragraphs.

We recommend extending the fair value option to all entities, consistent with the approach in US GAAP, IFRS for SMEs and IAS 27. Permitting all entities to elect the fair value option, would place the decision with management and those charged with governance enabling them to reflect information needs of users of the financial statements. We support the alternative view expressed in paragraph AV4 that there is no clear conceptual basis for limiting the fair value option to particular entities. We would encourage the Board to consider this as part of a future project.

We also have concerns about how “main business activity” will be interpreted and applied in practice under IFRS 18, particularly in group structures where the parent and its subsidiaries may have different main business activities. For example, a subsidiary may have a main business activity of investing in particular types of assets and may therefore elect to measure an investment in an associate or joint venture at fair value through profit or loss. It is unclear whether, and on what basis, that measurement choice would be reflected in the parent’s consolidated financial statements where the parent’s main business activity differs. We recommend that the Board clarify how the ‘main business activity’ assessment interacts with consolidation and how differences between parent and subsidiary assessments should be addressed.

Finally, we believe that entities should be permitted to revoke the election to measure investments in associates and/ or joint ventures at fair value in specified circumstances where continued fair value measurement would no longer provide relevant information, for example:

- If an entity’s main business activity changes such that it no longer invests in particular types of assets, noting that IFRS 18 requires presentation changes arising from such a change to be applied prospectively (paragraph B41); or
- Where the relationship between the investments and, for example, an entity’s insurance liabilities changes (as discussed in paragraph BC17).

In these circumstances, continuing to measure the investments in associates and/ or joint ventures at fair value may no longer be meaningful or appropriate. Allowing revocation of the election would better reflect changes in an entity’s business model and enhance the relevance of financial information.

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.

We generally agree with the Board’s proposal that the amendments should be applied at the same time and on the same basis as IFRS 18 as this will promote consistency in application. We note that, at the date of initial application of IFRS 18, an entity becomes eligible to apply the fair value option and is permitted to change its accounting policy for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss. Where such a change is made, the amendments require the entity to apply the change retrospectively in accordance with IAS 8.

We are concerned, however, about how an entity would be able to apply the fair value option retrospectively without the use of hindsight, particularly where historical fair value information was not previously required to be determined or retained. In many cases, entities applying the equity method would not have measured the investment at fair value at each prior reporting date, and reconstructing those fair values retrospectively may be impracticable or involve significant estimation uncertainty.

In light of these challenges, we recommend that the Board consider providing transitional relief, such as permitting application of the fair value option on a modified retrospective or prospective basis at the date of initial application of IFRS 18. Such relief would reduce implementation complexity and cost, while still achieving the Board’s objective of aligning the amendments with IFRS 18.