



1906/35182

February 26, 2014

International Accounting Standards Board  
30 Cannon Street  
London EC4M6XH  
United Kingdom

Dear Sir/Madam,

Re: **Exposure Draft – Equity Method in Separate Financial Statements**

We appreciate the opportunity to respond to the Exposure Draft "Equity Method in Separate Financial Statements" issued by the International Accounting Standards Board (IASB). This response represents the views of the Institute of Certified Public Accountants in Israel.

**Question 1**

*The IASB proposes to permit the equity method as one of the options to account for an entity's investment in subsidiaries, joint ventures and associates in the entity's separate financial statements.*

*Do you agree with the inclusion of the equity method as one of the options? If not, why?*

**Response**

We agree with the proposal to permit the equity method as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Most users perceive and comprehend the substance and purpose of the equity-method as a "One-line Consolidation". In order not to undermine the understandability of financial statements (as most users comprehend them), we believe that the equity-method should

produce the same profit or loss and shareholders' equity that are attributed to the parent in the consolidated financial statements. As this is not always the case in the current situation, we hope that the IASB would foster the equity method project and provide solutions to those concerns.

## **Question 2**

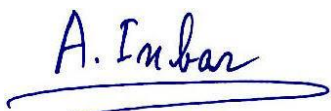
*The IASB proposes that an entity electing to change to the equity method would be required to apply that change retrospectively, and therefore would be required to apply IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*

*Do you agree with the proposed transition provisions? If not, why and what alternative do you propose?*

## **Response**

We agree that the equity method would be applied retrospectively.

Sincerely yours



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Adir Inbar  
Chair of the Professional Council



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Arnon Ratzkovsky  
Chair of the Financial Reporting Standards  
Committee