Comment Letters
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Paris, January 16, 2015

Exposure Draft 2014/4: Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

Dear Sir or Madam,

MAZARS welcomes the opportunity to comment on the International Accounting Standards Board’s Exposure Draft, Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Values.

We agree with the IASB’s proposal to clarify that the unit of account for investments within the scope of IFRS 10, IAS 27 and IAS 28 is the investment as a whole rather than the individual financial instruments included in that investment.

We disagree with the proposed amendments stating that the fair value measurement of quoted investments in subsidiaries, joint ventures and associates shall always be the product of the quoted price of the individual financial instrument (P) multiplied by the quantity (Q) of the instruments held (i.e. P*Q).

Our main concerns are summarized below:

- We perceive a discrepancy between retaining the investment as a whole as the unit of account and requiring to base the measurement systematically on the fair value of the individual financial instruments with no adjustment (P*Q).
- We believe that when the unit of account corresponds to a significant investment in a subsidiary, joint venture or associate, P*Q will not always result in relevant information since the fair value of the investment as a whole may include premiums or
liquidity discounts. The degree of the investor’s control or influence often impacts the
fair value of a significant investment.

- Even though the use of P*Q may result in a more verifiable information, it could lead
  in some circumstances to counterintuitive outcomes. Measuring fair value without
  adjustment could result in day-1 gains or (more commonly) losses, which are not
  representative of the investment performance since the price that market participants
  are willing to pay on the date of transaction often includes control premiums.

In view of the comments expressed above, we do not provide individual responses to
questions 1, 2, 3 and 5 of the Exposure Draft.

We have no comment on the IASB’s proposal to include an example in IFRS 13 to illustrate
the application of the portfolio exemption (IFRS 13.48). Our understanding is that this issue
has no direct connection with the above discussion relating to the unit of account and unit of
measure for investments within the scope of IFRS 10, IAS 27 and IAS 28.

We would be pleased to discuss our comments with you and remain at your disposal should
you need further clarification or additional information.

Best regards,

Michel Barbet-Massin

Head of Financial Reporting Technical Support