



12 December 2014

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Australian Accounting Standards Board  
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Dear Kris

**Exposure Draft 254: Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value**

CPA Australia welcomes the opportunity to comment on the above Exposure Draft (ED). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 150,000 members in public practice, industry, commerce, government, not-for-profits and academia in 121 countries throughout the world.

CPA Australia agrees with the conclusion that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole.

CPA Australia supports the proposal to amend AASB 10, AASB 12, AASB 127 and AASB 128 requiring the fair value of the investment as a whole to be measured on the basis of the quoted price multiplied by the number of financial instruments held in the investment. However, whilst the proposed approach provides the most objective and verifiable value based on quoted prices, it does not necessarily take into account investment specific price adjustments (e.g. a control premium an investor is willing to pay in acquiring a subsidiary) applicable to the investment as a whole, which may not be reflected in the quoted price of the individual financial instruments that represent the investment.

We also support the proposal to amend AASB 136 to clarify that the recoverable amount (where fair value less costs to sell is higher than value in use) of a cash generating unit (CGU) that corresponds with a quoted entity should be measured on the basis of the quoted price multiplied by the number of financial instruments held in the quoted entity. However, whilst this approach provides the most objective and verifiable value, the fair value less costs to sell so determined does not necessarily represent the nature of the CGU and its relationship to the parent entity, represented by the group of assets and liabilities operating together to generate cash flows as a CGU.

In our view the issues identified in the above two paragraphs arise as a result of the application of the three-tier fair value hierarchy established in AASB 13, with highest priority given to quoted prices (level 1 inputs). We suggest the International Accounting Standards Board should explore the issues highlighted above further, through an examination of the three-tier fair value hierarchy established in AASB 13, to identify a suitable future solution.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian by email at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Eva Tsahuridu".

**Dr Eva Tsahuridu**  
Manager, Accounting Policy