

**AAT RESPONSE TO THE INVITATION TO COMMENT ON EFRAG'S
ASSESSMENTS ON DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY
REPORT ON EQUITY METHOD IN SEPARATE FINANCIAL
STATEMENTS (AMENDMENTS TO IAS27)**

Additional Commentary

The Association of Accounting Technicians (AAT) is pleased to respond to EFRAG's invitation to comment and has completed the questionnaire included in the invitation to comment to which this commentary is attached.

AAT is supportive of the conclusions reached by EFRAG in its assessment, but it wishes to add further comments which should also be taken into consideration.

With regard to the use of the "Equity Method" of accounting in separate financial statements to account for investments in subsidiaries, joint ventures and associates, AAT considers that it is beneficial to permit such as being a particularly appropriate method for entities to adopt where activities are carried out by separate legal entities but in practice, these separate entities operate as "divisions" of one overall activity.

Characteristics of such a structure are the existence of significant levels of intercompany charges for services or goods or recharges of costs.

The use of the "Equity Method" of accounting minimises the impact on such charges of estimation, subjectivity or the application of range of acceptable values, and as a consequence, the implementation of this amendment to IAS27 is supported by AAT.

November 2014