

Reciprocal equity interests (IAS 28 *Investments in Associates and Joint Ventures*)—August 2002

When A owns an interest in B, and B concurrently owns an interest in A, those investments are known as reciprocal interests (or ‘cross-holdings’). The issue is what is the accounting for reciprocal interests when Entity A and Entity B account for their investments in one another using the equity method as defined in IAS 28 *Accounting for Investments in Associates and Joint ventures*.

The IFRIC agreed not to require publication of an Interpretation on this issue. IAS 28 paragraph 16 states, “Many of the procedures appropriate for the application of the equity method are similar to the consolidation procedures set out in IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*”. Like the consolidation procedures applied when a subsidiary is consolidated, the equity method requires reciprocal interests to be eliminated.

The IFRIC also agreed to provide examples of reciprocal interests to the Board as input into the IAS 28 Improvements project.