
Capital Markets Advisory Committee

Date	8 November 2024
Project	Equity Method
Topic	Preliminary input on the proposals in the Exposure Draft
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Purpose of this session

- Seek CMAC members initial views on the proposals in the Exposure Draft *Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures (revised 202x)*.
- The Exposure Draft was published in September 2024 and open for comment until 20th January 2025.

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Questions for CMAC members



Questions for CMAC members

1

Is there additional information that you would find useful to understand the effects of the proposals in the Exposure Draft on how investments in associates and joint ventures are reported? Please share your rationale.

2

Could any of the proposals in the Exposure Draft affect your ability to assess investments in associates and joint ventures? Please share your rationale.

Background



Background

Date	Discussion
CMAC meeting March 2023	Overview of the IASB's tentative decisions and advice sought on accounting for gains or losses from transactions between an investor and its associate or joint venture. Overall CMAC members supported immediate recognition of these gains or losses.
CMAC meeting October 2023	Update on the IASB's tentative decisions ⁽¹⁾ and advice sought on possible improvements to IFRS <i>12 Disclosure of Interests in Other Entities</i> . CMAC members were generally in agreement with the staff proposals to be presented to the IASB.
September 2024	The IASB published the Exposure Draft <i>Equity Method of Accounting</i> . The Exposure Draft is open for comment until 20 January 2025.

⁽¹⁾ See [Agenda Paper 4](#) for the October 2023 CMAC meeting

Summary of the proposals
in the Exposure Draft
*Equity Method of
Accounting*



Project background

Project objective

- to reduce diversity in practice by answering application questions on the equity method of accounting; and
- to improve the understandability of IAS 28 *Investments in Associates and Joint Ventures*.

Project approach

Identify application questions



Identify the underlying principles



Apply the principles to the application questions

Proposals in the exposure draft

Obtaining significant influence or joint control

Cost is the fair value of the consideration transferred, including the fair value of any previously held ownership interest and any contingent consideration

Purchasing or disposing of ownership interests

New requirements:

- cost accumulation for purchases
- disposed portion is a percentage of the carrying amount

Other changes in ownership interests, for example dilution

New requirement:

- apply requirements for purchases and disposals

Proposals in the exposure draft

All transactions with associates and joint ventures

Change requirement to recognise the full gains or losses

Share of profit or loss and other comprehensive income

New requirements on what to recognise in profit and loss and other comprehensive income

Impairment indicators

Amend requirements to:

- remove the reference to ‘significant or prolonged decline in fair value’
- clarify that investment might need to be tested for impairment when fair value of net investment is below carrying amount

Proposals in the exposure draft

Improving disclosures

New disclosures are proposed for:

- gains or losses from other changes in ownership (i.e., dilutions)
- gains and losses on downstream transactions
- contingent consideration
- reconciliation of carrying amounts of investment

Example: reconciliation of investments in associates and joint ventures

	CU
Opening balance	1,200
Acquisitions–new associates	1,000
Acquisitions–additional interests	250
Share of profit or loss for the period	100
Dividends	(200)
Other	<u>(10)</u>
Closing balance	<u>2,340</u>

Other proposals in the exposure draft

Separate financial statements

Amendments will apply to subsidiaries that are equity accounted for in separate financial statements

Transition

Prospectively, except, at transition date, recognise:

- previously restricted gains and losses with associates & joint ventures in retained earnings.
- contingent consideration and adjust investment.

Improving understandability of IAS 28

Reorder IAS 28 to improve understandability

Appendix—resources supporting the Exposure Draft



Resources on IFRS Foundation website



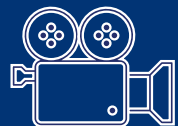
[Snapshot: Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#)



[Exposure Draft: Equity Method of Accounting—IAS 28 Investment in Associates and Joint Ventures \(revised 202x\)](#)

[Exposure Draft: Basis of Conclusion on Equity Method of Accounting—IAS 28 Investment in Associates and Joint Ventures \(revised 202x\)](#)

[Supplementary Document: Mark-up version of IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#)



[**Webcasts: Explore the Equity Method Exposure Draft**](#)

- Overview of the Exposure Draft
- Main proposals
- Supplementary proposals

Thank you

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