
Global Preparers Forum

Date	15 November 2024
Project	Equity Method
Topic	Preliminary input on the proposals in the Exposure Draft
Contacts	Filippo Poli (fpoli@ifrs.org) Mostafa Mouit (mmouit@ifrs.org) Weichen Zhang (weichen.zhang@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Global Preparers Forum (GPF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

Purpose of this session

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

Contents

	Slide
Questions for GPF members	5–6
Background	8
Summary of the proposals in the Exposure Draft <i>Equity Method of Accounting</i>	10–14
Appendix— additional resources	16

Questions for GPF members



Questions for GPF members

1

The IASB is proposing, at the date of the purchase of an additional ownership interest in an associate or JV, that the entity:

- recognises the consideration transferred at fair value;
- includes in the carrying amount of the investment its additional share of the fair value of the net assets of the associate or JV.

Do you agree with the proposals? If not, what alternative would you suggest and why?

Questions for GPF members

2

The IASB is proposing to apply retrospectively the requirement to recognise the full gain or loss on all transactions with associates or JV; and to recognise and measure contingent consideration at the transition date, with an adjustment to the carrying amount of the investment. All other proposals shall be applied prospectively.

Do you agree with the proposals? If not, what alternative would you suggest and why?

3

Do you have any comment on the other proposals in the Exposure Draft?

Background



Background

Date	Discussion
GPF meeting November 2021	<p>Overview of the application questions in the scope of the Equity Method project.</p> <p>GPF members generally agreed that the IASB had identified the right application questions. Some members said that entities had developed their accounting practices to deal with application issues.</p>
GPF meeting November 2022	<p>Advice sought on the alternatives to address the perceived inconsistency between the requirements in IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> to a transaction in which a parent transfers a subsidiary to an associate.</p> <p>GPF members expressed different views on the alternatives presented by the IASB staff to answer the application question.</p>
GPF meeting November 2023	<p>Overview of the IASB's tentative decisions.</p> <p>Overall GPF members supported the IASB's tentative decisions, with some members expressing concerns on individual decisions.</p>

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



QI

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

Q2

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



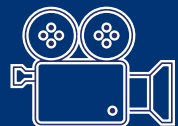
[Snapshot: Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#)



[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

A large, abstract geometric pattern on the right side of the slide, consisting of interconnected white and dark blue hexagonal shapes on a dark blue background.

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)