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**IASB<sup>®</sup> meeting**

Date	<b>June 2025</b>
Project	<b>Equity Method</b>
Topic	<b>Project plan for redeliberation of the Exposure Draft proposals</b>
Contact	Mostafa Mouit ( <a href="mailto:mmouit@ifrs.org">mmouit@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the 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<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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**Introduction**

1. In September 2024, the International Accounting Standards Board (IASB) published the Exposure Draft [Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#) (the Exposure Draft). The Exposure Draft proposed amendments to IAS 28 that answered application questions within the project's scope, including improvements to disclosure requirements. The IASB also proposed to reorder the requirements in IAS 28 in a logical and consistent way to help with its application.
2. The IASB has received 109 comment letters in response to the proposals in the Exposure Draft and participated in 32 outreach events with the staff, alongside various outreach activities that contributed to the development of the proposals in the Exposure Draft, including consultations with IASB consultative groups and with targeted investors, preparers, national standard setters and accounting firms.<sup>1</sup>
3. At its May 2025 meeting, the IASB discussed the feedback from:
  - (a) comment letters on the Exposure Draft, see [Agenda Papers 13A–13G](#) of that meeting; and

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<sup>1</sup> To find the list of outreach meetings when developing the proposals in Exposure Draft, see paragraphs 19–21 of [AP13B: Due process and permission to begin balloting process](#).

- (b) outreach activities on the Exposure Draft, see [Agenda Paper 13H](#) of that meeting.

## Purpose of this session

- 4. The purpose of this session is for the IASB to consider the plan for the next stage of the Equity Method project, given the feedback on the Exposure Draft proposals, deciding:
  - (a) whether (and how) it should proceed with the project; and
  - (b) the main topics for consideration during the redeliberation.<sup>2</sup>
- 5. References to ‘investor’, ‘associate’ and ‘significant influence’ should be read as also referring to ‘joint venturer’, ‘joint venture’ and ‘joint control’ in relation to investments in joint ventures.

## Structure of this paper

- 6. This paper is structured as follows:
  - (a) Project background (paragraphs 7–10 of this paper);
  - (b) Overview of feedback on the Exposure Draft (paragraphs 11–13 of this paper);
  - (c) Overview of feedback from ASAF on the project’s next steps (paragraphs 14–15 of this paper);
  - (d) Whether IASB should proceed with the project (paragraphs 16–22 of this paper);
  - (e) Redeliberation plan (paragraphs 23–28 of this paper); and
  - (f) Staff recommendations and questions for the IASB (paragraph 29 of this paper).

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<sup>2</sup> Paragraph 6.19 of *Due Process Handbook*.

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## Project background

7. In October 2020, the IASB decided on the scope of the Equity Method project. The IASB decided to focus on developing answers to application questions. Answering application questions would provide preparers with solutions to long-standing application difficulties, reduce diversity in practice and lead to more comparable and understandable information for users.
8. The IASB decided not to undertake a fundamental review of the equity method, because:
  - (a) it would have required the IASB to consider whether the equity method should continue to be used and, if so, for which types of investments in other entities. The IASB noted that in developing the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, it did not consider whether and how the economic entity perspective or the reporting entity concept could affect the use of the equity method.
  - (b) a fundamental review of the equity method would include deciding if the equity method is a consolidation method or a measurement method, and might result in fundamental changes to the equity method. The IASB noted that the equity method is well-established and that fundamental changes would require significant stakeholder support.
9. To achieve the project objectives, as set out in paragraph 7 of this paper, the IASB took the following approach:
  - (a) identify application questions;
  - (b) identify the underlying principles of IAS 28; and
  - (c) apply the principles to the application questions to propose answers to the application questions.<sup>3</sup>

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<sup>3</sup> As explained in paragraph BC16 of the [Basis for Conclusions on the Exposure Draft](#), the IASB, for application questions that do not relate directly to the principles identified, analogised to the principles where possible and considered the requirements in IAS 8 *Basis of Preparation of Financial Statements* for developing accounting policies, including the requirements in IFRS Accounting Standards and the definitions, recognition criteria and measurement concepts in the *Conceptual Framework for Financial Reporting*.

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10. The IASB selected the application questions to include in the scope of the project based on whether the question:
- (a) had not already been resolved;
  - (b) could be resolved efficiently and effectively without:
    - (i) fundamentally revising IAS 28; or
    - (ii) amending other IFRS Accounting Standards (other than by making consequential amendments);
  - (c) affected the consistent application of IAS 28; or
  - (d) involved a matter that was widespread or occurred frequently.<sup>4</sup>

## Overview of feedback on the Exposure Draft <sup>5</sup>

### ***Key message—Feedback on the project objectives and approach***

11. Although the IASB did not seek feedback on the project objectives or approach, many respondents commented on them. Whilst most respondents who commented agreed with the project objectives, some respondents said that the IASB should have conducted a fundamental review of the equity method.
12. A few respondents who agreed with the project objectives suggested that, after the completion of this project, the IASB should consider a wider project on the equity method in its upcoming agenda consultation.

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<sup>4</sup> See paragraph BC11 of the [Basis for Conclusions on the Exposure Draft](#).

<sup>5</sup> For detailed feedback, see [Agenda Papers 13A–13H](#) of the IASB May 2025 meeting.

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**Key message—Feedback on the proposals in the Exposure Draft**

13. Whilst respondents supported most of the proposals in the Exposure Draft, there was mixed support on the proposals for:
- (a) changes in an investor's ownership interest, particularly the cost and benefit of including in the carrying amount of the investment the investor's additional share of the fair value of an investee's net assets, for additional purchases, see [Agenda Paper 13B of the IASB May 2025 meeting](#);
  - (b) separate presentation of the investor's share of profit or loss and share of other comprehensive income, after the carrying amount of the investment has been reduced to nil, see [Agenda Paper 13C of the IASB May 2025 meeting](#);
  - (c) removal of the reference to 'significant or prolonged' decline in fair value, mostly from preparers, see [Agenda Paper 13C of the IASB May 2025 meeting](#);
  - (d) retrospective application of the requirement to recognise gain or loss in full on transactions with associates or joint ventures, see [Agenda Paper 13F of the IASB May 2025 meeting](#); and
  - (e) retaining paragraph 10 of IAS 27 *Separate Financial Statements* unchanged. That is, the implications of applying the proposals in the Exposure Draft to investments in subsidiaries accounted for using the equity method in separate financial statements, particularly the proposal to recognise gains and losses in full on downstream and upstream transactions, see [Agenda Paper 13E of the IASB May 2025 meeting](#).

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## Overview of feedback from ASAF on the project's next stage <sup>6</sup>

14. At its March 2025 meeting, ASAF members were asked for their views on the project's next stage, including its objectives and approach, as well as a preliminary list of main topics for further analysis.
15. The key message from ASAF members is as follows:
- (a) most ASAF members supported finalising the project as scoped; that is, to reduce diversity in practice by answering application questions. These ASAF members also said the project would improve the understandability and comparability of financial statements.
  - (b) some ASAF members said a fundamental review of the equity method could be considered in the fourth agenda consultation.
  - (c) most ASAF members supported the preliminary list of main topics for further analysis.

## Whether IASB should proceed with the project

### *Responding to feedback on the project objective*

16. Some respondents to the exposure draft would have preferred a fundamental project that would have addressed whether the equity method is a one-line consolidation method or a measurement method, and only answer application questions after resolving this question. The staff think that deciding whether the equity method is a one-line consolidation method or a measurement method might need to include updating the *Conceptual Framework* and would therefore be better considered as part of the IASB's fourth agenda consultation.

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<sup>6</sup> See [AP1: Overview of feedback on the Exposure Draft and staff preliminary recommendations to the IASB for the project's next stage](#) and [meeting-summary.pdf](#).

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17. In addition, if the IASB were to change the project's objective and attempt to answer this fundamental question, it would probably (considerably) delay redeliberations of the proposals in the Exposure Draft.
  18. Considering the reasons in paragraphs 16–17 of this paper and the advice from ASAF (as set out in paragraph 15 of this paper), the staff are recommending the IASB:
    - (a) proceed with the project's objectives without change; and
    - (b) describe a project on a fundamental review of the equity method in the request for information on the IASB's fourth agenda consultation.

***Responding to feedback on the project scope***

19. As set out in paragraph 10 of this paper, the application questions to be included in the scope of the project were selected using a consistent criterion. Some respondents to the Exposure Draft have suggested additional application questions, thereby expanding the project's scope.
20. Given the process for selecting the application questions, the staff think that there should be a high hurdle when considering adding application questions to the scope of the project. Adding new application questions in the next stage of the project would require the staff to develop new answers to questions and would risk re-exposure of proposals in the Exposure Draft.
21. The staff recommend that application questions be added to the scope of the project if:
  - (a) an answer to the application question can be found in a timely manner (for example, limited outreach is required); and
  - (b) answering the question will not lead to re-exposure of the proposals in the Exposure Draft.
22. If the IASB agrees with the recommendation in paragraph 21 of this paper, the staff will bring a paper to a future meeting on the additional application questions, applying the criteria as set out in paragraph 21 of this paper.

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## Redeliberation plan

### ***Responding to feedback on the proposed answers to application questions***

23. Based on the feedback received on the Exposure Draft (both from comment letters and outreach activities), along with the advice from ASAF, the staff are satisfied that there is sufficient evidence to proceed with redeliberation of the proposals in the Exposure Draft.
24. As noted in paragraph 13 of this paper, there are mixed views on some of the proposed answers to application questions. Some of the mixed views relate to the long-standing application questions, where diversity has evolved over time. Consequently, any attempt to reduce such diversity would necessarily require some entities to change their current practice.<sup>7</sup> The staff acknowledge this disruption, but think that disruption to current practices might not, in itself, be sufficient evidence or reason for the IASB not to proceed with any of the proposals.
25. That said, the staff are planning to conduct outreach activities on topics where we need to further understand respondents' comments and concerns on the proposals in the Exposure Draft. The outreach will focus on discussing possible alternative approaches to these proposals. This outreach will include consultations with the IASB's consultative groups and with relevant stakeholder groups, including preparers and national standard-setters.
26. Key to these discussions will be to consider how best to reconcile the mixed stakeholder views so that the benefits of improved financial reporting outweigh the costs of providing that information:
  - (a) without compromising the conceptual merits; and
  - (b) within the scope of the project.

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<sup>7</sup> The IASB acknowledged that some entities would need to change their current practice in the "Expected effects of the proposals" section in paragraphs BC217–BC229 of the [Basis for Conclusions on the Exposure Draft](#).



### ***Timing of discussions and next steps***

27. The staff plan to bring recommendations to the IASB meetings on each proposal in the Exposure Draft.<sup>8</sup> These topics are:

Topics	Tentative IASB meeting
Measurement of cost of an associate—Question 1 of the Invitation to Comment (ITC)	Q4 2025
Changes in an investor's ownership interest while retaining significant influence—Questions 2A and 2B of the ITC	Q3 2025
Other changes in an investor's ownership interest while retaining significant influence—Question 2C of the ITC	Q4 2025
Recognition of the investor's share of losses—Question 3 of the ITC	Q4 2025
Impairment indicators (decline in fair value)—Question 5 of the ITC	Q4 2025
Transition—Question 9 of the ITC	Q1 2026
Transactions with associates—Question 4 of the ITC	Q1 2026
Disclosures – IFRS 12 <i>Disclosure of Interests in Other Entities</i> —Question 7A(b) (Downstream gains or losses) of the ITC	
Investments in subsidiaries to which the equity method is applied in separate Financial Statements—Question 6 of the ITC	Q1 2026
Disclosures – IAS 27—Question 7B (Downstream gains or losses) of the ITC	

28. Considering the timing of discussions and next steps, the staff anticipate that the IASB's main redeliberations will be completed in the second quarter of 2026.

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<sup>8</sup> In conjunction, the staff will examine the overall cohesiveness of the proposals and refining some aspects of individual proposals, including the proposals on IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. Also, the staff will assess which IFRIC Agenda Decisions that might need to be revisited.

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## Staff recommendations and questions for the IASB

29. The staff recommend the IASB:
- (a) retain the project's objectives unchanged (paragraphs 16–18 of this paper);
  - (b) describe a project on a fundamental review of the equity method in the request for information on the IASB's fourth agenda consultation (paragraphs 16–18 of this paper);
  - (c) apply a high hurdle when considering adding application questions to the project's scope (paragraphs 19–22 of this paper); and
  - (d) proceed in redeliberating the proposals in the Exposure Draft (paragraphs 23–28 of this paper).

### Questions for the IASB

- (a) Does the IASB agree with the staff recommendation in paragraph 29 of this paper?
- (b) Does the IASB have any comments on the redeliberation plan and the indicative project timeline outlined in this paper?