
Emerging Economies Group meeting

Date **November 2025**

Project **Equity Method**

Topic **Purchases of an additional ownership interest—Providing relief from applying the proposal**

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Purpose of this paper

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) to answer application questions on the equity method. The objective of the project is to reduce diversity in practice by answering application questions on the equity method and improve the understandability of IAS 28.
2. One of the application questions in the project scope is:

How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence?
3. The objective of this session is to ask EEG members for their views on how the IASB might introduce reliefs when an investor is determining the fair value of the additional share of the associate's net assets at the date of purchase.

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4. In the Exposure Draft, the IASB proposed an investor would measure the additional ownership interest at the fair value of the consideration transferred. The investor would determine the fair value of the additional share of the associate's net assets at the date of purchase and include this amount in the carrying amount of the additional ownership interest, with the difference being included as goodwill.¹
 5. The analysis in this paper focuses on the proposal on how the investor accounts for its additional share of the associate's net assets when the investor purchases an additional ownership interest. The analysis in this paper does not address the proposal that an investor would account for the difference between the fair value of the consideration transferred and the fair value of the additional share of the associate's net assets as either goodwill (included in the carrying amount of the investment); or a gain from a bargain purchase in profit or loss.
 6. References to an 'investor's carry-forward book-values' refer to the fair value of the associate's net assets at the date the investor obtained significant influence plus post-acquisition changes in the investor's share in the associate's net assets.²
 7. 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

8. This paper is structured as follows:
 - (a) explanation of the effects of the proposal in the Exposure Draft (paragraphs 9–13 of this paper);
 - (b) feedback on the proposal (paragraphs 14–17 of this paper);

¹ For simplicity, this paper does not discuss the case when the fair value of the additional share of the associate's net assets exceeds the fair value of the consideration transferred, resulting in a bargain purchase.

² For a subsidiary, these would be the consolidated carrying amounts in the group financial statements. However, an investor does not present the associate's assets and liabilities as separate line items in its statement of financial position.

- (c) providing relief from applying the proposal (paragraphs 18–41 of this paper);
- (d) questions to EEG members; and
- (e) Appendix A—Extracts from [Basis for Conclusions on the Exposure Draft](#).

Explanation of the effects of the proposal in the Exposure Draft

9. The Exposure Draft proposed that an investor would measure the additional ownership interest at the fair value of the consideration transferred. The investor would include in the carrying amount of that additional ownership interest its additional share of the associate's net assets at their fair value at the date of the purchase. Applying the proposals, the carrying amount of the investment at the date of purchasing the additional ownership interest would be composed of:

	Interest held	Additional ownership interest
Share of the associate's net assets	Fair value at the date significant influence was obtained, plus post-acquisition changes. ³	Fair value at the date of purchase of the additional ownership interest.
Goodwill	Difference between the cost of the associate and the fair value of the investor's share of the associate's net assets at the date significant influence was obtained.	Difference between the consideration for the additional ownership interest and the fair value of the investor's additional share in the associate's net assets at the date of the purchase.

10. The outcome of applying the proposal is that the carrying amount of the investment includes the investor's share of the associate's net assets measured at fair values at different dates. This outcome has been referred to as the 'layers' approach.

³ See paragraph 32 of IAS 28 (retained unchanged in the Exposure Draft).

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11. Irrespective of whether the investor attributes a portion of the consideration transferred to its additional share of the associate's net assets using the fair values of the associate's net assets or some other values, that attribution does not change the measurement of the additional ownership interest at the date of purchase. However, the attribution of the consideration between the additional share of the associate's net assets and goodwill changes the amount of the investor's share of the associate's result in future periods.
 12. Goodwill included in the carrying amount of the investment is neither depreciated nor subject to an annual impairment test. However, IAS 28 requires an entity to determine whether there is any objective evidence that its net investment in the associate or joint venture is impaired. In that case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset.

Example of the proposal:

- IE1: An investor that has a 25% ownership interest in an associate purchases an additional 5% ownership interest for an amount of CU400.
- IE2: The investor carries its 25% ownership interest at CU1,100. The carrying amount of the investment comprises the investor's share of the associate's net assets of CU750 and goodwill of CU350. The carry-forward book values of the associate's net assets are therefore $(\text{CU}750 / 25\%) = \text{CU}3,000$. The fair value of the associate's net assets at the date of the purchase of the additional ownership interest is CU4,000. The difference between that fair value and the carry-forward book values is an unrecognised fair value adjustment to an item of equipment with a residual useful life of 10 years.
- IE3: Applying the proposal, the investor would measure the additional ownership interest at CU400. The investor would attribute $(\text{CU}4,000 \times 5\%) = \text{CU}200$ to the additional share of net assets and the residual CU200 to goodwill.

- IE4: In the following year, the investor would adjust its share of the associate's result to include the depreciation of the fair value adjustment on the equipment, which amounts to $((\text{CU}1,000 \times 5\%) / 10 \text{ years}) = \text{CU}5$.
- IE5: If the investor had instead used the carry-forward book values, the investor would have attributed $(\text{CU}3,000 \times 5\%) = \text{CU}150$ to the additional share of net assets and the residual CU250 to goodwill. In the following year, the investor would not make any adjustment to its share of the associate's profit or loss.
13. Appendix A to this paper includes the extract from the Basis for Conclusion from the Exposure Draft to explain the rationale for the proposal.

Feedback on the proposal

14. Some respondents did not support the proposal that an investor would be required to determine the fair value of the additional share of the associate's net assets at the date of the purchase. Their main concern was whether the cost and complexity of the proposal exceeded its benefit. There were also concerns about an investor's ability to obtain the necessary information to determine the fair value of the associate's net assets.⁴
15. Some of the respondents suggested alternatives to the proposal in the Exposure Draft or recommended the IASB introduce relief from determining the fair values of the associate's net assets at each date of purchasing an additional ownership interest.
16. Other respondents supported the proposal and said that in their jurisdiction, it is a practice to determine the fair value of the additional share of the associate's net assets.

⁴ For more details, see Agenda Paper 13B [Changes in an investor's ownership interest – Purchase of an additional interest](#) for the IASB September 2025 meeting.

17. We understand that the mixed feedback is in part explained by entities making purchases of additional ownership interest for different reasons. Some entities might increase their ownership interest in a single large transaction, for instance with a view to obtaining control later. Other entities might make small and/or recurring purchases of additional ownership interests in an associate to keep their percentage of ownership unchanged, for instance when an associate issues new shares to its employees to settle a share-based payment.

Providing relief from applying the proposal

18. At its September 2025 meeting, the IASB agreed to explore providing relief from applying the proposal. Other IFRS Accounting Standards provide relief (including practical expedients or simplifications) from applying requirements. Examples include (the list is not exhaustive):
- (a) paragraph B5.2.3 of IFRS 9 *Financial Instruments* requires an entity to measure all investments in equity instruments at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. Paragraph B5.2.4 lists indicators that cost might not be representative of fair value;
 - (b) paragraph 63 of IFRS 15 *Revenue from Contracts with Customers* allows an entity, as a practical expedient, not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less;

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- (c) paragraph B65 of IFRS 18 *Presentation and Disclosure in Financial Statements* requires that, to apply paragraph 47, an entity shall classify foreign exchange differences included in the statement of profit or loss applying IAS 21 *The Effect of Changes in Foreign Exchange Rates* in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort;
 - (d) paragraph 24 of IAS 16 *Property, Plant and Equipment* requires an entity to measure the cost of an item acquired in exchange for a non-monetary asset at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable; and
 - (e) paragraph 99 of IAS 36 allows an entity, if all specified criteria are met, to use the most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit to which goodwill has been allocated in the impairment test of that unit in the current period provided that all the required criteria are met. One criterion is that the assets and liabilities making up the unit have not significantly changed since the most recent calculation of the recoverable amount.
19. The following paragraphs of this paper explain two possible approaches the IASB could take to provide relief from applying the proposal in the Exposure Draft.

Approach One—relief from using fair value

20. Approach one would provide relief to investors from determining the fair value of its additional share of the associate's net assets at the date of the purchase of the additional ownership interest.
21. Evaluating this first approach requires answering the following questions:
- (a) Should the use of the relief from using fair value be conditional?
 - (b) What should the alternative method to using fair value be?

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22. The following paragraphs 23–35 of this paper discuss these questions.
23. In the staff’s view, the relief should not be the requirement because:
- (a) as explained in the Basis for Conclusion to the Exposure Draft, fair values provide relevant information about the investor’s additional share of the associate’s identifiable assets and liabilities. Using fair value ensures the portion of consideration attributed to goodwill is not overstated. The amount allocated to goodwill included in the investment is therefore a faithful representation. Furthermore, any additional goodwill is measured in the same way as the initial goodwill included in the investment on obtaining significant influence;
 - (b) in the case of purchasing a major additional ownership interest, the benefit is likely to exceed the cost; and
 - (c) as explained in paragraph 16 of this paper, some respondents confirmed that the practice in their jurisdictions is aligned to the proposal.

Should the use of the relief from using fair value be conditional?

24. The first step would be to decide if entities would be permitted to use the relief in any circumstance or only under specified conditions (conditional).
25. As noted in paragraph 1 of this paper, the objective of the Equity Method project is to reduce diversity in practice by answering application questions on the equity method of accounting. Permitting relief that allows investors a free choice of whether to use different methods to measure the additional share of the associate’s net assets at the date of purchase is unlikely to improve consistent application. Therefore, in the staff’s view, the relief should be conditional.
26. The qualifying conditions could be either based on:
- (a) a quantitative threshold; or
 - (b) the cost and effort required.

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27. A quantitative threshold could, for example, refer to the interval of time between transactions for additional purchases. That is, the IASB could specify that an investor is not required to determine the fair values of the associate's net assets at the date of purchase of the additional ownership interest if:
- (a) it used fair values at the date of a prior purchase (including the purchase of the investment when the investor obtained significant influence); and
 - (b) the interval between the prior and additional purchase is, for example, twelve months or less.
28. This would allow an investor that makes multiple purchases in a short period of time to use the same fair values for the different additional purchases occurring in the specified interval. Another example of a quantitative threshold could be the size of the change in the ownership interest or in the carrying amount of the investment.
29. Quantitative thresholds are easy to apply, and their application would not require management to exercise and explain their judgment. However, quantitative thresholds are arbitrary and, in some cases, might be insufficient to address the concerns of respondents outlined in paragraphs 14–15 of this paper.
30. Alternatively, the IASB could allow the relief in situations in which determining the fair values of the associate's net assets would involve undue cost and effort. The concept of 'undue cost or effort' is not defined in IFRS Accounting Standards. Whether the amount of cost or effort is excessive (undue) necessarily requires consideration of how the economic decisions of the users of the financial statements could be affected by the availability of the information. Applying a requirement would result in 'undue cost or effort' because if either the cost or the endeavours by employees exceed the benefits that the users of the financial statements would receive from having the information. Assessing whether a requirement will result in 'undue cost or effort' should be based on information available at the time of the transaction or event about the costs and benefits of the requirement.⁵

⁵ See paragraph 2.29 of *IFRS for SMEs Accounting Standard*.

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31. The drawback to using the concept of ‘undue cost or effort’ is that it would require an entity to prove that determining fair values at the purchase date involves undue cost or effort could add costs and complexity for an investor.

What should the alternative method to using fair value be?

32. The second step would be to select the relief to be used, that is the alternative method to attribute the consideration paid to the investor’s additional share of the associate’s net assets.
33. Respondents have suggested alternative measurement methods, such as using the investor’s carry-forward book-values or the carrying amounts of the assets and liabilities in the associate’s financial statements.
34. As illustrated in the example in paragraph 12 of this paper, the method affects the attribution of the consideration transferred for the additional ownership interest to the investor’s additional share of the associate’s net assets and goodwill. Assuming an increase in the associate’s net assets over time, these alternatives attribute a progressively lower portion of consideration to the additional share of the associate’s net assets and therefore a progressively higher portion to goodwill.
35. In developing the Exposure Draft, the IASB concluded that fair values provide relevant information about the additional share of the associate’s net assets. If the IASB introduced a relief and decided to specify requirements for an entity that uses the relief, it seems appropriate to select the alternative that is close to fair values. Assuming an increase in the fair value of the associate’s net assets over time, the alternative close to fair value would be the investor’s carry-forward book-values, which include the residual fair value adjustments determined at the date significant influence was obtained. The IASB could, in some cases, allow the investor adjusting the carry-forward book-values for inflation, by applying a relevant general price index.

Approach Two—permit entities a choice if the effects are not materially different using the fair values of the associate’s net assets at the date of the purchase

36. A simpler approach to provide relief could be to allow an investor to use a value other than fair value if the investor reasonably expects that the effects on its financial statements in the current and future periods would not be materially different from using the fair values of the associate’s net assets at the date of the purchase. This approach would be similar to the portfolio practical expedient in paragraph 4 of IFRS 15.⁶
37. In the staff’s view, the investor would be able to make the assessment without necessarily determining the fair values of the associate’s net assets. The investor could consider factors such as:
- (a) whether the share of the associate’s result has had a material effect on its financial statements in prior periods;
 - (b) the amount of the difference between the total consideration transferred for the additional ownership interest and the investor’s additional share of the associate’s net assets based on their book values (if that difference is a relatively small amount, attributing some (or all) of that difference to the investor’s share of the associate’s net assets might not have a material effect on the investor’s financial statements in future periods); and
 - (c) the composition of the associate’s assets and liabilities, for example whether the majority of the associate’s assets are already carried at fair value.

⁶ Paragraph 4 of IFRS 15 allows an entity, as a practical expedient, to apply the Standard to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying the Standard to the portfolio would not differ materially from applying the Standard to the individual contracts (or performance obligations) within that portfolio.

Additional relief—measurement period

38. Another practical difficulty in determining fair values is that it requires time to obtain and process the necessary information. An investor might not be able to complete the process before the reporting date.
39. Paragraph 45 of IFRS 3 *Business Combinations* permits the acquirer to report provisional amounts for the items for which the accounting is incomplete. IFRS 3 provides a measurement period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. During the measurement period, the acquirer recognises an increase (decrease) in the provisional amount recognised for an identifiable asset (liability) by means of a decrease (increase) in goodwill. The measurement period cannot exceed one year from the acquisition date.
40. Some respondents asked the IASB to clarify if the measurement period is also available for the purchase of an interest in an associate. The IASB could extend the requirement to the purchase of an investment in an associate, including the purchase of an additional ownership interest.

Summary of approaches

41. The staff are asking EEG members for their views on:
- (a) approach one, use of an alternative method as a relief to investors from determining the fair value of the investor's additional share at the date of the purchase.
 - (b) approach two, allow to use any other values if the investor reasonably expects that the effects on its financial statements in the current and future periods would not be materially different from applying the fair values at the date of the purchase.
 - (c) additional relief to introduce a measurement period.

Questions for EEG members

EEG members are asked for their views on how the IASB might introduce reliefs from determining the fair value of the additional share of the associate's net assets at the date of purchase of an additional ownership interest.

1. Which of the approaches summarised in paragraph 41 of this paper do you support and why?
2. For approach one, how would you define the conditions (paragraphs 24–31 of this paper)?

Appendix A—Extracts from [Basis for Conclusions on the Exposure Draft](#)

- A1. This appendix contains extracts from the Basis for Conclusions on the Exposure Draft related to the purchase of an additional ownership interest.

Purchase of an additional ownership interest

BC21 ...

BC22 The IASB decided to propose requiring the investor, at the date of purchase:

- (a) to recognise that additional ownership interest and measure it at the fair value of the consideration transferred;
- (b) to include in the carrying amount of that additional ownership interest the investor's share of the fair value of the associate's identifiable assets and liabilities; and
- (c) to account for any difference between (a) and (b) either as goodwill included as part of the carrying amount of the investment or as a gain from a bargain purchase in profit or loss.

BC23 In reaching the decision in paragraph BC22(a), the IASB considered whether to require an investor to remeasure the carrying amount of the previously held interest when it purchases an additional interest in an associate. The IASB decided to use an approach that would result in the investor measuring its additional interests in an associate after obtaining significant influence as an accumulation of purchases, so the investor would not remeasure the carrying amount of its previously held interest in its associate, because:

- (a) in this circumstance, the purchase of an additional interest would not change the relationship between an investor and an investee, or the accounting method an investor applies. Therefore, the rationale for the IASB's decision on remeasuring the previously held interest on obtaining significant influence (see paragraphs BC17–BC18) does not apply to the purchase of an additional interest.
- (b) the proposed approach is consistent with the requirements in IFRS 11. If a joint operator purchases an additional interest in a joint operation while retaining joint control, its previously held interest in the joint operation is not remeasured.

- (c) if an investor remeasured the previously held interest when it purchased an additional interest, that would result in the investor measuring an investment in an associate at its fair value intermittently—only when it purchased an additional interest in the associate—which would be unlikely to provide useful information to users, particularly in the statement of profit or loss.

BC24 In reaching the decision in paragraph BC22(b), the IASB considered that measuring the investor's additional share of the associate's identifiable assets and liabilities at their fair value at the date of purchasing the additional interest would:

- (a) be consistent with Principle D (see Table 2), providing relevant information about the investor's additional share of the associate's identifiable assets and liabilities, and consistent with the IASB's view when developing IFRS 3 that measuring the acquiree's identifiable assets and liabilities at fair value provides relevant information.
- (b) be consistent with the requirements in IFRS 11 that an entity applies when it acquires an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11 requires the entity to apply all the principles on business combinations accounting in IFRS 3 that do not conflict with the guidance in IFRS 11, including measuring identifiable assets and liabilities at fair value.
- (c) faithfully represent any additional goodwill included in the investment, as the additional goodwill would be measured in the same way as the initial goodwill included in the investment on obtaining significant influence.

BC25 ...