
IASB[®] meeting

Date	November 2025
Project	Equity Method
Topic	Disposal of a portion of an investment in an associate
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Introduction and purpose of this paper

1. At its September 2025 meeting, the International Accounting Standards Board (IASB) started redeliberating the proposals in the Exposure Draft [*Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)*](#) (the Exposure Draft).
2. The purpose of this paper is for the IASB to consider the feedback and to decide whether to proceed with the proposals in the Exposure Draft on how an investor accounts for the disposal of a portion of its interest in an associate while the investor retains significant influence, and in particular how to measure the disposed portion.
3. The proposals are relevant for other application questions in the project. In future papers, the staff will consider the implications of the proposals in the Exposure Draft on:
 - (a) how an investor accounts for other decreases in its ownership interest (such as a dilution) as a disposal of a portion of its interest; and
 - (b) how a parent applies the equity method to its investments in subsidiaries in its separate financial statements.

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4. 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 in consolidated financial statements.¹

Staff recommendation

5. The staff’s recommendation is that the IASB proceed with the proposals in the Exposure Draft that an investor:
- (a) measures the disposed portion as a percentage of the carrying amount of the investment (that percentage is calculated as the disposed ownership interest divided by the total ownership interest); and
 - (b) recognises the difference between the consideration received and the portion derecognised as a gain or loss in profit or loss.

Structure of this paper

6. This paper is structured as follows:
- (a) description of the proposals in the Exposure Draft (paragraphs 7–9 of this paper);
 - (b) rationale for the proposals in the Exposure Draft (paragraphs 10–11 of this paper);
 - (c) feedback on the proposals in the Exposure Draft (paragraphs 12–16 of this paper);
 - (d) staff analysis (paragraphs 17–31 of this paper);
 - (e) staff recommendation (paragraph 32 of this paper); and
 - (f) question for the IASB.

¹ Entities are permitted to use the equity method in separate financial statements for investments in subsidiaries, joint ventures and associates.

Description of the proposals in the Exposure Draft

7. IAS 28 does not have requirements on how to measure the portion disposed when an investor disposes of a portion of an investment while it retains significant influence. Paragraph 25 of IAS 28 only requires the entity to reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to the reduction in ownership interest, if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.
8. Applying the proposals in the Exposure Draft, an investor that disposes of a portion of its interest in an associate and retains significant influence would:
 - (a) measure the disposed portion of the investment as a percentage of the carrying amount of the investment. For example, if the investor holds 30% of an associate and disposes 5% and the carrying amount is CU1,200, the investor measures the disposed portion at (5% divided by 30%) multiplied by CU1,200 = CU200; and
 - (b) recognises the difference between the consideration received and the disposed portion as a gain or loss in profit or loss.
9. The paper discusses the proposal in paragraph 8(a) of this paper. The requirement in paragraph 8(b) of this paper is carried forward from IAS 28.

Rationale for the proposals in the Exposure Draft

10. Paragraph 34 of the Basis for Conclusions on the Exposure Draft explains that the IASB noted that viewing the investment as a single unit of account would be more consistent with the principles underlying IAS 28. Applying those principles, an investor recognises amounts based on its share of changes in the associate's net assets, which suggests that the investment should be measured as a single unit and not separately for each layer.
11. Paragraph 35 of the Basis for Conclusions on the Exposure Draft explains that the IASB also considered that viewing the investment as a single unit of account instead of comprising multiple layers would:
 - (a) provide a more faithful representation of an investment that comprises instruments with the same economic rights, because each instrument is fungible;
 - (b) reflect that an investment in an associate is usually managed as a single asset;
 - (c) be more understandable (for example, the measurement of the amount derecognised in a partial disposal would be easier to understand); and
 - (d) be less complex and, therefore, less costly for entities to apply.

Feedback on the proposals in the Exposure Draft

12. Most respondents who commented agreed with the proposals. Some of these respondents asked the IASB to clarify how to measure the proportion of the carrying amount of the investment to be derecognised, when the investor has purchased its ownership interest in stages and has applied the 'layers' approach to the purchases of interests in the associate.

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13. Some respondents said that there is an inconsistency between the proposal on the disposal of part of an investment (while retaining significant influence or joint control) and the purchase of an additional ownership interest (while retaining significant influence or joint control). They noted the investment is viewed as a single asset when disposing of an interest, whereas each additional purchase is viewed as a different layer.
 14. A few respondents agreed with the proposal except that they recommended the investor be allowed, in some circumstances, to derecognise an identified portion of the investment rather than measure the disposed portion on a proportional basis. One fact pattern raised is when different entities in a Group hold portions of an investment in the same associate.
 15. To illustrate the point made by these respondents, assume a group holds a 25% interest in an associate, with Entity A (the parent) owning 20% and Entity B (an entity A's subsidiary) owning 5%. Entity B sells its shares, and the Group maintains significant influence. The proposal would require the investor to derecognise $(5\% \text{ divided by } 25\%) = 20\%$ of the carrying amount of the investment in the consolidated financial statements. The respondents recommended the investor be allowed, at consolidated level, to measure the portion derecognised at the carrying amount of the specific 5% disposed in Entity B.
 16. Two individual respondents mentioned other fact patterns where the IASB should allow a specific identification method for the disposed portion:
 - (a) one respondent raised a concern about the proposal when the investor's ownership interest comprises different classes of shares.
 - (b) another respondent mentioned an investor purchasing an additional ownership interest and writing a call option on the same additional ownership interest.

Staff analysis

Unit of account–inconsistency between proposals in the Exposure Draft

17. In relation to the comment from respondents in paragraph 13 of this paper, paragraph 30 of the Basis for Conclusions on the Exposure Draft explains that in developing the proposals in the Exposure Draft the IASB considered whether the proposed approach for the purchase of an additional ownership interest while retaining significant influence would have any implication for subsequent measurement and derecognition of the investment, that is whether the investment should be viewed as:
- (a) a single unit of account – in that case, the investor would measure a disposed portion as percentage of the carrying amount of the investment; or
 - (b) comprising multiple components – in that case, the investor would need to determine which layer of the investment is being disposed of.
18. As explained in paragraph 10 of this paper, the IASB noted that viewing the investment as a single unit of account would be more consistent with the principles underlying IAS 28, as well as having the advantages mentioned in paragraphs 10 and 11 of this paper. In the staff view, the proposals in the Exposure Draft reduce complexity and are less costly to apply than had the IASB decided to develop proposals based on the investment being comprised of multiple layers. A multiple components approach (paragraph 17(a) of this paper) would have had implications for the measurement of impairment losses, in addition to identifying the proportion of the investment disposed of.

19. We acknowledge that the proposals in the Exposure Draft use a different unit of account on initial recognition to the unit of account for subsequent measurement and on derecognition. However, paragraph 4.49 of *the Conceptual Framework for Financial Reporting* (Conceptual Framework) states that in selecting the unit of account, it's necessary to consider the recognition criteria and measurement concepts that will apply and the related income and expenses. It also says that, in some circumstances, it might be appropriate to select one unit of account for recognition and a different unit of account for measurement. We therefore consider that it is not inconsistent with the Conceptual Framework that the IASB has selected a different unit of account on initial recognition and subsequent measurement.

Ownership interests held by different entities in the Group

20. In relation to the comment in paragraph 14 of this paper, we agree (in part) that when different entities in a Group hold portions of an investment in the same associate, a specific identification method could simplify the measurement of portion disposed. Whether a specific identification method can simplify the measurement depends on how the disposing entity is measuring the investment in its individual financial statements.
21. In the example in paragraph 15 of this paper:
- (a) entity B would apply IFRS 9 *Financial Instruments* to its investment.
 - (b) the parent Entity A would adjust the carrying amount in its consolidated financial statements to include the 5% share in the investment carried using the equity method (unless the subsidiary qualified to apply the fair value option and the parent decided to maintain that accounting treatment on consolidation).
 - (c) when Entity B disposes of its interest:
 - (i) Entity B would derecognise the carrying amount of its investment; and

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- (ii) parent Entity A would apply the proposals in the Exposure Draft, and derecognise a proportion of the equity method carrying amount in the investment.
22. The two amounts in paragraphs 21(c)(i) and 21(c)(ii) of this paper are likely to be different. It would not be possible to use the amount in paragraph 21(c)(i) of this paper because Entity B is not applying the equity method. Therefore, in these circumstances a specific identification method would still require an adjustment when preparing the consolidated financial statements and would not simplify the measurement of the disposed portion.
23. In contrast to the example in paragraph 15 of this paper, a specific identification method could simplify the measurement of the disposed portion when two entities in the Group both have significant influence over the same associate. Assume a group holds a 45% interest in an associate, with Entity A holding 25% shares and Entity B holding 20%. Both entities apply the equity method in their individual financial statements. Entity B sells its shares, and the Group maintains significant influence. The proposal would require the investor to derecognise $(20\% \text{ divided by } 45\%) = 44\%$ of the carrying amount of the investment in the consolidated financial statements. This amount could be different from the carrying amount in Entity B's individual financial statements.
24. However, we do not expect the fact pattern in paragraph 23 to arise frequently. For this fact pattern to arise, it is not sufficient that two Group entities have both interests in the same associate, but each entity would need to have a share sufficient to obtain significant influence.
25. Similarly, the issue raised in paragraph 16(b) of this paper involves a very specific fact pattern that could be complex to address (including the interaction with IFRS 9); however, the feedback does not provide evidence that it is a common issue in practice and, therefore, in our view, the IASB does not need to consider the matter further.

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26. Furthermore, agenda paper 13B for this meeting discusses possible reliefs from applying the proposal that an investor includes in the carrying amount of the additional ownership interest the additional share of the associate's identifiable assets and liabilities at fair value at the date of purchase. However, we do not recommend the IASB provide additional requirements on disposal because the proposals in the Exposure Draft would provide relevant information in most cases. It is possible that, for specific fact patterns, an alternative requirement could provide relevant information or be easier to apply; however, identifying all those fact patterns and developing reliefs would introduce complexity in the Standard to address fact patterns that might arise infrequently.

Different classes of shares

27. Paragraph 16(a) of this paper raises a question on how to measure the disposed portion when there are different classes of shares that grant different economic rights – voting rights, rights to dividends or rights to distributions if the associate is liquidated. We understand that the question is on which basis, in applying the proposal, the investor would determine the percentage of the carrying amount of the investment to be derecognised.
28. When an associate has issued different classes of shares, there are other questions that could arise on how to apply the equity method. For example, paragraph 10 of IAS 28 requires an investor to increase or decrease the carrying amount of its investment to recognise its share of profit or loss of the investee after the date of acquisition. Paragraph 27 of IAS 28 states that the group's share in an associate is the aggregate of the holdings in that associate by the parent and its subsidiary. Neither requirement specifies how to determine the group's share if there are classes of shares granting different rights. Entities need to apply their judgment in applying these requirements.
29. In the staff's view, the question in paragraph 27 of this paper could not be answered in isolation—the IASB would have to assess and provide comprehensive requirements for different classes of shares.

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30. Moreover, we have not heard pervasive concerns about the topic and do not think that the proposals in the Exposure Draft would prevent entities from considering different classes of shares on disposal of an interest while retaining significant influence.
31. We do not think that there is sufficient evidence from the feedback that the IASB should introduce additional requirements on how an investor measures the disposed portion when the investor holds different classes of shares that grant different rights.

Staff recommendation

32. The staff's recommendation is that the IASB proceed with the proposals in the Exposure Draft that an investor:
- (a) measures the disposed portion as a percentage of the carrying amount of the investment (that percentage is calculated as the disposed ownership interest divided by the total ownership interest); and
 - (b) recognises the difference between the consideration received and the portion derecognised as a gain or loss in profit or loss.

Question for the IASB

Question for the IASB
a. Does the IASB agree with the staff recommendation in paragraph 32 of this paper?