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**Accounting Standards Advisory Forum meeting**

Date **October 2025**  
Project **Equity Method**  
Topic **Cover paper**  
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). 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<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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**Purpose of this session**

1. The purpose of this session is to ask Accounting Standards Advisory Forum (ASAF) members for views on specific proposals in the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)* (Exposure Draft) on:
  - (a) measurement of the ‘cost of the associate’—acquisition-related costs (Agenda Paper 4A of this meeting); and
  - (b) other changes in an investor’s ownership interest—dilution gains or losses (Agenda Paper 4B of this meeting).
2. 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.
3. Agenda Paper 4A *Measurement of the ‘cost of the associate’—Acquisition-related costs* will be available and distributed following the September 2025 International Accounting Standards Board (IASB) meeting, assuming the IASB agrees to add that application question to the scope of the Equity Method project.
4. As Agenda Paper 4A of this meeting will be distributed later than other ASAF papers, paragraphs 5–10 of this paper aim to assist ASAF members in preparing for the ASAF meeting in October 2025.

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## Agenda Paper 4A *Measurement of the 'cost of the associate'—Acquisition-related costs*

5. The proposals in the Exposure Draft defined the term 'cost of the associate' as the fair value of the consideration transferred, including the fair value of any previously held ownership interest (or any investment retained) in the associate, measured at the date an investor obtains significant influence.
6. Most respondents who commented noted that the proposed definition of 'cost of the associate' is unclear on whether acquisition-related costs are part of the cost of the associate and asked the IASB to add this question to the scope of the project.
7. Respondents said the proposal to align the definition of the cost of the associate with some aspects of the requirements in IFRS 3 *Business Combinations* (such as the requirements for contingent consideration) creates uncertainty on how the proposed definition interacts with the July 2009 IFRIC Agenda Decision, which states (emphasis added):

The IFRIC noted that IFRSs consistently require assets not measured at fair value through profit or loss to be measured at initial recognition at cost. Generally stated, cost includes the purchase price and other costs directly attributable to the acquisition of or issuance of the asset such as professional fees for legal services, transfer taxes and other transaction costs. Therefore, the cost of an investment in an associate at initial recognition determined in accordance with paragraph 11 of IAS 28 **[the equivalent requirement is now in paragraph 10 of IAS 28]** comprises its purchase price and directly attributable expenditures necessary to obtain it.

8. At its September 2025 meeting, the IASB will discuss the staff's recommendation to add to the scope of the equity method project the application question:

*How does an investor recognise the acquisition-related costs when applying the equity method of accounting?*<sup>1</sup>

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<sup>1</sup> [Access the IASB September 2025 meeting papers once they are available.](#)

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9. Assuming that the IASB agrees with the staff recommendation to add the application question, in paragraph 8 of this paper, to the scope of the Equity Method project, the staff will develop a paper that analyses two alternative answers to the application question for the IASB to consider:
- (a) Alternative 1—*Recognising acquisition-related costs in profit and loss as incurred.*
  - (b) Alternative 2—*Recognising acquisition-related costs as part of the cost of the associate.*
10. At the October 2025 meeting, ASAF members will be asked for their views on the two alternatives, including the rationale for their views.