IFRS Accounting

Staff paper

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IASB® meeting

Date	**April 2026**
Project	**Equity Method**
Topic	**Purchases of additional ownership interests—other matters**
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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:
   (a) to consider the feedback on two matters related to its proposals in the Exposure Draft relating on purchases of additional ownership interests while the investor retains significant influence; and
   (b) to decide whether to proceed with those proposals.

3. 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]

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

Staff recommendations

4. We recommend the IASB:

   (a) confirm the proposal that an investor recognises a bargain purchase gain from the purchase of an additional ownership interest in profit or loss; and

   (b) confirm the proposal that an investor that has reduced the carrying amount of the investment to nil does not immediately recognise losses not recognised on its previously held investment, when it purchases an additional ownership interest.

Structure of this paper

5. This paper is structured as follows:

   (a) background (paragraphs 6–9 of this paper);

   (b) recognising a gain from a bargain purchase of an additional ownership interest (paragraphs 10–22 of this paper);

   (c) losses not recognised and purchase of an additional ownership interest (paragraphs 23–52 of this paper); and

   (d) questions for the IASB.

Background

6. In developing the proposal, the IASB sought to answer the application question:

   > *How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence?*

7. The proposals in the Exposure Draft would require an investor that purchases an additional ownership interest while retaining significant influence to:

   (a) recognise the additional ownership interest and measure it at the fair value of the consideration transferred;

(b) recognise contingent consideration as part of the consideration transferred and measure it at fair value;

(c) include in the carrying amount the investor's additional ownership interest:

(i) the additional share of the associate's identifiable assets and liabilities at fair value at the date of purchase; and

(ii) the deferred tax effects on the fair value of the additional share of the associate's identifiable assets and liabilities; [2]

(d) account for any difference between the fair value of the consideration transferred (including contingent consideration) and the fair value of the additional share of the associate's identifiable assets and liabilities as either goodwill included in the carrying amount of the investment or a gain from a bargain purchase in profit or loss; [3] and

(e) not immediately recognise unrecognised losses on its previously held interest.[4]

8. In addition, the investor shall not remeasure its previously held interest in the associate.

9. This paper discusses the proposals in paragraph 7(d)–(e). This paper does not discuss other proposals in the Exposure Draft because:

(a) the feedback to the Exposure Draft supported the proposal in paragraph 7(a);

(b) the IASB confirmed its proposal in paragraph 7(a)–(b) at its November 2025 meeting; [5]

[2] For more detail, see Agenda Paper13A of the April 2023 IASB meeting

[3] For more detail, see A Agenda Paper 13A of the June 2022 IASB meeting

[4] For more details, see Agenda Paper 13B of the IASB December 2022 meeting

[5] See Agenda Paper 13A for the IASB November 2025 meeting.

(c) the IASB confirmed its proposal in paragraph 7(c)(i) at its November 2025 meeting and tentatively decided to provide investors with a relief from measuring the additional share of the associate's identifiable assets and liabilities at fair value at its March 2026 meeting; [6]

(d) Agenda Paper 13A *Cost of an associate—Other matters* of this meeting, includes the analysis for the proposal in paragraph 7(c)(ii); and

(e) almost all respondents agreed with the investor not remeasuring the previously held interest.

Recognising a gain from a bargain purchase of an additional ownership interest

Proposal and rationale

10. Applying the proposal in paragraph 7(d) of this paper, an investor that purchases an additional ownership interest recognises a gain from a bargain purchase as an income in profit or loss, even if the carrying amount of the previously held interest includes goodwill.

11. Paragraph BC26 of the Basis for Conclusions on the Exposure Draft explains that the IASB noted that its approach to accounting for the purchase of an additional ownership interest in an associate would result in the investor's investment being measured as an accumulation of purchases. The purchase of that additional interest would not result in the remeasurement of the previously held interest. The proposed requirement would, therefore, measure the purchase of initial interest and each additional interest separately. Given this approach, it would not be appropriate to offset a gain from the purchase of an additional interest against the goodwill previously included in the carrying amount of investment on the purchase of the initial interest.

[6] See IFRS - IASB Update November 2025.

Feedback on the proposal

12. A few respondents did not support the proposal and recommended the IASB require:

    (a) the bargain purchase gain be offset against any goodwill included in the carrying amount of the previously held investment; or

    (b) present the bargain purchase gain in equity (one respondent would also support presenting additional goodwill as a deduction from equity).

13. These respondents said:

    (a) in their jurisdiction, for some companies the price-to-book ratio is less than one (that is the market prices of the associate's shares is lower than net assets in the associate's financial statements). Applying the proposal, an investor purchasing additional ownership interests would recognise a gain. These respondents believe that recognising a gain in profit or loss rather than offsetting the gain against the carrying amount of goodwill does not reflect the economic substance of the transaction; moreover, it adds to the "too little, too late" concern about impairment.

    (b) the accounting requirements for purchases of additional ownership interests and partial disposals should be aligned with the purchase or disposal of a non-controlling interest. Paragraph B96 of IFRS 10 *Consolidated Financial Statements* requires a parent to present the difference between the consideration and the change in non-controlling interest in equity.

    (c) the proposal provides an earning management opportunity by structuring transactions. We understand that the concern is than an investor could split a transaction to acquire 40% into two transactions, in the first transaction the investor buys 20% and obtains significant influence; and in the second transaction the investor purchase of an additional 20% ownership interest. By allocating a bigger portion of the total purchase price to the first transaction and a smaller portion to the second one, the investor would be able to recognise goodwill and then a gain from a bargain purchase.

Staff analysis

14. In the staff's view, the IASB's deliberations of the proposals do not change the IASB's rationale for the proposal in paragraph 7(d) of this paper as explained in the Basis for Conclusions. A core aspect of the IASB's proposal on the purchase of an additional ownership interest is that the investor does not remeasure the previously held interest. The cost of an additional ownership interest is added to the investment as an accumulation of purchases, and the measurement of the additional ownership interest at purchase date is not affected by the measurement (or composition) of the previously held interest.

15. Paragraph 32(b) of IAS 28 requires the gain from a bargain purchase on initial recognition of an associate or joint venture to be recognised in profit or loss. We think it would be difficult to justify different recognition of a gain from a bargain purchase between an investor obtaining significant influence and purchasing an additional ownership interest.

16. Paragraph 57 of the Exposure Draft proposes that a decline of the observable market price below the carrying amount of the investment is one of the impairment indicators an investor considers. When the price-to-book ratio is negative, the investor would have considered whether to test its investment, including the goodwill, for impairment.

17. In relation to the view in paragraph 13(b) of this paper, paragraph 22 of IFRS 10 states that non-controlling interests in a subsidiary are presented within equity in the consolidated statement of financial position. In these circumstances, non-controlling interests represent the residual interest in the net assets of the subsidiaries within the group, and the purchase or a disposal of an interest in a subsidiary is a transaction with an equity holder in the group (the non-controlling interest). This is not the case for shares held by other shareholders in an associate or joint venture; the investor does not control the investment, so the transactions are not with its own equity holders. Consequently, we do not think the argument in paragraph 13(b) holds.

18. We acknowledge that the argument in paragraph 13(c) raises a valid concern. The investor should consider if two purchases are substantially part of the same transaction; in that case, the total contractual price should not be allocated arbitrarily, and the allocation should reflect the relative economic value of each of the interests being purchased.

19. Other IFRS Accounting Standards include requirement for similar fact patterns that might require an entity to combine two or more transactions. For example, paragraph 17 of IFRS 15 *Revenue from Contracts with Customers* requires an entity to combine two or more contracts entered into or at near the same time with the same customer and account for the contracts as a single contract if one or more of the following criteria are met:

    (a) the contracts are negotiated as a package with a single commercial objective;

    (b) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or

    (c) the good or services promised in the contracts are a single performance obligation in accordance with paragraphs 22-30 of IFRS 15.

20. The staff considered whether to recommend adding a requirement that, under some circumstances, an investor accounts for two or more purchases of an ownership interest as if they were a single transaction. In that case, the investor would not be permitted to include goodwill on one purchase and recognise a bargain purchase gain for the other. This requirement could mitigate the concerns expressed by respondents that objected to the proposal.

21. However, we do not recommend adding the requirement for the following reasons:

    (a) identifying conditions that would require combining two purchases (outside the case where the purchases occur with the same counterparty and within a short period of time) would be complex and judgmental.

    (b) when two or more purchases occur with the same counterparty and within a short period of time, we think that an investor should consider the economic substance of the transaction over the legal form, and whether the two purchases should be aggregated.

    (c) paragraph 53 of IFRS 18 *Primary Financial Statements* would require an investor to present the bargain purchase gain in the investment category of its statement of profit or loss. Applying the principles of aggregation and disaggregation, an entity might be required to present a material bargain purchase gain separately in its statement of profit or loss or disclose it in the notes.

Recommendation

22. Considering the staff analysis in paragraphs 14–21, we recommend the IASB confirm its proposal in paragraph 7(d) of this paper.

Losses not recognised and purchase of an additional ownership interest

Proposal and rationale

23. Applying the proposal in paragraph 7(e) of this paper, an investor that has reduced to nil the carrying amount of its investment and purchases an additional ownership interest, does not deduct its share of losses not recognised from the cost of the additional ownership interest.

24. Paragraph BC52 of the Basis for Conclusions explains that in reaching its decision, the IASB considered that it would be consistent with the proposed approach to the purchase of an additional ownership interest which results in the investor's investment being measured as an accumulation of purchases.

25. Paragraph 53 of the Basis for Conclusions explains that in the IASB's view, the proposal would faithfully represent the purchase of the additional interest, because deducting the investor's share of losses not recognised from the cost of the additional investment could imply that the investment is impaired. However, the IASB noted that the presence of unrecognised losses does not necessarily mean that the investment is impaired. An investor could invest further in the associate with the expectation that the associate's financial performance would improve in the future. For example, a start-up entity could incur losses initially and subsequently generate profits sufficient for its investors to recover their investments and earn a positive return. Therefore, the recoverable amount of the investment at the date of purchasing the additional ownership interest might exceed the cost of that additional ownership interest.

Feedback on the proposal

26. Question 3 of the Invitation to Comment asked if respondents agreed with this proposal. The majority of respondents that replied to the question agreed with the proposal, although some of them asked for clarifications.

27. Some respondents that supported the proposal said that:

    (a) this an important proposal, noting a requirement to recognise the losses not recognised immediately on purchasing an additional interest would dissuade investors to further invest in associate entities.

    (b) immediate recognition of the losses not recognised would not be appropriate, because it would imply that the additional ownership interest is impaired at the date of the purchase. These respondents commented that this would not reflect the economic substance of the transaction.

28. Some respondents disagreed with the proposal and recommended the IASB require an investor:

    (a) not recognise any goodwill on the purchase of an additional ownership interest, if there are unrecognised losses; or

    (b) immediately deduct any losses not recognised from the cost of the additional ownership interest; or

    (c) first assess whether the purchase of the additional ownership interest is in substance made to fund prior losses and if so, deduct the losses from the cost of the additional ownership interest (this was the alternative recommendation with more support).

29. To illustrate the difference between the proposals in the Exposure Draft and the recommendations in paragraph 28(a)–(b), assume an investor holds an interest of 30% in an associate. The investor has reduced the investment in the associate to nil and has CU25 of losses not recognised. The investor then purchases an additional ownership interest of 10%. Assume the fair value of the additional share of the associate's net assets is CU10 and the investor pays CU20.

30. The investor would measure the additional ownership interest as follows:

    (a) at CU20 applying the proposal in the Exposure Draft, equal to the fair value of the consideration.

(b) at CU10 applying the recommendation in paragraph 28(a), because the investor would recognise only the fair value of the additional share of the associate's net assets but not any goodwill.

(c) at CU0 applying the alternative in paragraph 28(b), because the investor would immediately recognise the losses not recognised for CU20.

31. Respondents that disagreed with the proposal in the Exposure Draft said that:

(a) recognising additional goodwill while there are losses not recognised would not represent the economic substance of the transaction.

(b) immediate recognition of the losses not recognised is not a question of whether the additional ownership interest is impaired. It is simply a consequence of applying the requirements in the equity method to recognise the investor's share of losses until the investment is reduced to nil.

(c) in some circumstances, the purchase of the additional interest is intended to fund the associate's previous losses. The IASB should require entities to assess the economic reasons for the purchase of the additional ownership interest.

32. The view in paragraph 31(c) of this paper would be consistent with Codification 323-10-35-29 in US GAAP, which states:

> If a subsequent investment in an investee does not result in the ownership interest increasing from one of significant influence to one of control and, in whole or in part, represents, in substance, the funding of prior losses, the investor should recognize previously suspended losses only up to the amount of the additional investment determined to represent the funding of prior losses (see (b)). Whether the investment represents the funding of prior losses, however, depends on the facts and circumstances. Judgment is required in determining whether prior losses are being funded and all available information should be considered in performing the related analysis.

33. The Codification provides factors that should be considered in making the assessment. For example, it states that when the associate does not obtain additional funds either from the investor or a third party, it is unlikely that, in the absence of other factors, prior losses are being funded.

34. In addition to the views in paragraph 31 of this paper, some respondents asked the IASB to clarify how to apply the equity method requirements after the investor has purchased the additional ownership interest. Paragraph 49 of the Exposure Draft requires the investor to continue to apply paragraph 48 to those losses not recognised. Paragraph 48 is carried forward from IAS 28 unchanged and states:

> Subsequently, if an investor's…share of an associate's…total comprehensive income is a profit, the investor…shall resume recognising its share of that profit only when that share exceeds its share of losses not recognised.

35. These respondents said that it was not clear whether the requirement in paragraph 48 of the Exposure Draft would be applied to the investment as a whole or separately to the previously held interest and to the additional ownership interest.

Staff analysis

Proposal in the Exposure Draft

36. As noted in paragraph 14 of this paper, in the staff's view, the IASB's deliberations of the proposals in the Exposure Draft do not change the rationale for the proposal in the Basis for Conclusions.

37. We agree with respondents that the proposal could result in the investor recognising goodwill in the carrying amount of the associate, when the associate's net assets are negative. However, we think the recoverability of the additional ownership interest is linked to the associate's expected future performance. Consequently, we disagree with the arguments in paragraph 31(a)–(b) of this paper.

38. Some respondents said that catching-up the losses is not meant to depict an impairment of the additional ownership interest in the associate but is a consequence of the mechanical application of the equity method requirements. We do not support this view because the reason an investor discontinues recognition of its share of an associate's losses is that the investor does not have a legal or constructive obligation to fund those losses; therefore, the investor does not recognise a liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* An investor's purchasing of an additional ownership interest is either settling a legal or constructive obligation to losses incurred before the additional purchase or is making a new investment in the associate.

39. We note that an associate that has negative net assets may be in significant financial difficulty; paragraph 41A of IAS 28 lists significant financial difficulty as an indicator of impairment. We have considered whether the IASB should require an investor to test the net investment for impairment at the date of purchase, if the associate has negative net assets. However, we note that in an arm's length transaction, the price paid is considered to represent the fair value and the investor is considered to have not overpaid for the additional ownership interest. Therefore, we do not recommend requiring the investor to immediately test for impairment.

40. As noted in paragraph 31(c) of this paper, some respondents suggested requiring an investor to first assess whether the purchase of the additional ownership interest is made to fund prior losses. We note that, in the circumstance the investor purchases the shares from another shareholder, the former shareholder will receive consideration; hence, it is difficult to see how the transaction could be a loss coverage.

41. That said, if the associate issues new shares and the investor subscribes those shares, the associate receives consideration. In that circumstance, there is a legitimate question on whether the price includes a loss coverage.

42. The IASB has tentatively decided that an investor should account for any changes in ownership interest as if they were purchases (or disposals), without differentiating between the nature of the transaction – purchases, subscriptions or anti-dilutions.

Given there is a question when an associate issues new shares, the staff considered whether the IASB should require that, in the case of a subscription of newly issued shares, an investor should be first required to assess if the subscription is in substance covering the losses.

43. This would likely require the IASB to:

(a) introduce requirements similar to Codification 323-10-35-29, that uses factors such as the fair value of the consideration paid in relation to the fair value of the additional ownership interest and the seniority of the additional ownership interest in relation to the seniority of the previously held interest.

(b) consider how multiple arrangements might affect the assessment of the economic nature of the transaction. For example, an agreement in which the investor purchases existing shares from another shareholder, and the seller is required to transfer the consideration to the associate, would have the legal form of a purchase but economically be similar to a subscription.

(c) require an investor to assess whether the subscription encompasses both a loss coverage and a genuine increase in the ownership interest. In that case, the investor should allocate the consideration paid between the loss coverage (to be immediately recognised in profit or loss) and the increase in the ownership interest (to be recognised as an asset).

44. We do not think that the feedback on the Exposure Draft justifies introducing this level of complexity. We acknowledge that in some cases, an investor may take part in an equity transaction of the associate to provide financial support. However, the investor could also provide financial support in other ways—for example, extending a loan—without being required to immediately catch-up the prior losses.

45. If the IASB disagrees with the staff recommendation because it shares the concern expressed in paragraph 31(c)—that is, in some circumstances the purpose of a purchase of an additional ownership interest is to fund prior losses and therefore the investor should immediately catch-up those losses not recognised— then we would suggest removing the proposal in paragraph 7(e) and allow entities to apply judgment on whether to catch-up the losses. We think that the removal of the proposal does not require the IASB to reconsider any prior deliberations and is simpler than introducing requirements and guidance similar to Codification 323-10-35-29 (see paragraph 32 of this paper).

Clarification to the proposals in the Exposure Draft

46. As noted in paragraph 34 of this paper, some stakeholders asked the IASB clarify how to consider the share of losses not recognised after the purchase of the additional ownership interest.

47. We note that, when the IASB discussed the proposal, it was intended that, after the purchase, the investor would apply the equity method requirements—including paragraph 48 in the Exposure Draft—to the investment as a whole. Agenda Paper 13B for the December 2022 meeting noted that:

> Applying the recommendation does not mean that the unrecognised losses are ignored because an investor, applying paragraph 39 of IAS 28, will not recognise its share of profit (*including the share of profit attributable to the additional interest*) until the share of profit equals the previous share of unrecognised losses.

48. This is consistent with the IASB's tentative decision on derecognition and with the requirement in IAS 28 that an investor assesses the investment for impairment as a single asset.

49. To illustrate, assume:

(a) Investor A has a 25% interest in Associate B;

(b) Investor A has reduced the carrying amount of the initial interest to nil and has CU50 of losses not recognised;

(c) Investor A purchases an additional 10% interest for CU30; and

(d) in the following period, the investor's share of the associate's profit is CU35 for the whole 35% investment.

50. Applying the proposal, in the following period the investor does not recognise any profit because its share of the associate's profit for the whole investment (CU35) is less than the losses not recognised (CU50). At the end of the period, the investor has still CU15 of losses not recognised.

51. We understand that for some respondents, the wording in paragraph 49 of the Exposure Draft is not sufficiently clear. Therefore, we recommend the IASB explicitly add that, after the purchase of the additional ownership interest, the entity resumes recognising profits only when the investor's share of the associate's profit for the *whole* investment exceeds the *total* share of losses not recognised.

Recommendation

52. Considering the staff analysis in paragraphs 36–51, we recommend the IASB:

(a) confirm its proposal in paragraph 7(e) of this paper; and

(b) clarify that, after the purchase of the additional ownership interest, the entity resumes recognising profits only when the investor's share of the associate's profit for the *whole* investment exceeds the *total* share of losses not recognised.

Questions for the IASB

Questions for the IASB
1. Does the IASB agree with the staff recommendation in paragraph 22?   2. Does the IASB agree with the staff recommendation in paragraph 52?