IFRS Accounting

Staff paper

Agenda reference: 13

IASB® meeting

Date	**July 2026**
Project	**Equity Method**
Topic	**Cover paper**
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Introduction and purpose of this meeting

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).

2. The purpose of this meeting is to continue redeliberating the proposals in the Exposure Draft, taking into consideration the feedback on those proposals. Paragraphs 12–16 detail the papers for discussion at this meeting.

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]

Structure of this paper

4. This paper is structured as follows:
   (a) project background and status of redeliberations (paragraphs 5–11);
   (b) papers for this meeting (paragraphs 12–16);
   (c) next steps (paragraph 17); and

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

(d) appendices to this paper:

  (i) Appendix A—Principles identified as underlying IAS 28; and

  (e) Appendix B—Summary of the IASB's decisions/tentative decisions on the project plan and in redeliberating the proposals in the Exposure Draft to date.

Project background and status of redeliberations

Background and project approach

5. The project objectives are:

   (a) to reduce diversity in practice by answering application questions on the equity method of accounting; and

   (b) to improve the understandability of IAS 28.

6. In the Exposure Draft, the IASB proposed a revised IAS 28 that amended the requirements in the Standard to answer application questions within the project's scope and reorder the requirements in a more logical and consistent way to help with its application.

7. In answering the application questions, the IASB identified the principles underlying IAS 28 (see Appendix A of this paper). The principles were intended to assist the IASB in developing answers to the application questions.

8. The IASB also decided how it would develop answers to an application question if none of the identified principles could be used. The IASB decided it would analogise and consider the applicability of the requirements in other IFRS Accounting Standards that deal with similar and related issues and use the *Conceptual Framework for Financial Reporting*.

Status of redeliberations

9. At its May 2025 meeting, the IASB discussed a summary of the feedback on its Exposure Draft.

10. At its June 2025 meeting, the IASB discussed the plan for the next stage of the project. See Appendix B of this paper for further details.

11. At its September 2025 meeting, the IASB started redeliberating the proposals in the Exposure Draft. A summary of the IASB's tentative decisions in redeliberating the proposals in the Exposure Draft is set out in Appendix B of this paper.

Papers for this meeting

12. Agenda papers for discussion at this meeting include:

    (a) Agenda Paper 13A *Transactions with associates—Disclosure requirements;*

    (b) Agenda Paper 13B *Transition requirements in IAS 28 (revised 202x)*;

    (c) Agenda Paper 13C *Transition requirements for first-time adopters* and

    (d) Agenda Paper 13D *Sweep issues*.

Agenda Paper 13A Transactions with associates—Disclosure requirements

13. Agenda Paper 13A asks the IASB to discuss aspects of its tentative decisions on disclosure requirements related to gains and losses on transactions with associates considering:

    (a) the scope of transactions to be disclosed for 'upstream' and 'downstream' transactions with associates; and

    (b) the possible introduction of an exemption from disclosing some or all of the information about gains or losses from transactions with associates or joint ventures, if the disclosure could be expected to seriously prejudice the investor.

Agenda Paper 13B Transition requirements in IAS 28 (revised 202x)

14. Agenda Paper 13B asks the IASB:
   (a) to consider the feedback on its proposals in the Exposure Draft relating to transition requirements; and
   (b) to decide whether to proceed with those proposals.

Agenda Paper 13C Transition requirements for first-time adopters

15. Agenda Paper 13C asks the IASB to consider transition requirements for first-time adopters of IFRS Accounting Standards applying IAS 28 (revised 202x) in their first IFRS financial statements.

Agenda Paper 13D Sweep issues

16. Agenda Paper 13D asks the IASB to consider some issues identified by the staff that have not been discussed. The IASB is asked to decide how to address these issues.

Next steps

17. In a future IASB meeting, the staff will bring an agenda paper:
   (a) to discuss the implications of the IASB's tentative decisions on disclosure requirements on transactions with associates (see paragraph 13) on IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and IAS 27 *Separate Financial Statements*. This will complete the IASB's redeliberation of the proposals in the Exposure Draft (subject to identifying additional sweep issues).
   (b) to discuss due process and ask permission from the IASB to begin the balloting process.

Appendix A—Principles identified as underlying IAS 28

A1. The IASB identified the principles underlying IAS 28 to help it to develop proposed answers to the application questions within the scope of the project.

Table 1—Principles identified as underlying IAS 28

Group	**Category of Principles** Principles identified	**Paragraph(s)**
	Classification	
A	Power to participate is an investor's shared power to affect changes in, and to access, net assets.	IAS 28.3 *Definition* IAS 28.5–9 IAS 28.12–14
	Boundary of the reporting entity	
B	Application of the equity method includes an investor's share in the associate's or joint venture's net asset changes in the investor's statement of financial position	IAS 28.3 *(Definition)* IAS 28.10–11 IAS 28.35
C	An investor's share of an associate's or joint venture's net assets is part of the reporting entity.	IAS 28.28
	Measurement on initial recognition	
D	Fair value at the date an investor obtains significant influence or joint control provides the most relevant information about, and faithful representation of, an associate's or joint venture's identifiable assets and liabilities.	IAS 28.30–31B IAS 28.32 IFRS 3.BC25 IFRS 3.BC198
	Subsequent measurement	
E	An investor recognises changes in an associate's or joint venture's net assets. An investor recognises the share of changes in net assets that it can currently access.	IAS 28.3 *(Definition)* IAS 28.10–13 IAS 28.26 IAS 28.28 IAS 28.30–31B IAS 28.33–36 IAS 28.37
F	An investor's maximum exposure is its gross interest in an associate or joint venture.	IAS 28.14A IAS 28.29 IAS 28.38–43

G	If an investor's ownership interest in an associate or joint venture decreases and the investor continues to apply the equity method, it reclassifies amounts previously recognised in other comprehensive income.	IAS 28.24–25
	Derecognition	
H	An investor: (a) applies IFRS 3 and IFRS 10 if it obtains control of a former associate or joint venture; (b) applies IFRS 9 if it no longer has significant influence or joint control, but retains an interest in a former associate or joint venture; and (c) recognises a gain or loss and reclassifies amounts recognised in other comprehensive income on the date that significant influence or joint control is lost.	IAS 28.22–23 IFRS 3.41–42
	Unallocated (not in the project's scope)	
N/A	Presentation	IAS 28.15 IAS 28.20–21
N/A	Exceptions to the application of the equity method	IAS 28.16–19 IAS 28.27 IAS 28.36A

A2. Some application questions do not relate directly to the principles identified. The IASB decided to develop proposed answers to those application questions by analogising to the principles where possible and by considering the requirements in IAS 8 *Basis of Preparation of Financial Statements* for developing an accounting policy, including:

(a) the requirements in IFRS Accounting Standards dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Conceptual Framework for Financial Reporting*.

Appendix B—Summary of the IASB's decisions/tentative decisions on the project plan and in redeliberating the proposals in the Exposure Draft to date

Table B1—IASB's decisions on the project plan

Topic	IASB Meeting	IASB's decisions
Overview of feedback on the proposals—including feedback on the project objective and approach	May 2025	1. The IASB discussed a summary of the feedback from comment letters and from outreach activities on its Exposure Draft. The IASB was not asked to make any decisions.
Project plan for redeliberation of the Exposure Draft proposals	June 2025	1. The IASB decided: (a) to keep the project's objectives unchanged; (b) to consider adding application questions to the project's scope only if they can be resolved in a timely manner and would not result in re-exposure of the proposals in the Exposure Draft—that is, to use a high hurdle when considering adding application questions to the project's scope; and (c) to proceed with redeliberating the proposals in the Exposure Draft. 2. The IASB also decided not to describe a project on a fundamental review of the equity method in the request for information on the IASB's Fourth Agenda Consultation.

Topic	IASB Meeting	IASB's decisions
Scope of the project—Consideration of additional application questions	September 2025	1. The IASB decided: (a) to add to the scope of the project the application question 'How does an investor recognise acquisition-related costs when applying the equity method?'. (b) not to add to the scope of the project an application question on obtaining significant influence over an associate that does not constitute a business. 2. The IASB also decided: (a) not to add to the scope of the project an application question on qualifying criteria for using the fair value option in accordance with paragraphs 18–19 of IAS 28.[2] (b) instead, to explore whether to clarify these paragraphs, which permit specified entities to measure investments within the scope of the Standard at fair value through profit or loss.

[2] In February 2026, the IASB published the Exposure Draft *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures*. The Exposure Draft proposed amending IAS 28 to clarify that an entity that has a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18 *Presentation and Disclosure in Financial Statements*) is eligible to elect the fair value option in IAS 28.

Table B2—IASB's decisions/tentative decisions on redeliberating the proposals in the Exposure Draft

Topic	IASB Meeting	IASB's decisions
Measurement of the cost of an associate	November 2025	1. The IASB tentatively decided to proceed with its proposals to require an investor on obtaining significant influence or joint control: (a) to measure the cost of an associate or a joint venture at the fair value of the consideration transferred, including the fair value of any previously held interest in the associate or joint venture; and (b) to recognise contingent consideration as part of the consideration transferred and measure it at fair value. 2. The IASB tentatively decided to proceed with its proposals to require an investor after obtaining significant influence or joint control: (a) not to remeasure contingent consideration classified as an equity instrument; (b) to measure other contingent consideration at fair value at each reporting date; and (c) to recognise changes in fair value in profit or loss.
	October 2025	3. The IASB tentatively decided to proceed with its proposals to require an investor when purchasing an additional ownership interest in an associate or joint venture to apply the requirements described in (2). 4. The IASB tentatively decided to require acquisition-related costs incurred by an investor: (a) to obtain significant influence or joint control—to be recognised as an expense in profit or loss in the period in which the costs are incurred. (b) to purchase an additional ownership interest in an associate or joint venture—to be recognised as an expense in profit or loss in the period in which the costs are incurred.

	[April 2026](#)	5. The IASB also tentatively decided to require an investor to apply the requirements in (4) prospectively from the transition date. 6. The IASB tentatively decided to confirm the proposal to include in the carrying amount of the investment the deferred tax effects related to adjusting the investor's share of the associate's identifiable assets and liabilities to fair value. 7. The IASB tentatively decided to clarify that, when an investor issues equity or debt instruments to obtain significant influence, it is required to account for the costs to issue the debt or equity instrument in accordance with IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments*. 8. The IASB tentatively decided not to add a requirement that, before recognising a gain on a bargain purchase, an investor would: (a) reassess whether it has correctly identified all the assets and liabilities of the associate; and (b) review the procedures used to measure the fair value of the share of the associate's identifiable assets and liabilities.
Changes in an investor's ownership interest—purchases of an additional ownership interest	[November 2025](#)	1. The IASB tentatively decided to proceed with its proposal to require an investor, at the date of purchase of an additional ownership interest, to measure that interest at the fair value of the consideration transferred. 2. The IASB tentatively decided to proceed with its proposal to require an investor, at the date of purchase, to include in the carrying amount of the investment its additional share of the fair value of the associate's or joint venture's identifiable assets and liabilities. 3. The IASB also tentatively decided to extend the measurement period described in paragraph 45 of IFRS 3 *Business Combinations* to when an investor obtains significant influence over an associate or purchases an additional ownership interest in an associate.

	March 2026 April 2026	4. The IASB tentatively decided: (a) to provide relief from the proposal to require an investor to measure at fair value the additional share of the associate's identifiable assets and liabilities. The relief would permit the investor to use an alternative measure when purchasing an additional ownership interest and retaining significant influence. (b) to permit an investor to apply the relief if the investor reasonably expects that the effects of using that alternative measure would not result in a material difference in its financial statements in the current or future periods (eligibility criterion). (c) to list the factors an investor considers in assessing the eligibility criterion. (d) not to specify alternative measures to fair value that an investor is permitted to use when using the relief. (e) to permit optional use of the relief. 5. The IASB tentatively decided to confirm the proposal to require an investor to recognise a bargain purchase gain from the purchase of an additional ownership interest in profit or loss. 6. The IASB tentatively decided to confirm the proposal that, after reducing the carrying amount of its investment to nil, an investor is not required to immediately recognise losses not recognised on its previously held investment when it purchases an additional ownership interest.
Changes in an investor's ownership interest—Disposal of a portion of an investment in an associate	November 2025	1. The IASB tentatively decided to proceed with its proposals to require an investor disposing of a portion of an investment: (a) to measure the disposed portion as a percentage of the carrying amount of the investment (calculated as the disposed ownership interest divided by the total ownership interest); and (b) to recognise the difference between the consideration received and the portion derecognised as a gain or loss in profit or loss.

Other changes in an investor's ownership interest	March 2026	1. The IASB tentatively decided to retain the proposal to require an investor that retains significant influence over an associate when its ownership interest changes: (a) to apply paragraphs 30–31 of the Exposure Draft to an increase in its ownership interest, as if the investor had purchased an additional ownership interest; and (b) to apply paragraphs 32–33 of the Exposure Draft to a decrease in its ownership interest, as if the investor had disposed of an ownership interest. 2. The IASB tentatively decided: (a) not to provide illustrative examples of some fact patterns to clarify how an investor would apply paragraphs 30–33 of the Exposure Draft. (b) not to introduce a requirement for an investor to recognise its share of the expense and the corresponding adjustment to the carrying amount of the investment during the vesting period of an equity-settled share-based payment transaction; (c) not to provide an exemption from applying paragraphs 30–33 of the Exposure Draft for transactions to which an investor is not a party, including those that occur outside an immediate associate; (d) not to introduce requirements for hybrid instruments (for example, hybrid instruments that affect dividend distribution but not voting rights); and (e) not to introduce requirements for when an investor could combine transactions.
Transactions with associates	October 2025 February 2026	1. In considering the feedback on the proposal to recognise in full gains or losses resulting from all transactions with associates and joint ventures, the IASB decided to undertake further work: (a) to understand the concerns of respondents who said the proposals could increase opportunities for earnings management; and (b) to understand whether enhancing disclosures or adding guidance might resolve these concerns. The IASB discussed the feedback from the further work undertaken in February 2026.

	May 2026	2. The IASB decided to retain within the scope of the project the application question on inconsistency between IAS 28 and IFRS 10 *Consolidated Financial Statements*. 3. The IASB tentatively decided: (a) to introduce an accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on all transactions with associates, except for gains or losses on transfer of businesses, which would be recognised in full; (b) to confirm its proposal in the Exposure Draft to withdraw the amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (2014); and (c) to amend IFRS 10 to require an investor that chooses to restrict gains and losses on transactions with associates to also restrict gains or losses on the loss of a control of a subsidiary that is not a business. 4. The IASB tentatively decided that: (a) if an investor chooses to recognise gains or losses in full, the investor discloses: (i) the accounting policy for recognising gains or losses on transactions with associates; and (ii) gains or losses from 'downstream' transactions with its associates (as proposed in the Exposure Draft); and (b) if an investor chooses to restrict the recognition of gains or losses, the investor discloses: (i) its accounting policy for recognising gains or losses on transactions with associates; (ii) a reconciliation of the opening balance to the closing balance of restricted gains or losses on transactions with associates, including: 1) the opening balance of the restricted gains or losses; 2) the amounts of restricted gains or losses recognised in profit and loss included in the opening balance;

		3) the amounts of restricted gains or losses during the period, separately disclosing the amounts recognised in profit and loss in the current period; and 4) the closing balance of restricted gains or losses. (iii) the amount of gains or losses restricted at the end of the period and where it is included in the statement of financial position; and (iv) the line items in the statement of comprehensive income where the restricted gains or losses have been recognised.
Impairment of an investment	February 2026	1. The IASB tentatively decided to retain guidance from IAS 28: (a) to explain that a single, discrete event might not by itself indicate an impairment and that instead the combined effect of several events might indicate an impairment; and (b) to clarify that the investor is required to consider observable information that comes to its attention when the investor determines whether its net investment in an associate might be impaired. 2. The IASB tentatively decided: (a) to proceed with its proposal to replace 'decline in the fair value of an investment … below its cost' in paragraph 41C of IAS 28 with 'decline in the fair value … to less than its carrying amount'; (b) to proceed with its proposal to remove from IAS 28 the reference to a 'significant or prolonged' decline in fair value; (c) to proceed with its proposal to explain that an investor considers observable price information—such as the quoted market price, the price paid to purchase an additional interest in the associate, or the price received to sell part of the interest—when the investor determines whether its net investment might be impaired; and (a) to clarify that for a publicly traded associate, the investor considers the quoted market price at the reporting date.

		3. The IASB tentatively decided: (a) not to move the impairment requirements from IAS 28 to IAS 36 *Impairment of Assets*; and (b) not to consider two application issues relating to the reversal of an impairment loss
Investor's share of the associate's profit or loss and other comprehensive income	May 2026	1. The IASB tentatively decided to confirm its proposal that an investor first recognises its share of an associate's profit or loss and then the share of the associate's other comprehensive income, if both shares are losses and in aggregate exceed the carrying amount of the net investment in the associate. 2. The IASB tentatively decided to withdraw its proposal that an investor continues to recognise and separately present its share of an associate's profit or loss and its share of the associate's other comprehensive income after the investor has reduced the net investment to nil. 3. The IASB decided not to add to the scope of the project a question on whether an investor, on resuming the recognition of its share of profit after the investment has been reduced to nil, should first recognise its share of an associate's profit or loss or its share of the associate's other comprehensive income.
Separate financial statements	June 2026	1. The IASB tentatively decided that: (a) an investor that applies the equity method to associates in its separate financial statements may choose either to restrict recognition of gains or losses (except for gains or losses on transfer of businesses, which would be recognised in full) or to recognise gains and losses in full on all transactions with associates. The investor need not apply the same accounting policy to the recognition of gains and losses on transactions with associates in its consolidated and separate financial statements. (b) a parent that applies the equity method to subsidiaries in its separate financial statements may choose either to restrict the recognition of gains or losses or to recognise gains and losses in full on all transactions with subsidiaries. 2. The IASB tentatively decided to withdraw its proposals in the Exposure Draft that:

		(a) an entity does not remeasure its previously held interest in an investment accounted for using the equity method if it acquires control of that investment and continues applying the equity method; and (b) an entity does not remeasure a retained interest in a former subsidiary if it loses control of the subsidiary and continues applying the equity method to the retained interest. 3. The IASB also decided not to add to the scope of the project application questions on measurement of cost, step acquisition and loss of control of an investment in a subsidiary accounted for at cost in separate financial statements.
Disclosure requirements—IFRS 12 Disclosure requirements—IFRS 19	June 2026	1. The IASB tentatively decided to confirm its proposals in the Exposure Draft to require an investor to disclose: (a) gains or losses from other changes in its ownership interest; (b) information about contingent consideration arrangements; and (c) a reconciliation between the opening and closing carrying amount for its associates. 2. The IASB also tentatively decided to confirm its proposal in the Exposure Draft to introduce a disclosure objective to disclose information that would enable users of financial statements to understand changes in the carrying amount of investment in associates. 3. The IASB tentatively decided that, if an investor applies the relief from measuring at fair value the additional share of the associate's or joint venturer's identifiable assets and liabilities, when purchasing an additional ownership interest and retaining significant influence, the investor discloses the use of that relief. 4. The IASB tentatively decided: (a) to confirm its proposal in the Exposure Draft to amend IFRS 19 to require an eligible subsidiary to disclose information about contingent consideration arrangements; and

		(b) not to require an eligible subsidiary to disclose a reconciliation between the opening and closing carrying amount of its associates. 5. The IASB tentatively decided that, if an eligible subsidiary applies the relief from measuring at fair value the additional share of an associate's identifiable assets and liabilities, the eligible subsidiary is not required to disclose the use of that relief when purchasing an additional ownership interest and retaining significant influence.