IFRS® Accounting

Staff paper

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Project	**Equity Method**
Topic	**Transition requirements in IAS 28 (revised 202x)**
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Purpose of this paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB):

   (a) to consider the feedback on its proposals in the Exposure Draft *Equity Method of Accounting—IAS 28* Investments in Associates and Joint Ventures *(revised 202x)* (the Exposure Draft) relating to transition requirements; and

   (b) to decide whether to proceed with those proposals.

2. The transition requirements discussed in this paper relate to entities that already apply IFRS Accounting Standards. Transition requirements for first-time adopters of IFRS Accounting Standards are discussed in Agenda Paper 13C *Transition requirements for first-time adopters*.

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. The staff recommends that the IASB:

   (a) confirms the proposal to require retrospective application of a change in accounting policy for recognising gains and losses from transactions with associates, subject to clarifying that this requirement:

      (i) is subject to the 'impracticability' exemption in IAS 8 *Basis of Preparation of Financial Statements*; and

      (ii) applies only to the remaining portion of a previously restricted gain or loss at the transition date;

   (b) confirms the proposed transition requirements for contingent consideration, subject to clarifying that the requirement to recognise and measure contingent consideration at fair value at the transition date applies only to outstanding contingent consideration obligations at that date;

   (c) confirms the proposed transition requirements relating to impairment of an investment in an associate at the transition date, subject to clarifying that the investor is permitted (but not required) to estimate the investment's recoverable amount at the transition date;

   (d) adds a transition requirement for an investor that has unrecognised losses at the transition date, to require the investor to recognise an adjustment to the opening balance of retained earnings at the transition date and a corresponding decrease in the investment's carrying amount for the lower of:

      (i) the amount of those unrecognised losses; and

      (ii) the amount of any increase to the carrying amount of the investment resulting from applying the transition requirements in paragraphs C4–C7 of Appendix C *Effective date and transition* of the Exposure Draft;

   (e) confirms the proposal to require an investor to apply all other requirements prospectively from the transition date;

   (f) confirms the proposals to provide relief:

(i) from restating any prior period presented in addition to the comparative period; and

(ii) from disclosing the effects of the proposed requirements on the current period or any unadjusted additional prior period (as required by paragraph 28(f) of IAS 8 and paragraph 178(f) of IFRS 19 *Subsidiaries without Public Accountability: Disclosures*); and

(g) requires the transition requirement in (a) to also apply to the related amendments to IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*.

Structure of this paper

5. This paper is structured as follows:

(a) background (paragraphs 7–13 of this paper);

(b) gains and losses from transactions with associates (paragraphs 14–32 of this paper);

(c) contingent consideration (paragraphs 33–45 of this paper);

(d) impairment (paragraphs 46–57 of this paper);

(e) other requirements (paragraphs 58–71 of this paper);

(f) other reliefs (paragraphs 72–77 of this paper);

(g) amendments to IFRS 10 and IAS 27 (paragraphs 78–81 of this paper); and

(h) questions for the IASB.

6. This paper also includes three appendices:

(a) Appendix A—Extract from Appendix C of the Exposure Draft;

(b) Appendix B—Extract from the Basis for Conclusions on the Exposure Draft; and

(c) Appendix C—Amendments to IFRS 10 and IAS 27.

Background

Proposals in the Exposure Draft

7. The IASB proposed to require an investor:

   (a) to apply the requirement to recognise in full gains or losses on all transactions with associates retrospectively, with the remaining portion of a previously restricted gain or loss at the transition date recognised in the opening balance of retained earnings in accordance with IAS 8;

   (b) to apply the requirement in (a) to any gain or loss from the remeasurement at fair value of an investment retained in a former subsidiary if an investor had applied paragraph B99A of IFRS 10 early;

   (c) to recognise and measure contingent consideration (for investments in associates purchased before the transition date) at fair value at the transition date and adjust the carrying amount of the investment (except as described in (d));

   (d) not to remeasure contingent consideration at the transition date if the investor had classified that contingent consideration as an equity instrument and measured it at fair value at the date of obtaining significant influence; and

   (e) to apply all the other proposed requirements prospectively from the transition date.

8. The IASB also proposed that if an investor increased the carrying amount of an investment in an associate as a result of the transition requirements, and had estimated the recoverable amount of that investment in accordance with IAS 36 *Impairment of Assets* at the transition date, the investor would reduce that carrying amount to that recoverable amount, if applicable. Any impairment loss would be recognised in the opening balance of retained earnings at the transition date.

9. In addition, the IASB proposed relief from restating any prior period presented in addition to the comparative period and from disclosing the effects of the proposed

requirements on the current period or any unadjusted additional prior period (as required by paragraph 28(f) of IAS 8 and paragraph 178(f) of IFRS 19).

10. The proposed transition requirements described in paragraphs 7–9 of this paper are set out in paragraphs C3–C10 of Appendix C of the Exposure Draft, reproduced in Appendix A of this paper.

Rationale for the proposals in the Exposure Draft

11. The IASB's rationale for its proposals is set out in paragraphs BC178–BC216 of the Basis for Conclusions on the Exposure Draft, reproduced in Appendix B of this paper.

Feedback on the proposals

12. At its May 2025 meeting, the IASB discussed a summary of the feedback on the proposed transition requirements from respondents and from participants at outreach events.[2]

13. Not all respondents commenting on the proposed transition requirements responded to each of the proposed requirements. Therefore, staff summarised the feedback separately for each proposed requirement. That feedback, together with the staff analysis of the feedback, is set out in the applicable sections of this paper.

Gains and losses from transactions with associates

14. As noted in paragraph 7(a) of this paper, the IASB proposed requiring an investor to apply the proposed requirement to recognise in full gains and losses on all transactions with associates retrospectively, with the remaining portion of a previously restricted gain or loss recognised in the opening balance of retained earnings in accordance with IAS 8.

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[2] See Agenda Paper 13F *Feedback from comment letters—Transition Requirements* and paragraphs 33–35 of Agenda Paper 13H *Outreach Feedback Summary*.

15. At its May 2026 meeting, the IASB tentatively decided to introduce an accounting policy choice that permits an investor to choose either full recognition or restricted recognition of gains or losses on transactions with associates, except for gains or losses on transfers of a business, which would be recognised in full. The IASB also tentatively decided to make related amendments to IFRS 10 and, at its June 2026 meeting, to make related amendments to IAS 27*,* which are discussed in paragraphs 78–81 and Appendix C of this paper.

16. If an investor's accounting policy on transition to IAS 28 (revised 202x) is the same as its current accounting policy, the proposed transition requirement is unnecessary and, if retained in IAS 28 (revised 202x), would have no practical effect. However, there are two situations in which an investor's accounting policy could change:

    (a) an investor could choose to recognise in full gains or losses on all transactions with its associates.

    (b) although an investor could choose to continue restricting gains or losses on transactions with associates, it will be required to recognise in full gains or losses on transfers of businesses, including gains or losses on the transfer of an unincorporated business (a transaction outside the scope of IFRS 10).

17. In both of the situations described in paragraph 16 of this paper, the proposed transition requirement would require the investor to apply its new accounting policy retrospectively. Therefore, the staff analysis in paragraphs 22–31 of this paper considers the feedback on the proposed transition requirement in this context.

Feedback on the proposal

18. Some respondents agreed with the proposal. However, many respondents disagreed:

    (a) some of these respondents disagreed because they disagreed with the IASB's proposal to require an investor to recognise in full gains and losses from transactions with its associates.

(b) many of these respondents disagreed because they consider the transition requirement to be difficult to apply, or that entities may not have the necessary information on the portion of gains or losses not recognised and retrieving the information would result in undue effort. A few of these respondents mentioned specific circumstances where the information would not be available. One example provided involved an investor that had contributed a business to an associate in the past and applied the requirement in IAS 28 to restrict the recognised gain, with a corresponding adjustment made to the carrying amount of the investment. The investor might not have tracked the unrecognised portion of the gain because it was not necessary to do so—that portion of the gain would be released automatically in the event of disposal of the investment, as a result of derecognising the reduced carrying amount of the investment.

19. Respondents that disagreed with the proposal suggested either permitting an option to apply the proposal prospectively or introducing relief from retrospective application, such as an 'impracticability' or an 'undue cost or effort' exemption. A few respondents suggested permitting a modified retrospective approach, similar to that used in IFRS 15 *Revenue from Contracts with Customers*.

20. Only one user commented on the proposal. They expressed doubt about whether the retrospective application requirement would provide additional relevant information for users.

21. Participants at outreach events expressed mixed views on the proposal. Many participants agreed with this proposal, while many participants said that an investor might have lost track of the restricted portion of gains and losses from transactions with associates. In this case, the investor would need to collect information on all past transactions, which would be complex and costly. Therefore, those participants suggested that the IASB introduce impracticability relief or require entities to apply the transition requirement to recognise the full gains and losses on transactions with associates prospectively.

Staff analysis

22. The IASB's rationale for its proposal (see paragraphs BC182–BC186 of the Basis for Conclusions on the Exposure Draft, reproduced in Appendix B of this paper) included the following points:

    (a) in general, information about the remaining balance of the restricted portion of gains and losses at the transition date should be available to preparers because that information is necessary to apply the current requirements in IAS 28. Therefore, while retrospective application could involve some costs, the IASB's view is that, on balance, the benefits of retrospective application are likely to outweigh those costs.

    (b) IAS 8 includes requirements to limit retrospective application if it is impracticable for an entity to determine the effects of a change in accounting policy (the 'impracticability' exemption).

23. On the point in paragraph 22(b), feedback suggests that the Exposure Draft was unclear that the proposed transition requirement was intended to be subject to the 'impracticability' exemption in IAS 8. The staff agrees that there could be circumstances in which the investor might not have the necessary information to determine the remaining balance of the restricted portion of gains or losses at the transition date, such as the example in paragraph 18(b) of this paper. Another example is a situation in which the investor eliminated the restricted portion of a gain from an upstream transaction against the cost of the asset purchased from the associate (such as inventory or an item of property, plant and equipment) and subsequently released that restricted portion automatically via the lower amount of cost expensed when the asset is derecognised on sale or depreciated over its useful life.[3] In this situation, the investor might not have retained the information needed to determine the amount of

[3] IAS 28 does not specify how to eliminate the restricted portion of gains or losses from transactions with associates. In upstream transactions, the restricted portion could be eliminated against the cost of the asset purchased from the associate or against the carrying amount of the investment. In downstream transactions, it is likely that the restricted portion would be eliminated against the carrying amount of the investment.

any remaining balance of the restricted portion of the gain relating to assets still held at the transition date.

24. IAS 8 requires that when retrospective application is impracticable for one or more prior periods presented, the entity applies the new accounting policy as at the beginning of the earliest period for which retrospective application is practicable, which could be the current period. The Standard also requires disclosure of the circumstances that led to retrospective application being impracticable and a description of how and from when the change in accounting policy was applied.[4]

25. Clarifying that the 'impracticability' exemption in IAS 8 would apply to the proposed transition requirement, as the IASB intended (see paragraph BC185 of the Basis for Conclusions on the Exposure Draft), would address the comments of some respondents and outreach participants.

26. In addition, the staff thinks it would be helpful to clarify that the proposed transition requirement applies only to the remaining portion of a previously restricted gain or loss at the transition date. It would not be necessary for investors to make any adjustments for past transactions with associates for which the restricted portion of gains or losses had been released before the transition date or to make any other retrospective adjustments (such as to any related hedging relationships).

27. As noted in paragraph 19 of this paper, some respondents instead suggested an 'undue cost or effort' exemption, which is broader than the 'impracticability' exemption in IAS 8. An 'undue cost or effort' exemption could be applied in situations in which retrospective application is not impracticable but, in the entity's judgement, involves undue cost or effort. Some IFRS Accounting Standards provide an 'undue cost or effort' exemption in specific circumstances.[5] However, this type of exemption is not widely used. Moreover, in the context of retrospective application of changes in accounting policies, the IASB previously decided that an 'undue cost or effort'

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[4] See paragraphs 24 and 28(h) of IAS 8.

[5] For example, see paragraphs B65 and B72 of IFRS 18 *Presentation and Disclosure in Financial Statements*.

exemption is too subjective to be applied consistently, and that balancing the costs and benefits is a task for the IASB when it sets accounting requirements.[6] The staff also understands some preparers might not favour such an exemption because of the subjectivity involved in using it, which would need to be agreed with its auditors. Although somewhat similar preparer concerns could arise with 'impracticability', an 'undue cost or effort' exemption is more subjective because of the need for judgement about whether the costs and efforts associated with retrospective application are 'undue'.

28. Another suggestion from some respondents and some outreach participants was to permit prospective application more generally. In considering this suggestion, the staff acknowledges that the only user to comment on the proposed retrospective application requirement expressed doubt about whether it provide additional relevant information (see paragraph 20 of this paper), which could suggest that the IASB should permit prospective application. However, it is not known whether that view is shared more generally by other users, who did not comment on the proposal.

29. If an investor applied its new accounting policy on gains or losses from transactions with associates prospectively, the potential outcomes include:

   (a) in some cases, the investor might 'double-up' the gains or losses recognised in a reporting period because of recognising both:

      (i) the full gains and losses on transactions that occurred in the current period; *and*

      (ii) the restricted portion of gains and losses released during the current period on transactions with associates that occurred in an earlier period.

   (b) in other cases, the restricted portion of gains or losses at the transition date could be deferred indefinitely, by remaining 'frozen' in the investment's carrying amount until released on disposal of the investment.

[6] See paragraphs BC23–BC24 of the Basis for Conclusions on IAS 8.

30. Depending on the magnitude of gains and losses from transactions with associates, the outcome described in paragraph 29(a) of this paper could have a significant impact on comparability and the faithful representation of an investor's results for the period.

31. A few respondents suggested that the IASB permit investors to use a modified retrospective approach, similar to the approach in IFRS 15, that would permit an investor to apply its new accounting policy retrospectively from its date of initial application of IAS 28 (revised 202x), instead of its transition date. This approach would not require the investor to restate amounts for the comparative period, which would reduce costs to preparers. For example, an investor would not need to make adjustments for the restricted portion of gains or losses at the transition date that were released during the comparative period. This approach would impact on comparability within an entity's financial statements. It would also impact on comparability between entities that chose different transition approaches: either full or modified retrospective application (assuming that the IASB did not *require* use of a modified retrospective approach, to avoid prohibiting retrospective application from the transition date). However, these impacts on comparability would be limited to the financial statements presented for the period of initial application of IAS 28 (202x). Also, this approach would avoid the outcomes described in paragraph 29 of this paper.

Staff recommendation

32. Based on the analysis in paragraphs 22–31 of this paper, the staff recommends that the IASB confirms its proposal to require retrospective application of a change in accounting policy for recognising gains and losses from transactions with associates, subject to clarifying that this requirement:

   (a) is subject to the 'impracticability' exemption in IAS 8; and

   (b) applies only to the remaining portion of a previously restricted gain or loss at the transition date.

Contingent consideration

33. As noted in paragraph 7(c)–(d) of this paper, the IASB proposed to require an investor:

    (a) to recognise and measure contingent consideration (for investments in associates purchased before the transition date) at fair value at the transition date and adjust the carrying amount of its investments accordingly; and

    (b) not to remeasure contingent consideration at the transition date if the investor had classified that contingent consideration as an equity instrument and measured it at fair value at the date of obtaining significant influence.

Feedback on the proposal

34. Most of the respondents who commented on the proposals agreed with them.

35. Some respondents who commented disagreed with the proposal to recognise and measure contingent consideration at fair value at the transition date. They suggested the IASB consider whether to require prospective recognition of contingent consideration previously not measured at fair value. As respondents did not elaborate on this suggestion, the staff thinks 'prospective application' would require an entity that had not recognised contingent consideration previously at fair value to apply the proposed requirements to transactions that occur after the transition date (similar to the proposed transition requirement for other proposed requirements (see paragraph 7(e) of this paper). These respondents argued that the proposed transition requirement for contingent consideration may be complex, especially for older transactions, and involve the use of hindsight. One respondent suggested the IASB consider an 'undue cost or effort' exemption.

36. One accounting firm recommended recognising in retained earnings (or another appropriate component of equity) an adjustment for contingent consideration rather than adjusting the carrying amount of the investment, if the investor had recognised

contingent consideration in the initial cost of the investment and not remeasured contingent consideration.

37. One standard-setter disagreed with the proposed transition requirement and recommended retrospective application for all proposed requirements.

Staff analysis

38. The staff notes that most respondents who commented agreed with the proposed transition requirements for contingent consideration. The staff analysis focuses on comments of those who disagreed.

39. In relation to the concerns about complexity and the use of hindsight (see paragraph 35 of this paper), some of the feedback suggests that those concerns might have arisen because of a misunderstanding about the scope of the proposed transition requirement. Some respondents said it could be read as applying to all contingent consideration in past transactions, including contingent consideration settled before the transition date. However, that was not the IASB's intention, as these respondents acknowledged. They suggested the IASB clarify that the transition requirement applied only to any outstanding contingent consideration at the transition date (that is, contingent consideration obligations not yet settled).

40. For those outstanding contingent consideration obligations, in the staff view, measuring the fair value of those obligations at the transition date would not be more complex than measuring the fair value of new contingent consideration obligations. Given that those outstanding obligations exist, irrespective of whether they had been recognised in the investor's financial statements, the staff expects that the investor would have retained information from those past transactions about the terms and conditions of those obligations. That information is necessary to determine whether, when and how much additional consideration will be required to settle the obligation in the future.

41. Furthermore, whether measuring the fair value of contingent consideration obligations at the transition date would involve the use of hindsight depends on when an investor prepares for transition. Given that the IASB usually allows at least one year between the date of issuing a new or amended IFRS Accounting Standard and its effective date, the transition date is likely to be *after* the date of issue of IAS 28 (revised 202x), particularly for entities that present only one period of comparative information. And for entities that present more than one period of comparative information, the proposed transition requirements would permit an investor to present that additional comparative information unadjusted for the effects of IAS 28 (revised 202x). Accordingly, the staff think that the possible use of hindsight would be limited to situations in which:

    (a) an investor presented more than one period of comparative information, including an additional comparative period that began before the date of issuing IAS 28 (revised 202x) *and* the investor chose to adjust that additional comparative information for the effects of applying the Standard; or

    (b) an investor did not prepare for transition until *after* its transition date. However, whether such a situation would arise depends on whether the investor prepared for its transition to the Standard in a timely way. The staff notes that:

        (i) although not yet effective, the issue of the Standard before the investor's transition date (except for the situation discussed in (a)) means that the requirement to measure the fair value of contingent consideration at the transition date would have been established; and

        (ii) paragraph 30(b) of IAS 8 requires entities to disclose known or reasonably estimable information relevant to assessing the possible impact on an entity's financial statements in the period of initial application of a new IFRS Accounting Standard that had been issued but is not yet effective.

42. In relation to the suggestion to recognise an adjustment in retained earnings instead of adjusting the carrying amount of the investment (see paragraph 36 of this paper), the staff understands that this suggestion relates to a situation in which:

    (a) at the transition date, an investor had an outstanding liability for contingent consideration relating to an earlier acquisition of an investment in an associate;

    (b) the investor had recognised that contingent consideration, measured at fair value, as part of the cost of the investment on initial recognition; and

    (c) the investor had not subsequently remeasured the contingent consideration liability.

43. In this situation, the adjustment resulting from measuring the contingent consideration at fair value at the transition date relates to changes in the fair value of the liability between the date of initial recognition and the transition date. The staff agrees that in this specific situation, it would be appropriate to recognise the adjustment in retained earnings (or another appropriate component of equity). However, allowing for the possibility of this specific situation would complicate the transition requirements. The staff also questions whether such a situation would commonly occur. In the staff view, if an investor recognised a contingent consideration liability, measured at fair value, on initial recognition of an investment in an associate (for example, by analogising to the contingent consideration requirements in IFRS 3 *Business Combinations*), the investor likely would have subsequently remeasured that liability at each reporting date. The staff also notes that this matter was raised by only one respondent, which suggests that the matter is not widespread. Overall, in the staff view, the feedback does not provide sufficient evidence that it is necessary for the IASB to consider developing a transition requirement for the specific situation described in paragraph 42 of this paper.

44. In relation to the suggestion to require retrospective application (see paragraph 37 of this paper), the staff notes that the IASB decided not to propose retrospective application because measuring the fair value of contingent consideration at the date of obtaining significant influence, which could be some time before the transition date,

would likely involve the use of hindsight (see paragraph BC190 of the Basis for Conclusions on the Exposure Draft, reproduced in Appendix B of this paper).

Staff recommendation

45. Based on the analysis in paragraphs 38–44 of this paper, the staff recommends that the IASB confirms the proposed transition requirements for contingent consideration, subject to clarifying that the requirement to recognise and measure contingent consideration at fair value at the transition date (paragraph C6 of the Exposure Draft) applies only to outstanding contingent consideration obligations at that date.

Impairment

46. As noted in paragraph 8 of this paper, the IASB proposed that if an investor increased the carrying amount of an investment in an associate as a result of the transition requirements, *and* had estimated the recoverable amount of that investment in accordance with IAS 36 at the transition date, the investor would reduce that carrying amount to that recoverable amount, if applicable. Any impairment loss would be recognised in the opening balance of retained earnings at the transition date. Therefore, an investor would be allowed to recognise an impairment loss in retained earnings only if the investor had estimated the recoverable amount of the investment at the transition date.

Feedback on the proposal

47. Some respondents from Europe, including standard-setters and accounting firms, disagreed with the proposal not to permit an investor to retrospectively test the ‘adjusted carrying amount’ of the investment for impairment. These respondents noted that the increase in the carrying amount of the investment may result in the carrying amount being higher than the recoverable amount and that, if the investor is prevented from retrospectively testing the ‘adjusted carrying amount’ investment for

impairment at the transition date, this would lead to the investor recognising an impairment loss in profit or loss after the transition date.

48. Two European standard-setters who disagreed with the proposal not permitting an entity from performing a retrospective impairment test noted that the IASB is requiring an entity to adjust the carrying amount of the contingent consideration (see paragraph 7(c) of this paper), which also involves the use of hindsight. In the respondents' view, the two proposed requirements are inconsistent. The Austrian Financial Reporting Advisory Committee noted:

> While the IASB finds evidence for retrospective fair value measurement of contingent consideration convincing, paragraph C8 would only allow the use of determinations of recoverable amounts as determined 'at the date of transition' but not determined 'for the date of transition'. The IASB was worried about the use of hindsight and impracticabilities. Besides any impracticabilities that could arise on both, measurement of contingent consideration and recoverable amount, we do not see significantly different risks for the use of hindsight for both measurements. However, we rather see the inconsistency for the timing of impairment expense under the proposed approach. Therefore, we suggest reconsidering the restrictions for retrospective application in paragraph C8 of IAS 28.

49. Two European respondents and a few participants at outreach events asked the IASB clarify whether an investor that has reduced the carrying amount of its investment to nil should reset the balance of losses not recognised at the date of transition if it increases the carrying amount of its investment in applying paragraphs C4–C7 of the Exposure Draft.

Staff analysis

50. As explained in paragraphs BC202–BC203 of the Basis for Conclusions on the Exposure Draft (reproduced in Appendix B of this paper), the IASB decided:

(a) not to require an investor to test its investments in associates for impairment at the transition date because if there was no indication of impairment at that date, such a requirement would impose costs on preparers without any benefits for users; and

(b) not to permit an investor to retrospectively test the 'adjusted carrying amount' of the investment because, in most cases, testing for impairment would require an investor to determine a value in use, and this calculation would often involve the use of hindsight.

51. In relation to the feedback from respondents in paragraph 47 of this paper, the staff acknowledges that if an investor had to increase the carrying amount of an investment in an associate on transition to IAS 28 (revised 202x) and had not estimated the recoverable amount of that investment at the transition date, that could result in recognition of an impairment loss in profit or loss after the transition date. However, the staff notes that the absence of a *requirement* to estimate the investment's recoverable amount at the transition date would not prevent an investor from choosing to do so. As noted in paragraph 41 of this paper, an investor's transition date is likely to be after the issue of IAS 28 (revised 202x). Therefore, an investor preparing for transition could consider the expected effect of the transition requirements on the investment's carrying amount (for example, when applying the disclosure requirement of IAS 8 on standards issued but not yet effective (see paragraph 41(b)(i) of this paper)). If the investor expected the transition to IAS 28 (revised 202x) would result in a significant increase in an investment's carrying amount, the investor could choose to estimate the investment's recoverable amount at the transition date. On transition, the investor would recognise any resulting impairment loss in the opening balance of retained earnings at the transition date.

52. In relation to the feedback from respondents in paragraph 48 of this paper, the staff thinks that there is a difference between the proposed transition requirements on contingent consideration and impairment:

(a) the investor would be *required* to measure the fair value of contingent consideration at the transition date. That requirement limits the circumstances in which hindsight might be used in that measurement, as discussed in paragraph 41 of this paper.

(b) the investor would *not be required* to estimate the recoverable amount of the investment at the transition date. That creates a greater risk that hindsight would be used if the investor was permitted to backdate its estimate of the recoverable amount of an investment to the transition date.

53. However, the staff thinks that the IASB could clarify in the transition requirements that an investor is permitted (but not required) to estimate the investment's recoverable amount at the transition date. Also, the Basis for Conclusions could explain that an investor might choose to estimate the investment's recoverable amount at the transition date if it expects the investment's carrying amount will significantly increase on transition, as discussed in paragraph 51 of this paper.

54. In relation to the requested clarification in paragraph 49 of this paper, the staff understands that this request relates to a situation in which:

(a) before transitioning to IAS 28 (revised 202x), an investor had reduced the carrying amount of its investment in an associate to nil as a result of recognising its share of the associate's losses;

(b) not all of the investor's share of the associate's losses had been recognised at the transition date; and

(c) at the transition date, application of the proposed transition requirements in paragraphs C4–C7 of the Exposure Draft results in an increase to the carrying amount of the investment.

55. For example, suppose that at the transition date, the investor's share of unrecognised losses was CU200 and it increased the carrying amount of the investment when applying the transition requirements in paragraphs C4–C7 of the Exposure Draft by CU150. In the staff view, in this situation, the investor should recognise CU150 of

those previously unrecognised losses in the opening balance of retained earnings, to reduce the carrying amount of its investment back to nil.

56. Therefore, the staff thinks that the IASB should add a transition requirement to address the situation described in paragraph 54 of this paper.

Staff recommendation

57. Based on the analysis in paragraphs 50–56 of this paper, the staff recommends that the IASB:

(a) confirms the proposed transition requirements relating to impairment of an investment in an associate at the transition date, subject to clarifying that the investor is permitted (but not required) to estimate the investment's recoverable amount at the transition date; and

(b) adds a transition requirement for an investor that has unrecognised losses at the transition date, to require the investor to recognise an adjustment to the opening balance of retained earnings at the transition date and a corresponding decrease in the carrying amount of the investment for the lower of:

(i) the amount of those unrecognised losses; and

(ii) the amount of any increase to the carrying amount of the investment resulting from applying the transition requirements in paragraphs C4–C7 of the Exposure Draft.

Other requirements

58. As noted in paragraph 7(e) of this paper, the IASB proposed requiring an investor to apply all the other proposed requirements prospectively to transactions occurring after the transition date. In brief, those proposed requirements relate to:

(a) the initial recognition of an investment in an associate;

(b) the purchase of an additional ownership interest in an associate;

(c) the disposal of an ownership interest in an associate;

(d) other changes in ownership interests;

(e) unrecognised losses and purchase of an additional interest;

(f) the recognition of each component of other comprehensive income; and

(g) one of the impairment indicators in IAS 28 (relating to a decline in fair value).

Feedback on the proposal

59. Almost all respondents who commented supported the proposal.

60. One standard-setter noted that comparability between reporting periods is important for users of financial statements, so the IASB should require (or permit) retrospective application of the proposed requirements.

61. One accounting professional body noted that, if an entity had not previously included in the carrying amount of the investment the deferred tax effects on the fair value adjustments, prospectively applying the proposed requirements on additional purchases might be problematic.

Staff analysis

62. The staff thinks that the feedback provides support for the IASB to proceed with its transition proposal.

63. In relation to the suggestion to require or permit retrospective application instead (see paragraph 60 of this paper), the staff agrees that comparability between reporting periods is important for users of financial statements. However, the IASB proposed prospective application of these proposed requirements because of concerns that retrospective application could involve the use of hindsight, and could be costly and complex to apply (see paragraph BC199 of the Basis for Conclusions on the Exposure Draft, reproduced in Appendix B of this paper). In the staff view, those concerns

remain valid and the feedback on the Exposure Draft did not provide any evidence to the contrary.

64. In relation to the comment about deferred tax effects on purchase of an additional interest (see paragraph 61 of this paper), the staff understands that the respondent is concerned about the different treatment of deferred tax effects related to fair value adjustments on purchase of an additional interest compared with their treatment on obtaining significant influence. For example, suppose an investor:

    (a) purchased a 25 percent ownership interest on obtaining significant influence of an associate *before* the effective date of IAS 28 (revised 202x) and did not include in the investment's carrying amount the deferred tax effects related to fair value adjustments on obtaining significant influence. On transition, the proposed transition requirement would not require the investor to change its previous accounting treatment of those deferred tax effects.

    (b) purchased an additional 15 percent ownership interest *after* the effective date of IAS 28 (revised 202x). The investor would be required to include in the investment's carrying amount the deferred tax effects related to fair value adjustments on purchase of that additional ownership interest.

65. Two of the IASB's recent tentative decisions are relevant to considering this transition issue:

    (a) at its April 2026 meeting, the IASB tentatively decided to confirm its proposal to include in the carrying amount of the investment the deferred tax effects related to fair value adjustments, on obtaining significant influence of an associate and on purchase of an additional ownership interest; and

    (b) at its March 2026 meeting, the IASB tentatively decided to provide relief from measuring at fair value the investor's additional share of the associate's identifiable assets and liabilities on purchase of an additional ownership interest.

66. In relation to the relief in paragraph 65(b) of this paper, the staff notes that if an investor is eligible for and chose to use that relief, whether any deferred tax effects would arise on purchase of an additional ownership interest would depend on the alternative measure used. The analysis in this paper assumes that the investor used a measure for the associate's identifiable assets and liabilities on purchase of an additional ownership interest that gave rise to deferred tax effects.

67. In the staff view, there are two ways of looking at this transition issue:

    (a) focus on the individual investment in an associate—applying this focus, the different treatment of deferred tax effects, as described in paragraph 64 of this paper, seems inconsistent because only a portion of the deferred tax effects related to fair value adjustments would be included in the investment's carrying amount. An 'all or nothing' approach to deferred taxes might be simpler for users of financial statements when assessing an individual investment. If this view is accepted, it suggests that the IASB should modify the proposed transition requirement, to require an investor to continue to apply its previous accounting policy for deferred tax effects related to fair value adjustments to all investments in associates that were recognised before the transition date.

    (b) focus on transactions after the transition date, including all purchases of additional ownership interests—applying this focus, the proposed transition requirement means that the treatment of any deferred tax effects related to fair value adjustments would be the same for all purchases of additional ownership interests after the transition date, irrespective of when the investor first recognised a specific investment in an associate. This approach might be simpler for users of financial statements more generally, because they can simply assume that any deferred tax effects related to fair value adjustments have been included in an investment's carrying amount for all transactions after the transition date.

68. The staff also notes that retaining the proposed transition requirement would minimise the effects of prospective application of the requirements on deferred tax effects on fair value adjustments, because the amount of any 'missing' deferred tax effects would be lower, compared with the modified transition requirement discussed in paragraph 67(a) of this paper.

69. Furthermore, if the IASB were to consider modifying the transition requirement as discussed in paragraph 67(a) of this paper, it might need to consider whether there should be any limit on that approach. For example, suppose an investor obtained significant influence of an associate many years ago, and all the deferred tax effects related to fair value adjustments on initial recognition of the investment have already reversed before the transition date. In this situation, the investor's previous accounting treatment of those deferred tax effects on initial recognition of the investment would not matter. Accordingly, there would be no need to exclude from the investment's carrying amount the deferred tax effects related to fair value adjustments on any subsequent purchases of an additional ownership interest.

70. On balance, the staff think that no change to the proposed transition requirement for deferred taxes is necessary.

Staff recommendation

71. Based on the analysis in paragraphs 62–70 of this paper, the staff recommends that the IASB confirms the proposal to require an investor to apply all of the other requirements prospectively to transactions occurring after the transition date.

Other reliefs

72. As noted in paragraph 9 of this paper, the IASB also proposed relief from restating any prior period presented in addition to the comparative period and from disclosing the effects of the proposed requirements on the current period or any unadjusted

additional prior period (as required by paragraph 28(f) of IAS 8 and paragraph 178(f) of IFRS 19).

Feedback on the proposals

73. A few respondents commented on the other proposed reliefs in paragraph 9 of this paper. Of those responding, almost all agreed, except for one standard-setter, who did not provide a reason for disagreeing (their comment on the proposed reliefs was part of a broader comment on disagreeing with prospective application of any of the proposed requirements).

74. One accounting firm, however, suggested entities disclose qualitative information about the nature of the changes and their expected impact in the current period.

Staff analysis

75. The staff thinks that the feedback provides support for the IASB to proceed with the proposed reliefs.

76. In relation to the suggestion to require entities to disclose qualitative information about nature of the changes and their expected impact for the current period (see paragraph 74 of this paper), the staff notes that:

    (a) investors would be required to disclose information about the nature of any changes in accounting policies on transition to IAS 28 (revised 202x), in accordance with paragraph 28(c) of IAS 8 (and paragraph 178(c) of IFRS 19), because the IASB did not propose relief from that requirement.

    (b) the IASB decided to provide relief from the requirement in paragraph 28(f) of IAS 8 (and paragraph 178(f) of IFRS 19) to disclose information about the effects on the current period of changes in accounting policies because, in its view, the costs of complying with that requirement are likely to exceed the benefits (see paragraphs BC213–BC214 of the Basis for Conclusions on the Exposure Draft, reproduced in Appendix B of this paper). In the staff view, although providing qualitative information might be less costly than quantitative information, it might not be feasible for investors to provide useful qualitative information about the expected impact of changes in accounting policies without first performing a quantitative analysis of that expected impact.

Staff recommendation

77. Based on the analysis in paragraphs 75–76 of this paper, the staff recommends that the IASB confirms the proposals to provide relief:

    (a) from restating any prior period presented in addition to the comparative period; and

    (b) from disclosing the effects of the proposed requirements on the current period or any unadjusted additional prior period (as required by paragraph 28(f) of IAS 8 and paragraph 178(f) of IFRS 19).

Amendments to IFRS 10 and IAS 27

78. Paragraphs 14–32 of this paper discuss the transition requirements for the amendments to IAS 28 relating to recognising gains and losses on transactions with associates and joint ventures. At its May 2026 meeting, the IASB tentatively decided to make related amendments to IFRS 10 and, at its June meeting, to make related amendments to IAS 27.

79. The amendments to IFRS 10 and IAS 27 both relate to recognising gains and losses from transactions with an investee to which the equity method is applied. In the staff view, this suggests that the transition requirement in IAS 28 (revised 202x) for such transactions should also apply to the related amendments to IFRS 10 and IAS 27.

80. Appendix C of this paper contains a more detailed staff analysis to support this conclusion.

Staff recommendation

81. The staff recommends that the IASB requires the transition requirement in IAS 28 (revised 202x) for gains or losses from transactions with associates (see paragraph 32 of this paper) to also apply to the related amendments to IFRS 10 and IAS 27.

Questions for the IASB
1. Does the IASB agree with the recommendations in paragraph 32 of this paper, relating to the gains and losses from transactions with associates? 2. Does the IASB agree with the recommendation in paragraph 45 of this paper, relating to contingent consideration? 3. Does the IASB agree with the recommendations in paragraph 57 of this paper, relating to impairment? 4. Does the IASB agree with the recommendation in paragraph 71 of this paper, relating to other requirements? 5. Does the IASB agree with the recommendation in paragraph 77 of this paper, relating to other reliefs? 6. Does the IASB agree with the recommendation in paragraph 81 of this paper, relating to the amendments to IFRS 10 and IAS 27?

Appendix A—Extract from Appendix C of the Exposure Draft

A1. This appendix reproduces paragraphs C3–C10 of Appendix C of the Exposure Draft *Equity Method of Accounting—IAS 28 Investment in Associates and Joint Ventures* (revised 202x) relating to the proposed transition requirements.

Transition

C3 An investor or joint venturer shall apply this Standard prospectively to transactions occurring after the transition date, except as specified in paragraphs C4–C8.

C4 An investor or joint venturer shall apply paragraph 53 retrospectively. At the transition date, the remaining portion of a previously restricted gain or loss shall be recognised in the opening balance of retained earnings in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

C5 This Standard deleted paragraph B99A of IFRS 10. An investor or joint venturer that applied paragraph B99A of IFRS 10 early shall apply paragraph C4 to any gain or loss from the remeasurement at fair value of an investment retained in a former subsidiary.

C6 An investor or joint venturer shall recognise and measure contingent consideration (for investments in associates or joint ventures purchased before the transition date) at fair value at the transition date. The investor or joint venturer shall classify contingent consideration in accordance with paragraph 26 and recognise any corresponding adjustment to the carrying amount of its investments in associates or joint ventures at that date.

C7 An investor or joint venturer that classified contingent consideration (for investments in associates or joint ventures purchased before the transition date) as an equity instrument, and measured that contingent consideration at fair value at the date it obtained significant influence or joint control, shall not remeasure that contingent consideration at the transition date.

C8 If an investor or joint venturer applying paragraphs C4–C7 increases the carrying amount of its investment in an associate or joint venture and estimated the recoverable amount of that investment at the transition date, in accordance with IAS 36 *Impairment of Assets*, the investor or joint venturer shall reduce that carrying amount to that recoverable amount, if applicable. The investor or joint venturer shall recognise any impairment loss in the opening balance of retained earnings at the transition date.

C9 An investor or joint venturer that presents more than one period of comparative information is permitted to present comparative information for any additional prior periods:

(a) adjusted for the effects of [draft] IAS 28 (revised 202x)—the transition date would then be the beginning of the earliest adjusted comparative period presented; or

(b) unadjusted for the effects of [draft] IAS 28 (revised 202x)—the investor or joint venturer shall label the comparative information as unadjusted and disclose that the comparative information has been prepared on a different basis, explaining that basis.

C10 An investor or joint venturer is not required to disclose the information required by paragraph 28(f) of IAS 8 (and an entity applying IFRS 19 *Subsidiaries without Public Accountability: Disclosures* is not required to disclose the information required by paragraph 178(f) of IFRS 19) for the current period or for any unadjusted additional prior period that the investor or joint venturer presents.

Appendix B—Extract from the Basis for Conclusions on the Exposure Draft

B1. This appendix reproduces paragraphs BC178–BC216 of the Basis for Conclusions on the Exposure Draft *Equity Method of Accounting—IAS 28 Investment in Associates and Joint Ventures* (revised 202x) relating to the proposed transition requirements.

Transition

BC178. The proposed requirements would require some entities to change their accounting policies when using the equity method to account for an investment in an associate or joint venture.[7] The IASB decided to propose requiring an entity:

(a) to apply retrospectively, in accordance with IAS 8, the requirement to recognise the full gain or loss from all transactions with its associates or joint ventures (paragraphs BC182–BC186);

(b) to apply the requirements on contingent consideration by:

(i) recognising and measuring contingent consideration at fair value at the transition date, with a corresponding adjustment to the carrying amount of its investments in associates or joint ventures (paragraphs BC187–BC192); and

(ii) not remeasuring contingent consideration that an investor had classified as an equity instrument and measured at fair value at the date it obtained significant influence (paragraph BC193); and

(c) to apply prospectively all the other requirements from the transition date (paragraphs BC194–BC199).

BC179. The IASB also decided:

(a) to propose that for the purpose of the transition requirements:

(i) the date of initial application is the beginning of the annual reporting period in which an investor or joint venturer first applies the proposed requirements; and

(ii) the transition date is the beginning of the annual period immediately preceding the date of initial application, except for entities that present more than one period of comparative information (paragraphs BC206–BC210);

(b) to propose that if an investor or joint venturer estimated at the transition date the recoverable amount of an investment in an associate or joint venture, requiring the investor to reduce the carrying amount to that recoverable amount (if applicable) and recognise any impairment loss in the opening balance of retained earnings (paragraphs BC200–BC205); and

[7] Paragraphs BC178–BC216 refer to associates and joint ventures because IAS 28 sets out requirements for applying the equity method to investments in associates and joint ventures. However, the proposed transitional provisions would also apply to a parent that chooses to use the equity method as described in IAS 28 to account for its investments in subsidiaries in separate financial statements.

(c) not to propose an investor or joint venturer disclose the information required by paragraph 28(f) of IAS 8 for the current period and for any prior period that the investor or joint venturer presents unadjusted (paragraphs BC211–BC216).

BC180. In the IASB's view, retrospective application in accordance with IAS 8 would result in the most useful information for users. An entity would be required to present its financial statements as if the proposed requirements had always been effective. Therefore, information presented for prior periods would be comparable.

BC181. However, in some cases, retrospective application might be complex, costly or involve the use of hindsight. The IASB, therefore, considered each of the proposed requirements to determine whether the benefits of retrospective application would outweigh the costs.

Gains and losses on transactions with associates or joint ventures

BC182. As discussed in paragraphs BC63–BC84, the IASB decided to propose requiring an investor to recognise in full the gains or losses on transactions with its associates or joint ventures. That proposed requirement would change the existing requirements in IAS 28, whereby an investor:

(a) recognises the gain or loss from such transactions at the transaction date only to the extent of the unrelated investors' interests in the associate or joint venture; and

(b) subsequently recognises the restricted portion of the gain or loss when the transferred asset is sold to third parties or consumed over time.

BC183. Therefore, when first applying the new requirements, an investor might not have yet recognised all the restricted portion of a gain or loss from previous transactions with an associate or joint venture. Retrospective application would, therefore, require an investor to recognise any remaining portion of the previously restricted gain or loss:

(a) in the opening balance of retained earnings for transactions that occurred before the transition date; and

(b) in profit or loss in the comparative period for transactions that occurred in the comparative period.

BC184. The IASB observed that, in general, information about the remaining balance of the restricted portion of the gain or loss as at the transition date should be available to preparers because that information is necessary to apply the existing requirements in IAS 28. Therefore, while retrospective application could involve some costs, the IASB's view was that, on balance, the benefits of retrospective application are likely to outweigh them.

BC185. The IASB also observed that IAS 8 includes requirements to limit retrospective application if it is impracticable for an entity to determine the effects of a change in accounting policy.

BC186. After considering the matters discussed in paragraphs BC184–BC185, the IASB decided to propose requiring an investor or joint venturer to apply retrospectively, in accordance with IAS 8, the requirement to recognise the full gain or loss on all transactions with its associates or joint ventures.

Contingent consideration

BC187. As discussed in paragraphsBC89–BC93, the IASB decided to propose requiring an investor:

(a) on initial recognition of an investment in an associate or joint venture, to recognise contingent consideration as part of the consideration transferred and measure it at fair value; and

(b) subsequently:

(i) not to remeasure contingent consideration classified as equity and recognise its subsequent settlement within equity; and

(ii) to measure other contingent consideration at fair value at each reporting date and recognise changes in fair value in profit or loss.

BC188. The proposed requirements are similar to those in IFRS 3 for contingent consideration in a business combination. In some cases, entities applying the equity method to an investment in an associate or joint venture may already apply, by analogy, the requirements for contingent consideration in IFRS 3. In such cases, retrospective application would not require any adjustment to the amounts recognised in the investor's financial statements.

BC189. However, in other cases, an investor might not have recognised contingent consideration, or might have measured it on a different basis. In such cases, retrospective application would require the investor to measure the fair value of the contingent consideration:

(a) at the date of obtaining significant influence or joint control; and

(b) at the transition date for contingent consideration recognised as a liability.

BC190. An investor could have obtained significant influence or joint control before the transition date. Requiring the investor to measure the fair value of contingent consideration at the date of obtaining significant influence or joint control would likely involve the use of hindsight, especially for any unobservable inputs included in the fair value measurement.

BC191. The IASB noted, however, that prospective application of the proposed requirements—only to contingent consideration arrangements entered after the date of transition—would result in a lack of comparability between an entity's reporting periods and between one entity and another.

BC192. After considering the matters discussed in paragraphs BC187–BC191, the IASB decided to propose requiring an investor to recognise and measure contingent consideration at fair value at the transition date and recognise a corresponding adjustment to the carrying amount of an investment in an associate or joint venture.

BC193. The IASB also decided to propose requiring an investor, that on obtaining significant influence had classified contingent consideration as an equity instrument and measured that contingent consideration at fair value, not to remeasure that contingent consideration at the transition date. The IASB noted that the proposed requirement would avoid remeasuring an equity instrument, consistent with the requirements in other IFRS Accounting Standards.

Indications of impairment

BC194. As discussed in paragraphs BC94–BC106, the IASB decided to propose amendments to the impairment requirements in IAS 28, which are:

(a) to replace 'cost' with 'carrying amount' and remove 'significant or prolonged' from the requirement in the last sentence of paragraph 41C of IAS 28; and

(b) to add guidance explaining that information on the fair value of an investment might be observed from the price paid to purchase an additional interest in an associate or joint venture and received to sell part of the interest.

BC195. The proposals would change the conditions under which an investor tests its investment in an associate or joint venture for impairment, but would not change how the investor determines the recoverable amount of the investment.

BC196. The IASB decided to propose requiring an entity to apply the amended requirements prospectively because retrospective application would result in the use of hindsight to assess whether the amended requirements would have triggered the need to test the investment in an associate or joint venture for impairment and, if so, determine the recoverable amount of the investment.

Other proposed requirements

BC197. The IASB decided to propose requirements relating to:

(a) the initial recognition of an investment in an associate or joint venture (see paragraphs BC17–BC18 and paragraphs BC85–BC88);

(b) the purchase of an additional ownership interest in an associate or joint venture (see paragraphs BC21–BC27);

(c) the disposal of an ownership interest in an associate or joint venture (see paragraphs BC28–BC35);

(d) other changes in ownership interests (see paragraphs BC36–BC44);

(e) unrecognised losses and purchase of an additional interest (see paragraphs BC50–BC55); and

(f) the recognition of each component of other comprehensive income (see paragraphs BC56–BC61).

BC198. The IASB decided to propose requiring an investor or joint venturer to apply the requirements listed in paragraph BC197 prospectively, that is, only to transactions occurring after the transition date.

BC199. The IASB considered that the proposed requirements would apply when an investor initially obtains significant influence or joint control of an associate or joint venture, or when the investor's ownership interest in the associate or joint venture changes after obtaining significant influence or joint control. The proposed requirements would require an investor to use information at the date of the transaction, such as the fair value of the consideration paid or received and the investor's share of the fair value of the associate's or joint venture's identifiable assets and liabilities. Retrospective application of the proposed requirements could, therefore, require the use of hindsight. Retrospective application could also be complex and costly because of the adjustments it would require to the carrying amount of the investment at the transition date, including the share of net assets of the associate or joint venture and goodwill included in the carrying amount of the investment.

Impairment at the transition date

BC200. When first applying the new requirements, an investor or joint venturer might be required to increase the carrying amount of its investment in an associate or joint venture at the transition date, for example, when recognising:

(a) the remaining portion of a previously unrecognised gain from a transaction with an associate or joint venture; or

(b) contingent consideration for an investment in an associate or joint venture made prior to the transition date.[8]

BC201. If, on first applying the new requirements, an investor or joint venturer determined that the increased carrying amount of the investment exceeded its recoverable amount, that impairment loss could relate to a period before the transition date. If so, it could be appropriate

[8] The transition date is the beginning of the annual reporting period immediately preceding the date of initial application, except for some entities that present more than one period of comparative information (see paragraphs BC206–BC210).

for an investor or joint venturer to recognise the impairment loss as an adjustment to the opening balance of retained earnings at the transition date.

BC202. The IASB, therefore, considered, but decided not to propose, requiring an investor or joint venturer to test its investments in associates and joint ventures for impairment at the transition date. The IASB considered that if there was no indication of impairment at that date, such a requirement would impose costs on preparers without any benefit for users.

BC203. The IASB also considered, but decided not to propose, allowing an investor or joint venturer to retrospectively test an investment in an associate or joint venture for impairment at the transition date, when first applying the new requirements. The IASB noted that for many investments in associates and joint ventures, an observable market price might not be available at the transition date. Also, even if an observable market price were to be available at that date, the investor or joint venturer might need to estimate the value in use of the investment when estimating its recoverable amount. Therefore, allowing the investor or joint venturer to retrospectively test the investment for impairment at the transition date would often involve the use of hindsight to estimate the recoverable amount of the investment at that date.

BC204. However, in some cases, an investor or joint venturer might have previously estimated the recoverable amount of an investment in an associate or joint venture at the transition date. In those cases, when first applying the new requirements, the investor or joint venturer could use its previous estimate of the recoverable amount of the investment, without using hindsight.

BC205. Therefore, the IASB decided to require that if an investor or joint venturer had estimated the recoverable amount of an investment in an associate or joint venture at the transition date, the investor would reduce the carrying amount to that recoverable amount (if applicable) and recognise any impairment loss in the opening balance of retained earnings.

Entities that present more than one period of comparative information

BC206. IFRS Accounting Standards require an entity to provide comparative information for all amounts reported in the current period's financial statements. However, an entity might present more than one period of comparative information, either voluntarily or because of a reporting requirement in its jurisdiction.

BC207. The IASB, therefore, considered the implications of the decisions in paragraph BC178 for entities that present more than one period of comparative information. For example, one of those decisions is to require an investor or joint venturer to recognise and measure contingent consideration at fair value at the transition date and make a corresponding adjustment to the carrying amount of its investments in associates or joint ventures. The IASB considered whether it should require the transition date to be the beginning of the earliest period presented or the beginning of the preceding period.

BC208. The IASB acknowledged that requiring the transition date to be the beginning of the earliest period presented would provide more useful information to users, because all information in the financial statements would be provided on a comparable basis. However, such a requirement could be complex to apply and might require the use of hindsight. That concern also arises for many of the other proposed requirements, including the proposed requirements for which the IASB is proposing to require prospective application from the transition date.

BC209. The IASB also noted that in some other standard-setting projects, it had developed transition requirements for entities providing more than one period of comparative information that did not require all comparative information to be adjusted.[9]

[9] For example, see paragraphs C25–C27 of IFRS 17 *Insurance Contracts*.

BC210. The IASB decided to propose permitting an investor or joint venturer that presents more than one period of comparative information to present comparative information for any additional prior periods either:

(a) adjusted for the effects of the proposed requirements, in which case the transition date would be the beginning of the earliest adjusted comparative period presented; or

(b) unadjusted for the effects of the proposed requirements, in which case the investor or joint venturer would label the comparative information as unadjusted, and disclose that the comparative information has been prepared on a different basis and explain that basis.

Disclosure of the effects of initial application of the proposed requirements

BC211. When initial application of an IFRS Accounting Standard has an effect on any period presented, paragraph 28(f) of IAS 8 requires an entity to disclose, for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected and, if IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share.

BC212. The IASB does not expect that it would be costly for preparers to apply the requirement in paragraph 28(f) of IAS 8 for the immediately preceding period, because an investor or joint venturer would have the necessary information from its restatement of comparative information for that period.

BC213. However, the IASB considered that it could be costly for preparers to apply the requirement in paragraph 28(f) of IAS 8 for the current period. For example, to disclose information about the effects on the current period of recognising the full gain or loss arising from transactions with its associates or joint ventures, an investor or joint venturer would need to:

(a) determine the portion of those gains or losses that it would have restricted on transactions occurring during the current period, had the entity applied the requirement in paragraph 28 of IAS 28 to restrict the gains or losses on such transactions; and

(b) determine the portion of unrecognised gains or losses from prior periods that would have been recognised in the current period.

BC214. Overall, in the IASB's view, the costs for preparers of providing the information required by paragraph 28(f) of IAS 8 for the current period are likely to exceed the benefits for users.

BC215. The IASB also noted that requiring an investor or joint venturer to apply paragraph 28(f) of IAS 8 for any additional comparative periods presented would be inconsistent with its decision to permit the investor or joint venturer to present unadjusted comparative information for those additional comparative periods (see paragraph BC210(b)).

BC216. Therefore, the IASB decided to propose not requiring an investor or joint venturer to disclose the information required by paragraph 28(f) of IAS 8 for the current period and for any prior period that the investor or joint venturer presents unadjusted.

Appendix C—Amendments to IFRS 10 and IAS 27

C1. This appendix contains an analysis of transition issues relating to the amendments to IFRS 10 and IAS 27, to support the staff recommendation in paragraph 81 of this paper.

Amendments to IFRS 10

Background

C2. As noted in paragraph 7(b) of this paper, the IASB proposed that if an investor had applied paragraph B99A of IFRS 10 early, it would be required to apply the transition requirement for gains or losses from transactions with associates to any gain or loss from the remeasurement at fair value of an investment retained in a former subsidiary. The Exposure Draft also proposed the deletion of paragraph B99A.

C3. Paragraph B99A of IFRS 10 resulted from the amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28), issued in 2014 and later deferred indefinitely. The 2014 amendments were intended to address an inconsistency between IFRS 10 and IAS 28 on loss of control of a subsidiary in a transaction with an associate:

(a) paragraphs 25 and B97–B99 of IFRS 10 require an investor to recognise in full the gain or loss on loss of control of a subsidiary, remeasuring any retained interest at fair value; whereas

(b) paragraph 28 of IAS 28 requires an investor to restrict the gains or losses recognised to the extent of the unrelated investors' interests in an associate, by eliminating the investor's share of the gain or loss arising from the transaction.

C4. If applied, the 2014 amendments would require an investor to:

(a) recognise in full gains or losses resulting from a transfer of a business to an associate (paragraph 31A of IAS 28); and

(b) restrict the gain or loss recognised on loss of control of a subsidiary that does not contain a business to the extent of the unrelated investors' interests in the associate (paragraph B99A of IFRS 10).

C5. The Invitation to Comment on the Exposure Draft did not specifically ask for feedback on the proposed transition requirement for amendments to IFRS 10 and respondents did not comment on it.

C6. At its May 2026 meeting, the IASB tentatively decided:

(a) to confirm its proposal to delete paragraph B99A of IFRS 10; and

(b) to amend IFRS 10 to require an investor that chooses to restrict gains or loss on transactions with associates to also restrict gains and losses on the loss of control of a subsidiary that does not contain a business.

Staff analysis

C7. Based on the IASB's tentative decisions, the situations in which an investor's existing accounting policy on recognising gains or losses on the loss of control of a subsidiary in a transaction with an associate might change on transition to IAS 28 (revised 202x) and the amended IFRS 10 comprise:

Situation A: the investor lost control of a subsidiary that did not contain a business, the investor's existing accounting policy was to restrict the gain or loss recognised in such transactions, but on transition to IAS 28 (revised 202x) the investor chooses to recognise in full gains and losses from transactions with associates, a policy that the amended IFRS 10 will require the investor to also apply to gains or losses on the loss of control of a subsidiary that does not contain a business.

Situation B: the investor lost control of a subsidiary that did not contain a business, its existing accounting policy was to recognise in full gains and losses from such transactions, but on transition to IAS 28 (revised 202x) the investor chooses to restrict gains or losses from transactions with associates, a policy that the amended IFRS 10 will require the investor to also apply to gains or losses on the loss of control of a subsidiary that does not contain a business.

Situation C: the investor lost control of a subsidiary that contained a business, its existing accounting policy was to restrict gains and losses from all transactions with associates, including those that involve the loss of control of a subsidiary that contains a business, but IAS 28 (revised 202x) will require the investor to recognise in full gains or losses from the transfer of a business to an associate.

C8. In Situations A and C, the restricted portion of the gain or loss on loss of control of a subsidiary would have been eliminated against the carrying amount of the investment, but the entity's new accounting policy will be to recognise such gains and losses in full. These situations are therefore similar to those discussed in paragraphs 14–32 of this paper. For example, Situation C is similar to the situation described in paragraph 16(b) of this paper. Both involve the transfer of a business in a transaction with an associate and the investor had restricted the recognition of the resulting gain or loss, but IAS 28 (revised 202x) will require such gains or losses to be recognised in full. Therefore, in the staff view, the transition requirement applying to gains and losses from transactions with associates (see paragraph 32 of this paper) should also apply in Situation A and Situation C.

C9. In Situation B, the investor did not restrict the gain or loss resulting from the loss of control of a subsidiary that does not contain a business. Therefore, if the investor is required to apply retrospectively the amendments to IFRS 10, it could be required to derecognise a portion of the previous gain or loss (as an adjustment to the opening balance of retained earnings) and eliminate that restricted portion against the carrying amount of the investment.[10] However, in this situation, the investor's accounting policy would change from *full* recognition to *restricted* recognition of gains and losses. Therefore, Situation B is the reverse of the situations that the

[10] Whether, and the extent to which, such an adjustment is required depends on whether the restricted portion of the gain had been released by the transition date.

proposed transition requirements in the Exposure Draft were designed to address in relation to gains and losses from transactions with associates, in which the investor's accounting policy changes from *restricted* recognition to *full* recognition of gains and losses (as discussed in paragraphs 14–16 of this paper). Accordingly, the outcomes discussed in paragraph 29 of this paper would not occur.

C10. It could be argued that the benefits of retrospective application of the amendments to IFRS 10 would likely outweigh the costs in Situation B, which could suggest that the IASB should permit prospective application in this particular situation. However, doing so would make the transition requirements in IFRS 10 more complex (assuming that the IASB decides not to permit prospective application more generally for gains and losses from transactions with associates, including Situations A and C). In the staff view, it is questionable whether that additional complexity is warranted, given that it seems unlikely that Situation B would commonly occur in practice because:

- (a) feedback on the Exposure Draft on the proposed requirement for an investor to recognise in full gains and losses from transactions with associates suggests that, in many cases, an investor is likely to choose full recognition of gains and losses on transition to IAS 28 (revised 202x), whereas in Situation B the investor instead chooses to restrict gains and losses; and
- (b) in those jurisdictions in which an investor is likely to choose to restrict gains and losses from transactions with associates on transition to IAS 28 (revised 202x), it seems likely that the investor's previous accounting policy would have been to restrict gains and losses on loss of control of a subsidiary that did not contain a business, whereas in Situation B the investor's previous accounting policy was to recognise such gains or losses in full.

C11. Based on the analysis in paragraphs C7–C10, the staff thinks that the transition requirement in IAS 28 (revised 202x) for gains or losses on transactions with associates (see paragraph 32 of this paper) should also apply to the amendments to IFRS 10.

Amendments to IAS 27

C12. As noted in paragraph 15 of this paper, at its May 2026 meeting, the IASB tentatively decided to introduce into IAS 28 an accounting policy choice that permits an investor to choose either full recognition or restricted recognition of gains and losses on transactions with associates. At its June 2026 meeting, the IASB considered the implications of this tentative decision for an investor that accounts for its investments in associates, joint ventures or subsidiaries in its separate financial statements using the equity method.

C13. The IASB tentatively decided that in its separate financial statements, the investor would:

(a) be permitted to make an accounting policy choice between full and restricted recognition of gains and losses from transactions with associates and joint ventures. The accounting policy chosen for these investments in its separate financial statements need not be the same as the accounting policy chosen for these investments in its consolidated financial statements.

(b) be permitted to make a separate accounting policy choice between full and restricted recognition of gains and losses from transactions with subsidiaries. The accounting policy chosen for investments in subsidiaries need not be the same as the accounting policy chosen for investments in associates and joint ventures.

C14. On transition to IAS 28 (revised 202x), if the investor chose to recognise gains and losses in full in its separate financial statements, either from transactions with its associates and joint ventures or from transactions with its subsidiaries, its accounting policy for these gains and losses would change from *restricted* to *full* recognition. This change in accounting policy is similar to the change in accounting policy discussed in paragraphs 14–32 of this paper. Therefore, in the staff view, the transition requirement in IAS 28 (revised 202x) applying to gains and losses from transactions with associates (see paragraph 32 of this paper) should also apply to the related amendments to IAS 27.