
IASB[®] meeting

Date	March 2026
Project	Equity Method
Topic	Purchases of an additional ownership interest—relief
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Introduction and purpose of this paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB) to decide how to provide relief from the proposal in the Exposure Draft [Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#) (the Exposure Draft), that an investor measures its additional share of the associate's identifiable assets and liabilities at fair value when purchasing an additional ownership and retaining significant influence (the proposal).
2. References to “investor”, “associate” and “significant influence” should be read as also referring to “joint venturer”, “joint venture” and “joint control” in relation to investments in joint ventures in consolidated financial statements.¹

Staff recommendation

3. The staff's recommendation is that the IASB:

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

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- (a) provides a relief from the proposal in the Exposure Draft that permits an investor to use an alternative measure for the additional share of the associate's identifiable assets and liabilities when purchasing an additional ownership interest and retaining significant influence.
 - (b) permits 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) lists the factors an investor considers in assessing the eligibility criterion.
 - (d) does not specify which alternative measures to fair value the investor may use.
 - (e) permits an optional use of the relief.

Structure of this paper

- 4. This paper is structured as follows:
 - (a) background (paragraphs 5**Error! Reference source not found.**–11 of this paper);
 - (b) staff analysis (paragraphs 12–35 of this paper); and
 - (c) staff recommendation and questions for the IASB.

Background

- 5. The proposal in the Exposure Draft would require an investor to determine the fair value of its additional share of the associate's identifiable assets and liabilities when purchasing an additional ownership interest and retaining significant influence. Most of the concerns raised on the proposal are about its potential cost and complexity, with fewer respondents raising concerns about the conceptual merits of the proposal.

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6. [Agenda paper 13B](#) of the May 2025 IASB meeting discussed the feedback on the proposal in the Exposure Draft. [Agenda Paper 13H](#) of that meeting discussed the feedback from outreach activities on the Exposure Draft.
 7. [Agenda paper 13B](#) of the September 2025 IASB meeting set out the staff's initial analysis on how to respond to the feedback and recommended the IASB explores providing guidance on how to apply materiality and/or providing relief from the proposal in the Exposure Draft.
 8. [Agenda paper 13B](#) of the November 2025 IASB meeting explored possible reliefs that the IASB could introduce to address the feedback on the proposal. At that meeting the IASB tentatively decided to:
 - (a) 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 identifiable assets and liabilities.
 - (b) explore providing investors with a relief from measuring the additional share of the associate's identifiable assets and liabilities at fair value.
 - (c) extend the measurement period described in paragraph 45 of IFRS 3 *Business Combinations* to when an investor obtains significant influence or joint control over an associate or joint venture or purchases an additional ownership interest in an associate or joint venture.
 9. In its November 2025 discussions, the IASB directed the staff to explore a relief that would apply when the investor reasonably expects that the effects on the financial statements (that is, the effect on the investor's share of the associate's profit or loss and other comprehensive income) of using an alternative method would not materially differ from using the fair value of the additional share of the associate's identifiable assets and liabilities.
 10. The IASB also decided not to explore:
 - (a) a relief that would not be based on a 'undue cost or effort' exemption or 'impracticability'.

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- (b) not to specify a time period, such as 12 months, within which an investor would be able to group separate additional purchases.
11. Give the direction provided to the staff at the November 2025 meeting, this paper discusses how the IASB could introduce a relief from the proposal in the Exposure Draft when the investor reasonably expects that the effects on the financial statements of using an alternative method would not materially differ from using the fair value of the additional share of the associate's identifiable assets and liabilities.

Staff analysis

Relief from measuring the additional share of the associate's or joint venture's identifiable assets and liabilities at fair value

12. The staff is recommending the IASB introduce a relief designed to work in a manner similar to the relief in paragraph 4 of IFRS 15 *Revenue from Contracts with Customers* and paragraph 53 of IFRS 17 *Insurance Contracts*.

Portfolio expedient in of IFRS 15 Revenue from Contracts with Customers

13. IFRS 15 is applied to individual contracts, however, in developing IFRS 15 the IASB introduces a practical expedient to address the challenge of managing a large volume of contracts with similar characteristics. In these circumstances, entities may apply IFRS 15 requirements to a portfolio of contracts.
14. Paragraph BC69 of the Basis for Conclusions on IFRS 15 explains that the IASB decided to include a practical expedient to acknowledge that a practical way to apply IFRS 15 to some contracts may be to use a 'portfolio approach'. In their discussion, the IASB noted that an entity would have to apply judgment in selecting the size and composition of the portfolio and that they did not intend for an entity to quantitatively evaluate each outcome.

Premium allocation approach in IFRS 17 Insurance Contracts

15. Similarly, paragraph 53 of IFRS 17 defines the eligibility criteria for applying the premium allocation approach. The premium allocation approach is a simplified method for the measurement of a group of insurance contracts if, and only if, at the inception of the group:
 - (a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage of the group that would not differ materially from the one produced by applying the general requirements; or
 - (b) the coverage period of each contract in the group is one year or less.
16. If the entity is eligible to apply the premium allocation approach, the entity is then permitted to recognise the liability for remaining coverage period on the basis of the passage of time, unless the expected pattern of release from risk differs significantly from the passage of time, in which case it is recognised based on the expected timing of incurred claims and benefits.
17. Paragraph BC291 of the Basis for Conclusion on IFRS 17 explains that the IASB decided that an entity would be permitted to apply the premium allocation approach when that approach provides a reasonable approximation to the general requirements in IFRS 17. The IASB views this approach as a simplification of the general requirements. To simplify its application, the IASB decided that an entity could assume, without further investigation, that the approach provides a reasonable approximation if the coverage period of each contract in the group is one year or less.

Relief from the proposal in the Exposure Draft

18. As explained in paragraph 8(b) and paragraph 9 of this paper the IASB directed the staff to explore a relief from requiring an investor to measure its additional share of the associate's identifiable assets and liabilities at fair value. In accordance with the IASB's direction, we recommend the following relief be introduced:

An investor may use an alternative measure for the additional share of the associate's identifiable assets and liabilities, if, and only if, the investor reasonably expects that the effect of using that alternative measure would not result in a material difference in the financial statements (in either the current period or future periods) from applying paragraph X of the Standard.

19. In the context of a purchase of an additional ownership interest in an associate, the proposal would require the investor to allocate the consideration between:
- (a) the aggregate of the additional share of the associate's identifiable assets and liabilities at their fair values at the purchase date; and
 - (b) goodwill for the difference (or a bargain purchase gain)².
20. The application of a different measure would not change the initial measurement of the additional ownership interest, as the goodwill is measured as a residual; but could affect the allocation between fair value of the associate's identifiable assets and liabilities and goodwill included in the carrying amount of the investment. Consequently, this could affect the measurement of the investor's share of the associate's profit or loss in the period of the purchase of the additional ownership interest and in future periods.

Eligibility

21. We recommend an investor should only be eligible to apply the relief recommended in paragraph 18 of this paper, if the investor reasonably expects that the effect of using that alternative measure would not result in a material difference in the financial statements. That is, the outcome of using the alternative measure would reasonably approximate to the investor's share of the associate's profit or loss that would be determined using the proposal in the Exposure Draft.

² At a future meeting, the IASB will consider how to treat a bargain purchase gain,

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22. Introducing the eligibility criterion will address the concern in paragraph 20 of the paper that the allocation between fair value of the associate's identifiable assets and liabilities and goodwill could affect the measurement of the investor's share of the associate's profit or loss in the current and in future periods.
23. That said, we do not think there should be a high hurdle for the investor to meet the eligibility criterion or that an investor should be required to perform a quantitative assessment to conclude that the eligibility criterion is met. We think that the Standard should instead explain that the investor is required to undertake a reasonable assessment of whether the eligibility criterion is met.
24. To assist the entity in performing the assessment of eligibility, we recommend introducing new paragraphs that list the factors that the investor could consider. The list of factors may include:
- (a) the period of time between the purchase of the additional ownership interest and the date the investor obtained significant influence of an associate. A short period of time might indicate there have been no material changes in the fair value of the associate identifiable assets or liabilities;
 - (b) the nature and measurement bases of the associate's identifiable assets and liabilities—the associate for example might measure its properties at fair value and those properties represent a significant proportion of identifiable assets;
 - (c) whether there is observable evidence of price changes in the associate's identifiable assets and liabilities;
 - (d) whether the carrying amount of the associate is material to the investor's financial statements;
 - (e) the amount of consideration transferred for the additional ownership interest.

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25. Paragraph 24(a) proposes including in the list of factors the time between purchases of ownership interests. As noted, a short period of time might indicate there have been no material changes in the fair value of the associate's identifiable assets or liabilities. We think this paragraph works similarly to the condition in paragraph 53(b) of IFRS17 but is flexible and does not use a strict, one-size-fits-all limit.
26. We do not think a 12-month limit (like the one in IFRS 17) is helpful here. At its November 2025 meeting, the IASB decided against using a fixed time limit for two reasons:
- (a) a short limit (12 months) does not save much work, as price changes over such a short time are usually too small to matter anyway.
 - (b) a long limit (24 or 36 months) would be too risky because it ignores actual market price changes for too long.
27. If the IASB decides to include a specific time limit, we recommend 12 months or less.
28. We think that an investor could use any one of the factors in paragraph 24 of this paper, to demonstrate the eligibility criterion is met. That is, the investor would not need to prove that all or a combination of factors apply to demonstrate eligibility.

Alternative measures

29. The staff considered whether to include a paragraph in the Standard setting out what alternative measures to fair value an investor could use when applying the relief. Such alternative measures could include:
- (a) fair values at the last purchase date if there is no indication that the fair values of the associate's net assets have materially changed since the last purchase;
 - (b) the carry-forward book values in the investor's financial statements (see paragraph 30 of this paper);
 - (c) the carrying amounts of the identifiable assets and liabilities in associate's financial statements.

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30. IAS 28 requires an investor to measure the associate's identifiable assets and liabilities at fair value when obtaining significant influence and to adjust those values for an investor's share of profit or loss after acquisition and the effect of any fair value adjustments thereafter. These values are included in the carrying amount of the investment.
 31. On balance we are not recommending the IASB specify alternative measures, because their inclusion might be read to imply that an investor is required to apply these measures when applying the relief.
 32. We think not specifying alternative measures allows for more flexibility. For example, an investor might be using the carrying amounts of the identifiable assets and liabilities in associate's financial statements (paragraph 29(c) of this paper) when purchasing an additional interest. Applying the relief as proposed an entity could continue to use these amounts, providing it can demonstrate the eligibility criterion is met.
 33. Furthermore, we think the eligibility criterion will restrict the use of alternative measures that would not provide a representationally faithful outcome.

Optional use of the relief

34. We recommend that the relief be optional and therefore an investor would be permitted but not required to apply it to each additional purchase of an ownership interest. If the relief is optional an investor that measures its additional share of the associate's identifiable assets and liabilities at fair values would be permitted to use the relief for a subsequent purchase, if it is eligible. In other words, the investor would not need to make an irrevocable accounting policy choice but instead elects whether to apply the relief on a case-by-case basis.

35. In our view, an investor's ability to determine the fair values will depend on the circumstances of each purchase of an additional ownership interest. If an investor is willing to determine the fair values of the identifiable assets and liabilities, we do not think that the prior use of the relief should prevent the investor from doing so. Moreover, the investor's ability to determine fair values may change in relation to investments in different associates (for example, because of the nature and composition of the associate's net assets). Requiring the investor to elect an accounting policy may not fit the different circumstances.

Staff recommendation and question for the IASB

Questions for the IASB

Does the IASB agree:

- (a) to provide relief from the proposal in the Exposure Draft that an investor may use an alternative measure for the additional share of the associate's identifiable assets and liabilities when purchasing an additional ownership interest and retaining significant influence?
- (b) that an investor is eligible 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 an investor may use?
- (e) that use of the relief be optional?