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## IASB<sup>®</sup> meeting

Date	<b>May 2026</b>
Project	<b>Equity Method</b>
Topic	<b>Presentation of the investor's share of the associate's profit or loss and Other Comprehensive Income</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Introduction and purpose of this paper

1. At its September 2025 meeting, the International Accounting Standards Board (IASB) started redeliberating the proposals in the Exposure Draft [Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#) (the Exposure Draft).
2. The purpose of this paper is for the IASB:
  - (a) to consider the feedback on its proposals relating to the recognition and separate presentation of the investor's share of the associate's profit or loss and other comprehensive income; and
  - (b) to decide how to proceed with the proposals.
3. References to “investor”, “associate” and “significant influence” should be read as also referring to “joint venturer”, “joint venture” and “joint control” in relation to investments in joint ventures in consolidated financial statements.<sup>1</sup>

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

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## Staff recommendation

4. We recommend the IASB:
  - (a) confirm the proposal in the Exposure Draft to recognise *first* the investor's share of the associate's profit or loss and *then* the share of the associate's other comprehensive income, in the event both shares are losses and in aggregate exceed the carrying amount of the net investment in the associate;
  - (b) withdraw the proposal in the Exposure Draft to continue recognising the investor's share of the associate's profit or loss and the share of the associate's other comprehensive income, after the investor has reduced the net investment to nil (see paragraph 29 of this paper); and
  - (c) do not add to the scope of the project a question on whether the investor, on resuming the recognition of its share of profit, should recognise first its share of the associate's profit or loss or its share of the associate's other comprehensive income (see paragraph 56 of this paper).

## Structure of this paper

5. This paper is structured as follows:
  - (a) background (paragraphs 66–22 of this paper);
  - (b) staff analysis (paragraphs 23–56 of this paper);
  - (c) staff recommendation and questions for the IASB; and
  - (d) Appendix

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## Background

### *Proposals in the Exposure Draft*

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

*Does an investor that has reduced its interest in an associate to nil recognise each component of comprehensive income separately?*

7. The Exposure Draft would require an investor to:
- (a) recognise *first* its share of the associate's profit or loss and *then* its share of the associate's other comprehensive income, in the event both shares are losses and in aggregate exceed the carrying amount of the investment in the associate (paragraph 50 of the Exposure Draft); and
  - (b) after the carrying amount of the investment has been reduced to nil, an investor continues to recognise its share of the associate's profit or loss and its share of the associate's other comprehensive income, retaining the carrying amount of the investment at nil (paragraph 52 of the Exposure Draft). For example, if an investor has reduced its net investment to nil and its share of profit or loss is a loss of CU250 and its share of other comprehensive income is a profit of CU100, the investor recognises a loss of CU100 in profit or loss and a profit of CU100 in other comprehensive income.
8. The IASB also considered an additional aspect of the application question – whether the investor, on resuming the recognition of its share of profit, should recognise first its share of the associate's profit or loss or its share of the associate's other comprehensive income. The IASB decided not to propose requirements for this additional aspect of the application question.

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9. The paper discusses the proposal in paragraph 7(b) and the additional aspect in paragraph 8. The paper does not discuss paragraph the proposal in paragraph 7(a) because there was support for the proposal and those who commented agreed with the rationale explained in paragraph 10(c) of this paper.

### ***Rationale for the proposals***

10. Paragraph BC61 of the Basis for Conclusions on the Exposure Draft explains that the IASB considered the proposal would be consistent with:
- (a) Principles E and F<sup>2</sup> —when considered together, these principles suggest that an investor recognises its share of the changes in the associate’s net assets, unless doing so would result in recognising losses that exceeded the investor’s investment in the associate.
  - (b) the requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* (and IAS 1 *Presentation of Financial Statements*) for an investor to recognise its share of an associate’s profit or loss separately from its share of an associate’s other comprehensive income.
  - (c) the *Conceptual Framework for Financial Reporting*, which states that the statement of profit or loss is the primary source of information about an entity’s financial performance. That concept suggests that the investor should prioritise recognising an amount reported in the statement of profit or loss over an amount reported in other comprehensive income. The proposed approach would enable an investor to recognise in its statement of profit or loss some or all of its share of an associate’s profit or loss.

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<sup>2</sup> Principle E states *An investor recognises changes in an associate’s net assets. An investor recognises the share of changes in the net assets it can currently access.* Principle F states *An investor’s maximum exposure is its gross interest in the associate.*

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11. Paragraph BC62 of the Basis for Conclusions explains that the IASB decided not to develop answers for the additional aspect of the application question in paragraph 8 of this paper, that is, the order of recognising profits in profit or loss and in other comprehensive income when an investor resumes recognising its share of the associate's profits, because this question does not commonly arise in practice.

***Feedback on the proposals in the Exposure Draft<sup>3</sup>***

12. Feedback on the proposal in paragraph 7(b) was mixed. Some respondents disagreed with the proposal because in their view:
- (a) the proposal could result in the investor presenting a profit in profit or loss before the losses not recognised have been recovered. This situation would arise when the investor's share of the profit or loss is a profit and its share of other comprehensive income is a loss, and their net is less than the losses not recognised. The proposal would require an investor to present its share of the associate's profit or loss to the extent of its share of the associate's other comprehensive income. Respondents think it is confusing for the investor to present a profit in profit or loss as long as there are losses not recognised;
  - (b) presenting these amounts does not provide useful information and the cost exceeds the benefit to users of financial statements;
  - (c) the proposal introduces unnecessary complexity.

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<sup>3</sup> The feedback to the proposal was initially presented at the May 2025 IASB meeting in [Agenda Paper 13C](#)

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13. One respondent said that the proposal would lead to the investor recognising a profit (or a loss) in profit or loss only when there is a loss (or a profit) in other comprehensive income. This respondent disagreed with the outcome and argued that, if recognition of the share of profit or loss is important even if the carrying amount of the investment has been reduced to nil, the IASB should require the profit to be presented regardless of the amount in other comprehensive income. The respondent suggested to balance the amount of profit presented with an offsetting expense of the same amount.
  14. Other respondents said that the IASB had not sufficiently explained the rationale for the proposal.
  15. Some respondents disagreed with the IASB's explanation for not addressing the additional aspect in paragraph 8 of this paper, that it does not commonly arise in practice. These respondents asked the IASB to provide requirements for the aspect in paragraph 8 of this paper but did not provide any recommendations.
  16. Regardless of their view, some respondents noted that the wording of the proposals in paragraphs 51 and 52 of the Exposure Draft is not clear and recommended the IASB to improve it.

### ***Requirements in IAS 28***

17. The application question arises from the interaction of the following requirements in IAS 28 (which are carried forward unchanged in the Exposure Draft):
  - (a) paragraph 10 of IAS 28 requires an investor to recognise its share the associate's profit or loss in its profit or loss, and its share of the associate's other comprehensive income in its other comprehensive income;
  - (b) paragraph 38 of IAS 28 requires an investor to discontinue recognising its share of the associate's further losses when its share of the losses has equalled the carrying amount of the investment, unless the investor has a legal or constructive obligation on behalf of the associate;

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- (c) paragraph 39 of IAS 28 requires an investor that has discontinued recognising its share of the associate's further losses to resume recognition of its share of the associate's profits only after its share of profit has equalled its share of losses not recognised.
18. The Basis for Conclusion on IAS 28 does not explain the rationale for the requirement in paragraph 10 of IAS 28. This requirement was introduced into IAS 28 when the IASB issued an amended IAS 1 *Presentation of Financial Statements* in 2007 and permitted entities to present comprehensive income in either a single statement (statement of comprehensive income) or two statements (a profit or loss/ income statement and a statement of comprehensive income). Paragraph 10 was amended to require an investor to present in other comprehensive income its share of the associate's other comprehensive income.<sup>4</sup>
19. Paragraph 89 of IFRS 18 *Presentation and Disclosure in Financial Statements*, requires an entity to present, in each of the categories of the statement presenting other comprehensive income, a line item for the share of other comprehensive income of associates and joint ventures accounted for using the equity method.
20. Paragraph 7.16 of the *Conceptual Framework for Financial Reporting* notes that many users incorporate the total profit or loss in their analysis either as a starting point for that analysis or as the main indicator of the entity's financial performance for the period. Nevertheless, understanding the entity's financial performance for the period requires an analysis of all recognised income and expenses.

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<sup>4</sup> Prior to that, IAS 28 required an investor to include in its equity its share of all changes in the investee's equity that have not been recognised in the investee's profit or loss.

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21. Paragraph BCZ277 of the Basis for Conclusion on IFRS 18 explains that in 2013 the IFRS Interpretations Committee reported to the IASB that there was uncertainty about the requirements in IAS 1 for presenting an entity's share of items of other comprehensive income of associates accounted for using the equity method – one alternative being that the entity could include that share within its total share of other comprehensive income. The IASB decided to clarify that the entity was required to present that share as a separate item.
  22. No respondents suggested removing the requirements in paragraph 10 and 38 of IAS 28. The analysis in this paper assumes these requirements are retained.

## Staff analysis

### ***Recognition and separate presentation of the investor's share of profit or loss and other comprehensive income when the carrying amount of the net investment is reduced to nil***

23. The application question in paragraph 6 of this paper, arises depending on the numerical relationship between:
  - (a) the carrying amount of the investment (or the amount of losses not recognised) before recognition of the investor's share of the associate's profit or loss and share of other comprehensive income;
  - (b) whether the investor's share of the associate's profit or loss and share of other comprehensive income are either a profit or loss;
  - (c) if the carrying amount of the investment is positive and the net of the investor's share of profit or loss and other comprehensive income is a loss— whether the net exceeds the carrying amount; and
  - (d) if there are losses not recognised and the net of the investor's share of profit or loss and other comprehensive income is a profit— whether the net exceeds the losses not recognised.

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24. Part of the difficulty in answering this application question is that there are many combinations of the factors in paragraph 23. For some combinations, the answer is clear. For example:
- (a) if the carrying amount of the investment is positive and the net of the share of profit or loss plus other comprehensive income is either a profit or a loss but less than the carrying amount, the investor can recognise both shares in full;
  - (b) if the carrying amount of the investment has been reduced to nil, and both shares of profit or loss and share of other comprehensive income are losses, the investor is unable to recognise any amount;
  - (c) if the carrying amount of the investment has been reduced to nil, and both shares of profit or loss and share of other comprehensive income are profits but less than the losses not recognised, the investor is unable to recognise any amount.

*Should the IASB retain the application question in the scope of the project?*

25. Regardless of their position on the proposal in paragraph 7(b), some respondents questioned whether the IASB should provide requirements to address the application question. These respondents said that the cost of the proposal (identifying and presenting separately the two shares) exceeds the benefit of information to users of financial statements, when the carrying amount of the investment is nil. It is possible that these respondents consider that, at that point, the investment ceases to be material and therefore any related information becomes also not material.
26. We considered whether the IASB should maintain this aspect of the application question in the scope of the project. The Board selected the application questions based on the criteria defined at the start of the project.<sup>5</sup> However, it was noted that the selection of the application questions was an iterative process.

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<sup>5</sup> See [AP13: Project update and next steps](#) for the March 2021 IASB Board meeting.

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27. When the staff received initial input on the application question, stakeholders that raised this question were focused on the aspect of question in paragraph 7(a) – order of the recognition of the loss – rather than on the aspect in paragraph 7(b).
  28. Moreover, identifying an answer with a strong conceptual basis would require opening a discussion on how users of financial statements view and use the information on the investor’s share of profit or loss and other comprehensive income. This is a difficult issue, considering that the Conceptual Framework does not provide a clear basis for classifying items in profit or loss or other comprehensive income. Paragraph 7.17 of the Basis for Conclusions on the Conceptual Framework explains that the Board concluded that it is not possible to produce a robust conceptual definition of profit or loss or other comprehensive income.
  29. If the IASB thinks that the aspect of the application question in paragraph 7(b) cannot be solved without such a fundamental discussion about other comprehensive income, or its potential magnitude is not significant, then we recommend confirming only the proposal in paragraph 7(a) and removing the proposal in paragraph 7(b) from the scope of the project.
  30. In the Exposure Draft the IASB sought to answer the application question in paragraph 7(b) by addressing particular fact patterns. The next section of this paper considers possible ways forward.

*Possible ways forward*

31. If the IASB were to move forward with solving the question in paragraph 7(b), in the staff’s view it is not advisable to try to develop requirements for each possible combination of the factors described in paragraph 23 of this paper. We think that the IASB should decide on a principled approach. We think that this would also help with the drafting of the requirement because, instead of describing the fact pattern(s) the requirement applies to, it could describe the principle the investor should apply.
32. Paragraphs 34—41 of this paper sets out two approaches and their implications:

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- (a) **Approach A** assumes that the investor's *primary* objective is the separate recognition of its share of the associate's profit or loss and other comprehensive income. The investor reduces the higher amount recognised in profit or loss or other comprehensive income only to the extent necessary to comply with the restrictions in paragraphs 38 and 39 of IAS 28;
- (b) **Approach B** assumes that the investor's *primary* objective is the recognition of the change in the carrying amount of its investment. The investor recognises its share of the associate's profit or loss and other comprehensive income only to the extent necessary to recognise the change in the carrying amount of the investment.
33. The Appendix to this paper illustrates the application of the two approaches to four fact patterns. In developing the examples in the Appendix, we have applied the principle that the profit or loss is the main indicator of performance.

**Approach A**

34. Approach A assumes that separate recognition of the share of profit or loss plus other comprehensive income provides the most useful information to users of financial statements. Therefore, under Approach A an investor recognises the maximum amount of each share as is possible within the constraints of paragraph 38 and 39 of IAS 28.
35. When full recognition of the two shares conflicts with the constraints in paragraph 38 and 39 of IAS 28, the investor reduces the share that has the greater absolute value as needed to comply with the constraint. The share with the greater absolute value might be the share recognised in profit or loss or in other comprehensive income.
36. This approach would be consistent with the requirement in paragraph 10 of IAS 28 and the proposals in paragraph 7(b) of this paper.

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**Approach B**

37. IAS 28 defines the equity method as a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the associate's net assets.
38. Approach B assumes that users of financial statements are most interested in the change in the carrying amount of the investment. Changes in the investor's share of the associate's net assets happen for different reasons, including:
- (a) investor's share of the associate's profit or loss and other comprehensive income;
  - (b) distributions;
  - (c) purchases of additional interest and partial disposals;
  - (d) issue and buyback of shares by the associate.
39. IAS 28 currently does not require disclosure of the changes in the carrying amount of from the opening to the closing balance of the investment. Some users might ignore the carrying amount of the investment and replace it with a current value. Approach B assumes that the composition of the change, including the share of the associate's profit or loss and other comprehensive income within that change, is of little use in determining that current value.
40. Under Approach B, the investor would determine the change in the carrying amount of the investment, considering its share of the associate's profit or loss and other comprehensive income and the application of the restrictions in paragraph 38 and 39 of IAS 28. The investor would recognise its share of the associate's profit or loss and other comprehensive income only to the extent necessary to adjust the carrying amount of the investment, starting with its share of the associate's profit or loss.
41. This approach would not be consistent with the requirement in paragraph 10 of IAS 28 or the proposal in paragraph 7(b) of this paper.

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***Is there a third approach?***

42. No respondent expressed disagreement with the general requirement in paragraph 10 of IAS 28 (recognise separately an investor's share of the associate's profit or loss and its share of the associate's other comprehensive income), so applying Approach A to a fact pattern where the carrying amount of the investment is positive before and after recognition of the investor's share of the associate's result does not seem controversial. However, many respondents have questioned the usefulness of the separate presentation after the investment has been reduced to nil.
43. Some respondents seem to support a third approach, with the primary objective being the recognition of the investor's share of the associate's profit or loss and other comprehensive income as long as the carrying amount of the investment stays positive; and the primary objective being the recognition of the change in the carrying amount of the investment once the constraints are active. That is, once the carrying amount has become nil, the distinction between the two shares loses its relevance.
44. We do not share this view. If the separate presentation of the two shares provides information that users of financial statements find relevant to assess the performance, we think the information stays relevant after the carrying amount has been reduced to nil.
45. As noted in paragraph 25 of this paper, it is possible that some respondents consider an investment with a carrying amount of nil to be immaterial. We think that, while the carrying amount is a factor in the materiality assessment, this could not be considered a necessary or sufficient condition. Moreover, if the investment is deemed to be immaterial, then the investor would not need to apply the proposal.
46. Some respondents disagreed with the proposal because of the cost involved to track information on profit or loss and other comprehensive income separately. We note that the investor still needs to monitor its share of the associate's profit or loss and other comprehensive income to determine whether it can resume recognition, therefore we think that the additional cost to apply the proposal is limited.

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*Intra-period allocation*

47. One respondent also raised a question on intra-periods carry-forward of losses not recognised, that is, whether the investor's composition of the losses not recognised – between share of profit or loss and share of other comprehensive income– is carried forward over time, or only the total.
48. Some respondents raised an additional point about the proposal in paragraph 7(b) and asked if the proposal would apply to different accounting periods. Assume that in Year 1, the investor's share of profit or loss is a loss of CU20 and the share of other comprehensive income is CU0. At the end of Year 1, the cumulative losses not recognised are CU30. In Year 2, the investor's share of other comprehensive income is a profit of CU10. The respondent asked if the investor would be required to recognise a loss of CU10 in profit or loss, and profit of CU10 in other comprehensive income in Year 2, even when the two shares relate to different periods. The proposal in paragraph 52 of the Exposure Draft describes a fact pattern where the two shares relate to the same reporting period.
49. Our initial analysis is that the proposal does not apply to shares that related to different periods. Firstly, to apply the proposal to the fact pattern explained in paragraph 48 would require the investor to track not only of the cumulative losses not recognised (as needed to comply with the constraint in paragraph 39 of IAS 28) but also of share of profit or loss and other comprehensive income separately. Secondly, we do not see how the investor would be able to recognise losses incurred (but not recognised) in past periods in the profit or loss or other comprehensive income for the period. These losses are not part of the performance for the reporting period.

*Staff recommendation*

50. If the IASB disagrees with the staff recommendation in paragraph 29 of this paper and decides to proceed with solving the application question, our recommendation is to proceed with Approach A. We think that Approach A is most consistent with the existing requirements in IAS 28 and IAS 1 although it is more costly.

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51. Approach A builds on the requirements in IAS 1 that presenting the investor's share of the associate's profit or loss and other comprehensive income separately from other items (and from each other) provides relevant information to users of financial statements. Approach A maximises the recognised portion of the two shares of the associates' comprehensive income.
  52. Approach A requires the entity to separately monitor in each period the two shares and determine the maximum amount of each share that can be recognised within the constraint. Compared to Approach A, Approach B only requires determining whether the net of the two shares is a profit that exceeds the losses not recognised; if not, the entity does not recognise anything.
  53. Approach A would apply regardless of the carrying amount of the investment, so it would apply also to the aspects in paragraph 7(a) and 8 of the paper relating to the order of recognition. If the IASB were to proceed with Approach A, paragraphs 50 and 51 of the Exposure Draft would be replaced, as well as Illustrative Example 3.

#### ***Order of recognition when resuming recognition of profit***

54. As noted in paragraph 16 of this paper, some respondents asked the IASB to clarify whether an investor, on resuming recognition of its share of profit (after the share of profit has equalled the share of losses not recognised) should start recognising its share of profit or loss or its share of other comprehensive income. They disagreed with the IASB's explanation that this fact pattern is not frequent.
55. The IASB discussed this aspect of the application question at its June 2024 meeting but could not agree on a proposal. Some Board members thought that the order of recognition should be symmetrical to the proposed order of recognition when the carrying amount of the investment is being reduced (so, the investor should give priority to recognising its share of profit or loss).

56. Unless the IASB decides to proceed either with Approach A or Approach B, we do not think we can identify a principle-based solution to this aspect of the question. In that case, we would recommend the IASB does not add this aspect to the scope of the project.

## Questions for the IASB

### Questions for the IASB

1. Does the IASB agree with the staff recommendation in paragraph 4 of this paper to:
  - (a) confirm the proposal in the Exposure Draft to recognise *first* the investor's share of the associate's profit or loss and *then* the share of the associate's other comprehensive income, in the event both shares are losses and in aggregate exceed the carrying amount of the net investment in the associate
  - (b) withdraw the proposal in the Exposure Draft to continue recognising the investor's share of the associate's profit or loss and the share of the associate's other comprehensive income, after the investor has reduced the net investment to nil; and
  - (c) not add to the scope of the project a question on whether the investor, on resuming the recognition of its share of profit, should recognise first its share of the associate's profit or loss or its share of the associate's other comprehensive income.

## Appendix

A1. This Appendix illustrates the application of Approach A and Approach B in the paper to three fact patterns:

	Carrying amount	Losses not recognised	Share of profit or loss	Share of OCI	<b>Total share</b>
Case 1	100	0	30	(5)	<b>25</b>
Case 2	40	0	(60)	10	<b>(50)</b>
Case 3	0	(40)	30	(10)	<b>20</b>
Case 4	0	(20)	40	(5)	<b>35</b>

A2. Approach A (which assumes that recognising and presenting the two components of the investor's share of the associate's profit or loss and other comprehensive income provides the most useful information to users of financial statements):

- (a) In Case 1, the investor recognises each share in full because there is no constraint to the recognition of each share. The investor debits CU5 in other comprehensive income and credits CU30 in profit or loss.
- (b) In Case 2, recognition of each share in full would change the carrying amount of the investment to CU(10). However, the constraint in paragraph 38 of IAS 28 does not permit the investment to be reduced below nil. The investor reduces the amount to be recognised to comply with the restriction. The maximum amount that the investor can recognise is CU(40). The investor debits CU50 in profit or loss and credits CU10 in other comprehensive income.

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- (c) In Case 3, the constraint in paragraph 39 of IAS 28 limits the amount that can be recognised in profit or loss. The maximum amount that the investor can recognise in profit or loss is CU10. The investor debits CU10 in other comprehensive income and credits CU10 in profit or loss.
- (d) In Case 4, the constraint in paragraph 39 of IAS 28 requires the losses not recognised to be absorbed first. The investor reduces the amount to be recognised to comply with the restriction. The maximum amount the investor can recognise is CU15. The investor credits CU20 in profit or loss and debits CU5 in OCI.
- A3. Approach B (which assumes that users of financial statements are most interested in the change in the carrying amount of the investment):
- (a) In Case 1, the investor recognises a change in the carrying amount of CU25. The investor recognises first its share of profit or loss. The investor recognises a profit of CU25 in profit or loss.
- (b) In Case 2, the investor recognises a change in the carrying amount of CU40. The investor recognises first its share of profit or loss. The investor recognises a loss of CU40 in profit or loss.
- (c) In Case 3, the investor recognises a change in the carrying amount of nil. The investor does not recognise any amount.
- (d) In Case 4, the investor recognises a change in the carrying amount of CU15. The investor recognises a profit of CU15 in profit or loss.