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Staff paper

Agenda reference: 6

Accounting Standards Advisory Forum meeting

Date	**December 2026**
Project	**Equity Method**
Topic	**Overview of the forthcoming revised IAS 28 *Investments in Associates and Joint Ventures***

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Purpose of the session

This session aims to provide ASAF members with an overview of the forthcoming revised IAS 28 *Investments in Associates and Joint Ventures*.

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Project approach

Equity Method of Accounting Project

Objectives

- Reduce diversity in practice by answering application questions on the equity method of accounting.
- Improve the understandability of IAS 28 *Investments in Associates and Joint Ventures*.

Effective date

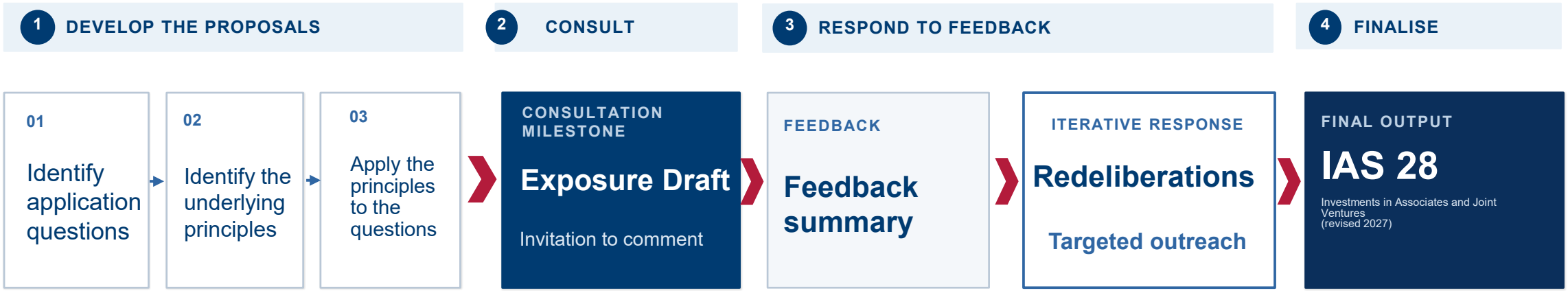
- Accounting periods starting on or after 1 January 2029.



Project timeline

ED Equity Method of Accounting	***End of consultation***	**Start deliberations**	***IAS 28 (revised 2027)***
September 2024	January 2025	September 2025	H1 2027

Equity Method of Accounting Project: approach



Approach

Stakeholder feedback and targeted outreach inform the IASB's redeliberations before finalisation.

Consultation overview

- During the consultation period, more than 30 outreach events and meetings were held. Outside the consultation period, more than 90 outreach events and meetings were held.
- The IASB carried out additional outreach in Japan and China to better understand why many stakeholders disagreed with the proposal to recognise gains and losses on transactions in full when applying the equity method.
- The findings were then shared and discussed with stakeholders who agreed with the proposal



Region	Number	Percentage
Europe	45	40%
Asia and Oceania	36	32%
Americas	17	15%
Global	8	7%
Africa	6	6%
Total	112	100%

Breakdown of the comment letters by geographical distribution

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IAS 28 revised—main changes and additions to the requirements

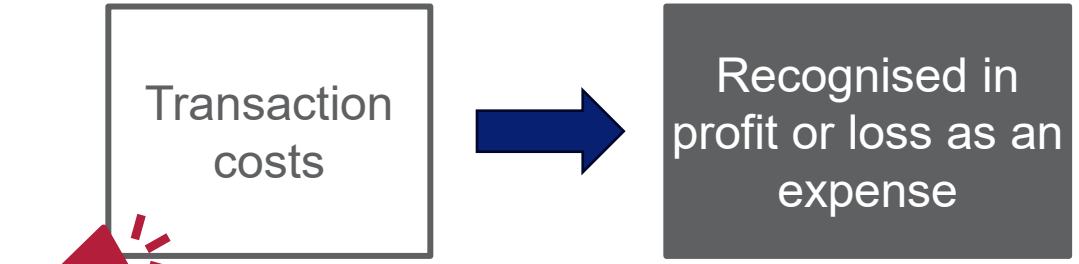
Main changes and additions to the requirements

- Cost of investment on initial recognition
- Changes in ownership interest—purchasing an interest whilst retaining significant influence or joint control
- Changes in ownership interest—disposing of an interest whilst retaining significant influence or joint control
- Transactions with associates and joint ventures
- Removal of ‘significant and prolonged’ decline as an impairment indicator
- Improved disclosures
- Improved understandability

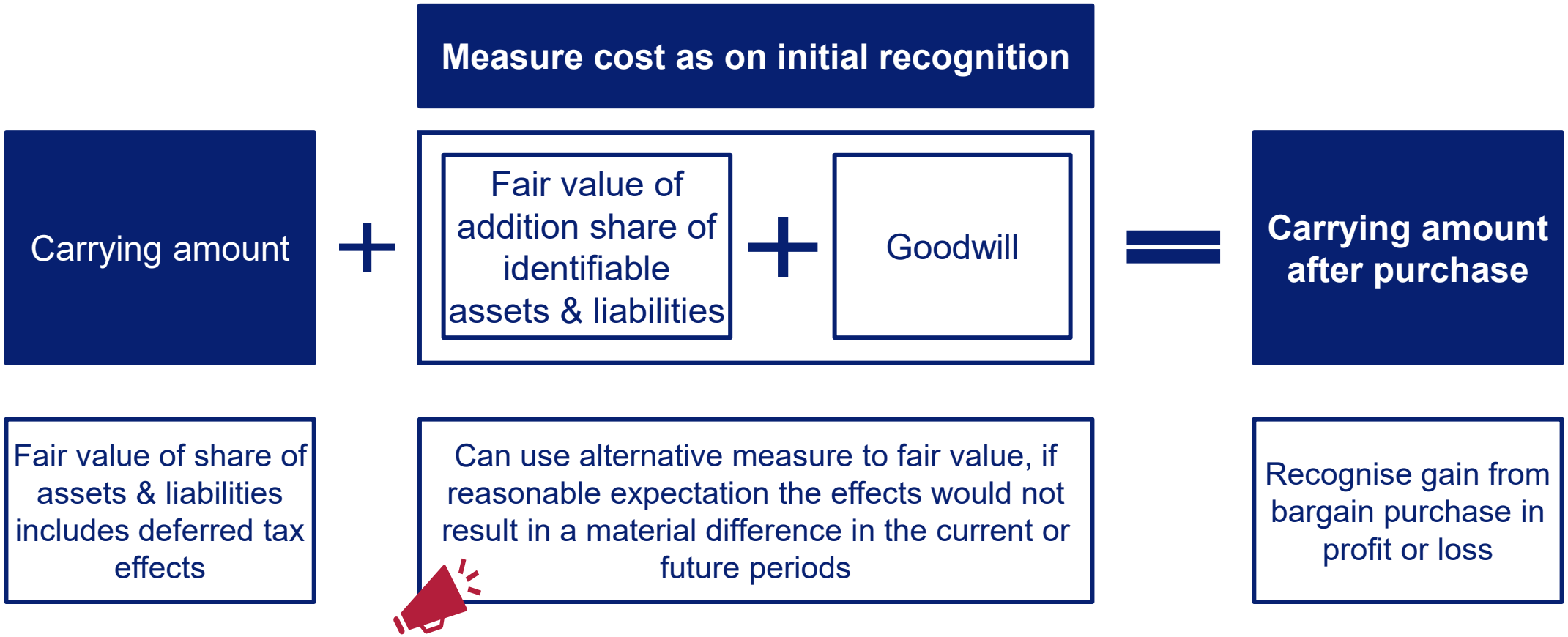
Cost of investment on initial recognition



- IAS 28 revised defines **cost of an associate or joint venture** – bringing clarity to the Standard may change an entity's current accounting policy



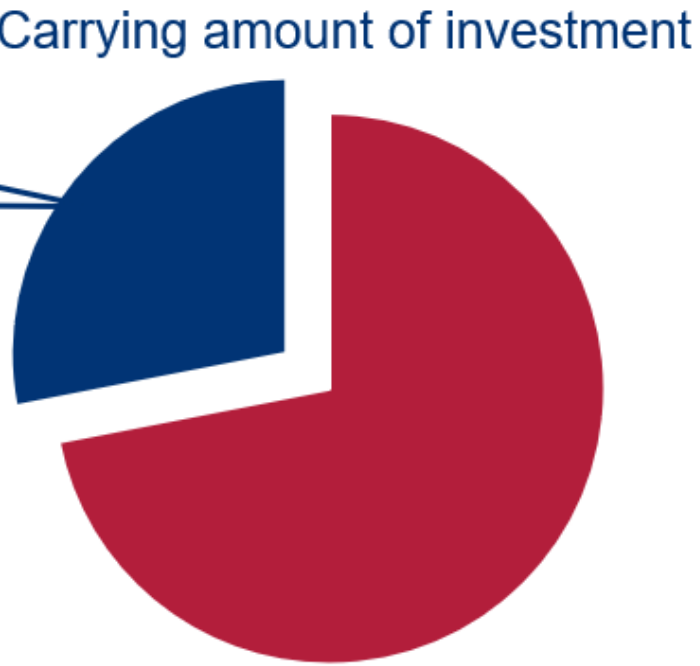
Changes in ownership interest–purchasing an interest whilst retaining significant influence



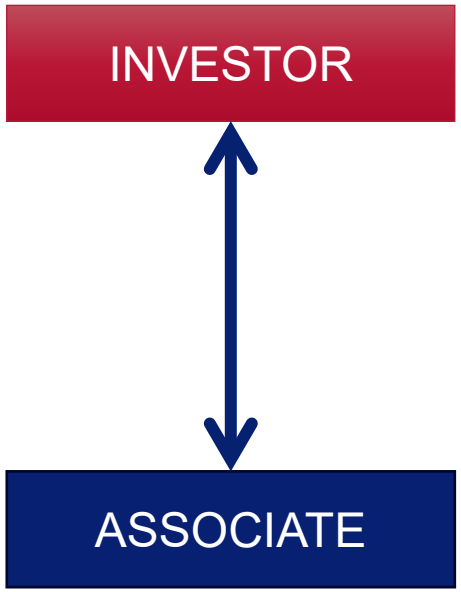
Changes in ownership interest–disposing of an interest whilst retaining significant influence

Measure the disposed portion as a percentage of the carrying amount of the investment at the date of disposal

Recognise gain or loss in profit or loss



Transactions with associates and joint ventures



An accounting policy choice to:

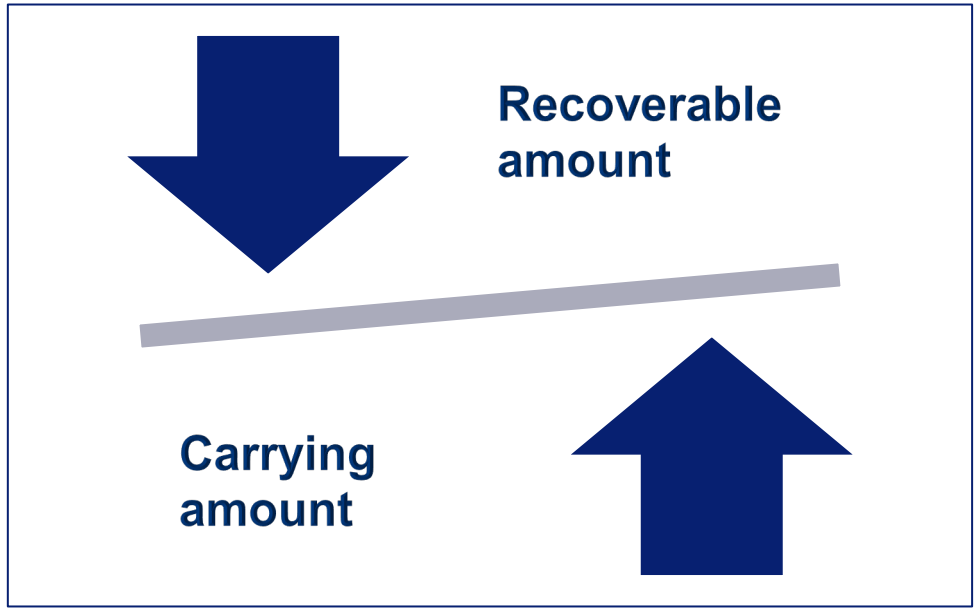
- recognise gains and losses on transactions with associates and joint ventures ‘in full’ or
- continue to restrict gains and losses,

except for transfers of businesses, for which gains or losses are recognised in full.

New disclosures for restricted gains and losses

A separate accounting policy choice for entities using the equity method in separate financial statements.

Removal of ‘significant and prolonged’ decline

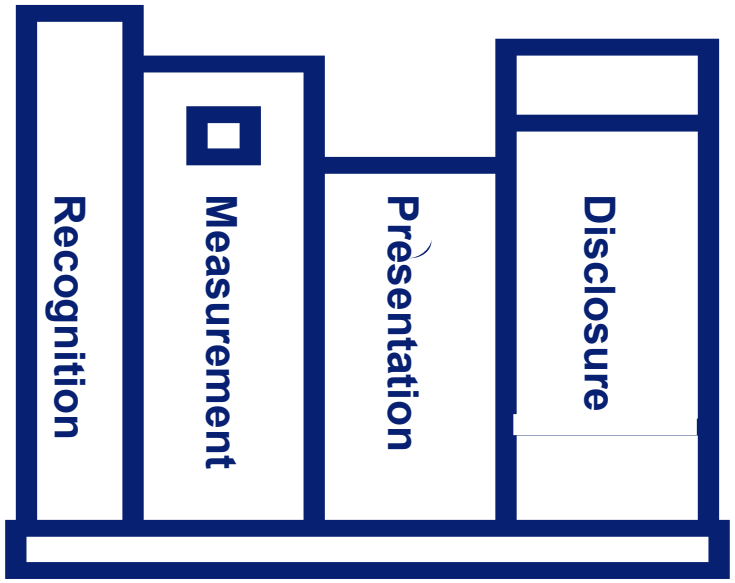


- Replaced ‘decline…below cost’ with ‘decline…to less than the carrying amount’
- Removed the reference to ‘significant or prolonged’ decline in fair value from the impairment indicators.
- Added clarification on what information an investor uses in determining fair value.
- No change to the requirements for determining the recoverable amount of an investment.

Improving understandability

IAS 28 revised is organised by topic consistent with recent IFRS Accounting Standards

IAS 28 has been revised several times since it was first issued in 1989; new requirements have been added or existing requirements amended over time on a piecemeal basis.



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IAS 28 revised—improved disclosures

Improved disclosures

IFRS 12 to 'enable investors to understand nature, extent and financial effects of interest, risks in joint ventures and associates'

- Information about contingent consideration arrangements

- Gains or losses from other changes in ownership interest (dilution gains or losses)

- Reconciliation of the opening to the closing balance of the carrying amount of investments

Improved disclosures – transactions with associates

For all entities:

- Accounting policy for recognising gains and losses on transactions with associates and joint ventures
- Amount of gains or losses on downstream transactions (*)
- Nature of transactions



For entities that restrict gains or losses:

- Amount of gains or losses on upstream transactions (*)
- Reconciliation of restricted gains or losses (showing separately gains and losses from transaction in period and those gains and losses from prior periods) (**)

(*) exemption if information can be attributed to an individual associate and the transaction is part of the investor's ordinary activities

(**) could be combined with the reconciliation of the opening to closing balance of the carrying amount of the investments

Illustration—background

- Entity A (the investor) holds a 30% in Entity B (the associate) and has determined it has significant influence.
- Entity A's accounting policy is to restrict gains or losses from transactions with associates.
- Entity A includes service transactions in applying the accounting policy and within disclosures.

- Entity A has an opening balance CU100 of gains not recognised from sales to Entity B.
- In the period Entity A:
  - sells CU5,000 of inventory to Entity B with a gain of CU2,000.
  - provides services to Entity B for CU1,500 with a gain of CU800.
- Entity B at the end of the period:
  - has in stock CU1,000 of inventory purchased from Entity A.
  - has also sold to third parties all inventory purchased in prior years.

Illustration—disclosure extract

	CU	Calculations
Opening balance	100	
Restricted gains during the period	840	CU2,800 (total gains) x 30% (Entity A's ownership interest)
Restricted gains in profit or loss:		
• from restricted gains recognised in the current period (inventory)	(480)	CU2,000 (inventory gains) x 80% (portion of inventory sold to third parties) x 30%
• from restricted gains recognised in the current period (services)	(240)	CU800 (service gain) x 30%
• from restricted gains recognised in previous periods	(100)	Reversal of opening balance
Closing balance	120	

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IAS 28 revised—other changes and transition

Other changes in requirements

Other changes in ownership interest	Account for other increases (or decreases) of ownership interest as if it were a purchase (or a disposal) of an interest
Share of the associate's profit or loss and OCI	Recognise first the investor's share of profit or loss and then the share of other comprehensive income, when both shares are negative

Transition to IAS 28 revised

Apply the revised IAS 28 prospectively except for :

- transactions with associates, if changing to full recognition for gains or losses: recognise unrecognised gains and losses in equity. If this involves undue cost or effort, apply the change in accounting policy prospectively.
- contingent consideration, if not already measured at fair value: use fair value at transition date.
- other reliefs available for impairment test and additional comparative information.

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