IFRS Accounting

Staff paper

Agenda reference: 13A

IASB® meeting

Date	**September 2026**
Project	**Equity Method**
Topic	**Transactions with associates—Implication for IAS 27 *Separate Financial Statements***
Contacts	**Filippo Poli** (fpoli@ifrs.org)

Purpose of this paper

1. The purpose of this paper is to decide on the disclosure requirements for investments accounted for using the equity method in an entity's separate financial statements prepared in accordance with IAS 27 *Separate Financial Statements*.

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 separate financial statements, unless indicated otherwise.

Summary of staff recommendation

3. The staff recommend the IASB:

   (a) withdraw the proposal in the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)* that a parent discloses gains or losses from downstream transactions with subsidiaries accounted for using the equity method (paragraph 25);

(b) require a parent to disclose its accounting policy for gains or losses from transactions with investments (associates or subsidiaries) accounted for using the equity method in its separate financial statements (paragraph 14 and paragraph 35);

(c) not add any further disclosure requirements for separate financial statements to IAS 27, including;

   (i) not adding disclosure requirements to IAS 27 for the investor's separate financial statements for associates accounted for using the equity method, except for disclosing its accounting policy for gains or losses from transactions with associates accounted for using the equity method in its separate financial statements (paragraph 15);

   (ii) confirming its decision not to introduce a reconciliation of the opening balance to the closing balance of the investments in subsidiaries accounted for under the equity method (paragraph 29);

   (iii) confirming its decision not to introduce a requirement to disclose gains or losses from other changes in the parent's ownership interest (paragraph 33); and

   (iv) not to require disclosure of a reconciliation of the balance of restricted gains or losses (paragraph 40).

Structure of this paper

4. This paper is structured as follows:

   (a) disclosures – separate financial statements (paragraph 5–40);

      (i) interests in associates accounted for using the equity method;

      (ii) interests in subsidiaries accounted for using the equity method; and

   (b) questions for the IASB

Staff analysis

Disclosures – separate financial statements

5. IAS 27 permits an entity that prepares separate financial statements to account for its investments in associates, joint ventures and subsidiaries:

   (a) at cost;

   (b) in accordance with IFRS 9 *Financial Instruments;* or

   (c) using the equity method.

6. The entity is required to apply the same method to account for each category of investments.

7. Paragraph 15 of IAS 27 states that an entity shall apply all applicable IFRS Accounting Standards when providing disclosures in its separate financial statements. However, paragraph 6 of IFRS 12 *Disclosure of Interests in Other Entities* states that the Standard does not apply to an entity's separate financial statements to which IAS 27 applies (except for in limited circumstances). Therefore, if the IASB decides to add disclosure requirements applicable to separate financial statements, the requirements should be added to IAS 27.

8. IAS 27 has a few disclosure requirements. Paragraph 17 of IAS 27 requires a parent that prepares consolidated financial statements to disclose in its separate financial statements:

   (a) the fact that these are separate financial statements;

   (b) a list of significant investments in associates, joint ventures and subsidiaries; and

   (c) a description of the methods used to account for the investments.

9. In the Exposure Draft, the IASB proposed a parent using the equity method for investments in subsidiaries:

    (a) recognise in full gains or losses from transactions with subsidiaries; and

    (b) disclose gains or losses from 'downstream' transactions with subsidiaries.

10. There was little feedback on the Exposure Draft for the proposed disclosures in separate financial statements. Respondents that answered Question 6 of the Invitation to Comment (Question 6—Investments in subsidiaries to which the equity method is applied in separate financial statements) focused on the measurement proposals.[1]

11. In paragraphs 12–40 of this paper, we discuss whether the IASB should add disclosure requirements for investments accounted for using the equity method in an entity's separate financial statements.

Interests in associates accounted for using the equity method

12. If an investor uses the equity method to account for its investments in associates in its separate financial statements, the investments are measured as in the investor's consolidated financial statements. In many cases users of the separate financial statements will be able to find information on those associates in the investor's consolidated financial statements, because the investor is required to provide disclosures in the notes to the consolidated financial statements in accordance with IFRS 12.

13. It should be noted that, in some circumstances information might not be available or might be provided on a different basis in the investor's consolidated financial statements, for example when:

    (a) the investor is an intermediate parent that applies the exception in paragraph 4 of IFRS 10 *Consolidated Financial Statements* and does not prepare its own consolidated financial statements;

[1] For additional detail, see paragraphs 5–17 of Agenda Paper 13E for the May 2025 IASB meeting.

(b) the investor chooses a different accounting policy choice for the recognition of gains or losses from transactions with associates in its consolidated and separate financial statements. At its June 2026 meeting, the IASB tentatively decided that an investor need not apply the same accounting policy for the recognition of gains and losses on transactions with associates in its consolidated and separate financial statements;

(c) an investment is held both directly and indirectly. For example, the investor may hold directly 25% in an associate, and another 20% indirectly via a subsidiary. The information disclosed in the consolidated financial statements would refer to the total investment of 45%.

14. It is reasonable to assume that in most cases investors will choose the same accounting policy choice for gains or losses from transactions with associates in both consolidated and separate financial statements. However, if an investor does choose a different accounting policy for gains or losses from transactions with associates, we think that the users of financial statements should be informed. Therefore, we recommend the IASB require an investor to disclose the accounting policy choice for the recognition of gains and losses on transactions with associates accounted for using the equity method in its separate financial statements.

15. We think in many cases users of separate financial statements will be able to find information on those associates from the disclosures in the investor's consolidated financial statements. We think requiring those disclosures in the investor's separate financial statements would not provide sufficient additional benefit to the users of the financial statements that would exceed the cost to investors of providing the information. Therefore, we do not recommend adding disclosure requirements to IAS 27 for the investor's separate financial statements for associates accounted for using the equity method, except for disclosure of its accounting policy choice for the recognition of gains and losses on transactions with associates accounted for using the equity method in its separate financial statements.

Interests in subsidiaries accounted for using the equity method

16. Investments in subsidiaries are consolidated in the parent's consolidated financial statements. The subsidiaries' assets, liabilities, income, expenses and equity are included in the consolidated line items. Therefore, consolidated financial statements do not provide disclosures about the investment itself.[2] Hence, users of separate financial statements will not be able to find information about investments in subsidiaries accounted for using the equity method in the consolidated financial statements.

17. In paragraphs 19—40 of this paper, we have considered whether any of the disclosure requirements the IASB tentatively decided to add to IFRS 12 should be added to IAS 27 for investments in subsidiaries accounted for using the equity method.

18. The IASB has tentatively decided to add the following disclosure requirements to IFRS 12:

Disclosures proposed in the Exposure Draft:

(a) gains or losses from transactions with associates;

(b) reconciliation between the opening and closing carrying amount of investments;

(c) other disclosures. These include disclosure on contingent consideration arrangements and gains or losses from other changes in ownership interests;

Disclosures tentatively added in redeliberation:

(d) accounting policy for the recognition of gains or losses from transactions with associates;

(e) reconciliation between the opening and closing balance of restricted gains or losses from transactions with associates.

[2] Paragraph 3.16 of the *Conceptual Framework for Financial Reporting* states that consolidated financial statements are not designed to provide separate information about the assets, liabilities, equity, income and expenses of any particular subsidiary.

Gains or losses from transactions with subsidiaries accounted for using the equity method

19. In the Exposure Draft, the IASB proposed a parent recognise gains or losses in full from ‘downstream’ transactions with subsidiaries and disclose those gains or losses. Paragraph 169 of the Basis for Conclusion on the Exposure Draft explains that in the IASB’s view the information would help users of a parent’s separate financial statements to understand how much of a parent’s profit or loss was generated from such transactions.

20. At its June 2026 meeting, the IASB tentatively decided to permit an accounting policy choice to either recognise those gains or losses in full, or to restrict them.

21. A parent that chooses to restrict gains or losses from transactions with subsidiaries will eliminate those gains or losses in its separate financial statements, as in consolidation, and will not include any gain or loss in its separate financial statements. Therefore, a parent entity that restricts gains or losses would have nothing to disclose when applying the proposal in paragraph 19 of this paper.

22. The IASB could decide to confirm the proposal in paragraph 19 of this paper for a parent entity that chooses to recognise gains or losses in full, which was supported by some respondents. However, we note that the scope of the disclosure would be limited because:

    (a) such disclosure is not required for a parent that either uses cost or applies IFRS 9 (fair value) for its investments in subsidiaries. Transactions with subsidiaries would recognise gains or losses in full; and

    (b) the disclosure does not include gains or losses from ‘upstream’ transactions.

23. Paragraph 3.18 of the *Conceptual Framework for Financial Reporting* notes that unconsolidated financial statements are typically not sufficient to meet the information needs of existing and potential investors, lenders and other creditors of the parent. In the staff's view, there is a high threshold to add disclosure requirements to the separate financial statements, given that the IASB decided that IFRS 12 does not apply to separate financial statements.

24. Moreover, in this paper we discuss other disclosure requirements, and we recommend not adding them to separate financial statements (except for the disclosure of the accounting policy for gains or losses from transactions with subsidiaries accounted for using the equity method). In our view, disclosure of gains or losses, in isolation, would provide limited benefit to the users of the separate financial statements and would not meet the high threshold in paragraph 23 of this paper.

25. For these reasons, we recommend the IASB withdraw the proposal that a parent discloses gains or losses from 'downstream' transactions with subsidiaries accounted for using the equity method.

Reconciliation of carrying amount of investments in subsidiaries accounted for using the equity method

26. The IASB has tentatively confirmed its proposal in the Exposure Draft to introduce a reconciliation of the opening balance to the closing balance of the carrying amount of investments in associates in consolidated financial statements. This reconciliation would help users understand the changes in the carrying amount of the investment; for example, it would help users to distinguish between changes arising from cash transactions and changes arising from non-cash transactions.

27. In the Exposure Draft, the IASB did not propose a similar reconciliation for investments in subsidiaries accounted for using the equity method in IAS 27. We do not think that an analogous reconciliation of the carrying amount of the investments in subsidiaries accounted for under the equity method would provide useful information. No respondent recommended adding such reconciliation.

28. Firstly, in many cases users of financial statements already receive information about changes in the assets and liabilities of the group from the applicable disclosures in other IFRS Accounting Standards. Secondly, some users of financial statements use information about the investment in associates because they are trying to make an estimate of the investment value. This happens less frequently for individual subsidiaries, at Group level users focus their attention more on segment information to evaluate the nature and financial effects of the different business activities in which the entity engages.

29. For these reasons, we recommend the IASB confirm its decision not to introduce a reconciliation of the opening balance to the closing balance of the investments in subsidiaries accounted for under the equity method.

Other disclosures—contingent consideration

30. The IASB has tentatively confirmed its proposal in the Exposure Draft to require disclosure of information about contingent consideration for the purchase of associates in consolidated financial statements. Paragraphs B64(g) and B67(b) of IFRS 3 *Business Combinations* require the same information about contingent consideration for the acquisition of a subsidiary. Therefore, users of the separate financial statements can find information on contingent consideration for a subsidiary accounted for using the equity method by looking at the notes in the consolidated financial statements. We think that there is no need to duplicate this information in the parent's separate financial statements. No respondent recommended adding such disclosure requirement.

Other disclosures—gains and losses from other changes in an investors ownership interest

31. The IASB has tentatively confirmed its proposal in the Exposure Draft to amend IFRS 12 to require disclosure of gains or losses from other changes in an investor's ownership interest, if they are not separately presented in the statement of comprehensive income, because it provides useful information to users of financial statements – those gains or losses are different in nature from other income and expenses from associates and occur infrequently. The IASB did not propose in the Exposure Draft to include this disclosure requirement in IAS 27.

32. In theory, the disclosure could provide useful information also to users of a parent's separate financial statements, especially when the amount of that gain or loss is significant compared to the net result. However, given the current scope of disclosure requirements in IAS 27, we do not think that the benefit of the disclosure justifies its inclusion in the Standard. Moreover, when the gain or loss is significant, the aggregation principles in IFRS 18 *Presentation and Disclosure of Financial Statements* may already warrant a separate presentation or disclosure of the amount.

33. For these reasons, we recommend the IASB confirm its decision not to introduce a requirement to disclose gains or losses from other changes in the parent's ownership interest.

Accounting policy–subsidiaries accounted for using the equity method

34. Information on accounting policies is useful to users of the financial statements. As noted in paragraph 8 of this paper, IAS 27 already requires disclosure of the measurement method for investments.

35. We therefore recommend requiring the parent to disclose its accounting policy choice for gains or losses from transactions with subsidiaries accounted for under the equity method. We acknowledge that for some parent entities the impact of the policy choice might not have a material effect, but the information is easily accessible by the entity and the cost to produce the disclosure is negligible.

Reconciliation of balance of restricted gains or losses–subsidiaries accounted for using the equity method

36. The IASB has tentatively decide to permit an accounting policy choice for gains or losses from transactions with associates in consolidated financial statements. To assist users of financial statements to compare entities, the IASB tentatively decided to introduce disclosure requirements. This is because accounting policy choices reduce comparability.

37. The IASB has also tentatively decide to permit a similar accounting policy choice in the parent's separate financial statements. Therefore, IASB could introduce an analogous disclosure requirement. In theory, comparability is also useful for users of separate financial statements. The costs to compile the information to disclose gains or losses on transactions with subsidiaries would be limited, because parent entities already have the information to perform intercompany eliminations.

38. However, as noted above IAS 27 permits a parent entity to account for investments in subsidiaries using cost or in accordance with IFRS 9 (fair values). IAS 27 does not include requirements that to aim to compare the financial statements of parents that use the equity method with the financial statements of parents that use a different measurement for their investments in subsidiaries. If the IASB introduced in IAS 27 an analogous requirement for a reconciliation of restricted gains or losses from transactions with subsidiaries accounted for under the equity method, the comparability would still be only partial (between two parents that both use the equity method for their investments in subsidiaries but apply different policies for the recognition of gains or losses) – it would not extend to all parent entities.

39. Moreover, we think that most parents that use the equity method for their subsidiaries will choose to restrict in full gains or losses from transactions with their associates, to maintain alignment with the consolidated financial statements. So, the loss of comparability due to the accounting policy choice should be limited.

40. We therefore recommend the IASB confirm its decision not to introduce a requirement to disclose a reconciliation of the balance of restricted gains or losses.

Question for the IASB

Question for the IASB
1. Does the IASB agree with the staff recommendation in paragraph 25 of this paper?   2. Does the IASB agree with the staff recommendations in paragraph 14 and paragraph 35 of this paper?   3. Does the IASB agree with the staff recommendation not to add any other disclosure requirement to separate financial statements?