Staff paper

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IASB® meeting

Date	**September 2026**
Project	**Equity Method**
Topic	**Sweep issues**
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Purpose of this paper

1. The purpose of this paper is to consider sweep issues identified by the staff following the IASB's deliberations on feedback to the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)* and to ask the IASB to decide how those issues should be addressed.

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, unless indicated otherwise.

Summary of staff recommendation

3. The staff recommend the IASB:

   (a) retain paragraph 55 of the Exposure Draft, that states that many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10 *Consolidated Financial Statements*;

(b) require an investor that uses the exemption from disclosing gains or losses from transactions with associates to disclose that fact;

(c) require an investor to assess for each associate whether it would involve undue cost or effort to retrospectively apply a change in accounting policy for recognising gains and losses from transactions with that associate either:

(i) collectively for all gains and losses from past transactions with that associate for which a portion remains unrecognised at the transition date; or

(ii) individually for each such gain or loss; and

(d) require that, in relation to those associates for which an investor determines that applying its change in accounting policy retrospectively from the transition date would involve undue cost or effort, the investor applies its new accounting policy prospectively to gains and losses from transactions with those associates occurring after the transition date.

Structure of this paper

4. This paper is structured as follows:

(a) use of consolidation procedures (paragraphs 5–14);

(b) exemption from disclosing gains or losses (paragraphs 15–26);

(c) transition – relief for 'undue cost or effort' (paragraphs 27–41); and

(d) questions for the IASB.

Staff analysis

Use of consolidation procedures

Background

5. Paragraph 55 of the Exposure Draft (carried forward unchanged from paragraph 26 of IAS 28) states that many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10.

6. A few respondents to the Invitation to Comment questioned whether paragraph 55 should be retained, especially in view of the proposal in the Exposure Draft that an investor should recognise in full gains or losses from transactions with associates, which departed from consolidation procedures.

7. A few respondents also noted that the application of the paragraph is unclear. The Malaysian Accounting Standard Board commented:

> Some stakeholders commented that the application of paragraph 26 is confusing and difficult due to the lack of clarity about when to apply procedures similar to IFRS 10 *Consolidated Financial Statements* or IFRS 3 *Business Combinations* leading to diversity in practice. These stakeholders indicated a preference for clarity on when the consolidation procedures shall be applied and suggested the IASB to explicitly state that the consolidation procedures in IFRS 10 or the acquisition method in IFRS 3 shall be applied except when the requirements described in paragraphs 41–54 of the ED apply

8. Other respondents suggested removing the paragraph.

9. The point raised by respondents has some merit. When IAS 28 was first issued, the Standard had very few requirements about how to apply the equity method. Over time, the IASB had added requirements to address different recognition and measurement aspects. In this project, the IASB has developed answers to long-standing application questions.

10. It could therefore be argued that the generic reference to consolidation procedures is not needed any more. Moreover, paragraph 10 of IAS 8 *Basis of Preparation of Financial Statements* provides requirements on how to develop and apply an accounting policy in the absence of specific requirements. In practical terms, we expect the usefulness of the paragraph to be quite limited.

11. However, we are concerned that, if the paragraph was removed, there could be some misunderstanding about the IASB's intention behind removing the paragraph. Many view the equity method as a method conceptually similar to consolidation, because they consider associates to be similar to subsidiaries. This view was confirmed during the additional outreach with stakeholders on the recognition of gains or losses on transactions with associates.

12. In this project, the IASB chose not to discuss the nature of the equity method. While some of the tentative decisions are aligned to the requirements in IFRS 3 *Business Combinations*, the IASB did not take a position on whether the equity method is a one-line consolidation or measurement method. Removing paragraph 55 and the reference to consolidation procedures might raise the question that the IASB is taking a position on the nature of the equity method.

13. The IASB might explain in the Basis for Conclusions that the paragraph had simply become redundant, and its removal was only intended to simplify the requirements, because there would be no confusion about when the paragraph applies. However, we are concerned that even in this case, the removal would give rise to questions and move the focus of the project away from the improvements to the Standard. Therefore, we recommend retaining the paragraph. Its placement at the end of the section of the Standard covering equity method procedures emphasises that an investor should consider the paragraph only after applying all the procedures relating to the equity method.

Staff conclusion and recommendation

14. To avoid the concerns in paragraphs 11–13 the staff recommend retaining paragraph 55 of the Exposure Draft, that states that many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10.

Question for the IASB

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 14 of this paper?

Exemption from disclosing gains and losses

Background

15. At its May 2026 meeting, the IASB tentatively decided to introduce an accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on all transactions with associates, except for gains or losses on transfer of businesses, which would be recognised in full.

16. At its July 2026 meeting, the IASB tentatively decided to require an investor to disclose the gains or losses from 'downstream' transactions with its associates (as proposed in the Exposure Draft). An investor that chooses to restrict the recognition of gains or losses discloses gains or losses from 'downstream' and 'upstream' transactions with its associates.

17. The IASB received feedback that the disclosure of gains and losses from transactions with associates would lead to disclosure of profit margins which are commercially sensitive information and could therefore undermine investor's competitiveness. An IASB member agreed with the feedback and cited a particular scenario in which the disclosure of such information would be commercially sensitive: supposing an investor only has a handful of equity-accounted affiliates, the disclosure of gains or losses from transactions with associates when taken together with the disclosures required in IAS 24 *Related Party Disclosures* would result in margins from these transactions being directly attributed to the investees, and this could disadvantage the business of the investor.

18. In considering the concerns in paragraph 17, the staff considered instances in IFRS Standards where an exemption from disclosing information is provided because the information is sensitive in nature. The staff observed that:[1]

    (a) entities are exempt from disclosing the information required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* when disclosing such information could prejudice seriously the position of the entity in a dispute with other parties. If the entity applies the exemption, the entity shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed (see paragraph 92 of IAS 37).

[1] The IASB also considered its proposal in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* where the IASB proposed the disclosure of performance and expected synergy information in a business combination. The IASB proposed to exempt an entity from disclosing some of the information in specific circumstances designed to respond to preparers' concerns on commercial sensitivity and litigation risk. These proposals are currently being redeliberated.

(b) entities do not need to disclose information about a sustainability-related opportunity required by IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* issued by the International Sustainability Standards Board (ISSB) if that information is commercially sensitive in the limited circumstances described in paragraph B35 of IFRS S1. If an entity elects to use the exemption, the entity shall, for each item of information omitted (see paragraphs B34–B36 of IFRS S1):

   (i) disclose the fact that it has used the exemption; and

   (ii) reassess, at each reporting date, whether the information qualifies for the exemption.

19. The IASB tentatively decided to provide an exemption from disclosing gains and losses from transactions with associates only if:

   (a) the information disclosed can be attributed to an individual associate; and

   (b) the transactions are part of the investor's ordinary activities.

20. An entity applying the requirements in IAS 37 or IFRS S1 needs to determine whether disclosing information is seriously prejudicial (IAS 37) or commercially sensitive (IFRS S1) in the circumstances prescribed in those Standards. In contrast, an investor will assess whether they can use the exemption in paragraph 19, from disclosing the information about gains and losses on transactions with associates, in a defined single fact pattern. That is, an investor applying the exemption does not need to determine if disclosing the information would be seriously prejudicial or commercially sensitive.[2]

[2] Paragraph B35 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* states:
An entity qualifies for the exemption specified in paragraph B34 if, and only if:
(a) information about the sustainability-related opportunity is not already publicly available;
(b) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity; and
(c) the entity has determined that it is impossible to disclose that information in a manner—for example, at an aggregated level—that would enable the entity to meet the objectives of the disclosure requirements without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity

21. Information about gains and losses from transactions with associates provides useful information to users of financial statements (see paragraphs 27–28 of Agenda Paper 13C *Transactions with associates—Implications for IFRS 19*), therefore the conditions to apply the exemption are on purpose narrow and specific. The application of the exemption is expected to be infrequent.

22. Paragraphs 23–25 of this paper discuss whether an investor that applies the exemption should provide additional information.

23. We note that, if the investor used the exemption and did not provide further information, users might presume that the information is complete. They would not be aware that the investor recognised gains or losses from transactions with associates, or whether the amounts are material.

24. The requirement to disclose the application of the exemption compensates for the lack of disclosure of the quantitative information. This is an important signal to the users of financial statements. In this specific case, being informed that the investor applied the exemption would alert users to the impact of the transactions with the associate on the investor's financial position and financial performance. Users would be able to make their own estimates of the impact.

25. We point out that the investor should assess at every reporting date that the criteria for applying the exemption are met, because conditions may change – for example, the gains in the current period may arise from transactions outside the investor's ordinary activities, or the number of investments may change making the information not attributable to an individual associate. If in the subsequent reporting period the criteria cease to be met, then the investor must disclose the information about gains and losses on transactions with associates for that period.

Staff conclusion and recommendation

26. We recommend the IASB requires an investor that uses the exemption from disclosing gains or losses from transactions with associates discloses that fact.

Question for the IASB

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 26 of this paper?

Transition – Relief for 'undue cost or effort'

Background

27. At its July 2026 meeting, the IASB discussed the transition requirements to be included in IAS 28 (revised 202x).[3] One of its tentative decisions was to require an investor to apply a change in accounting policy for recognising gains or losses from transactions with associates retrospectively, subject to:

    (a) providing relief from retrospective application for cases in which retrospective application would involve undue cost or effort (the 'undue cost or effort' relief); and

    (b) clarifying that retrospective application applies only to the unrecognised portion of a previously restricted gain or loss at the transition date.

28. This paper discusses two matters relating to the 'undue cost or effort' relief:

    (a) how an investor assesses whether retrospective application would involve undue cost or effort; and

    (b) the alternative transition approach applied if the relief is used.

[3] See Agenda Paper 13B *Transition requirements in IAS 28 (revised 202x)*.

29. Other IFRS Accounting Standards that provide an 'undue cost or effort' relief include requirements on these matters. For example, IFRS 18 *Presentation and Disclosure in Financial Statements* provides an 'undue cost or effort' relief from its classification requirement for foreign exchange differences and also specifies that:

    (a) an entity assesses whether applying the classification requirement would involve undue cost or effort for each item that gives rise to foreign exchange differences; and

    (b) if applying the classification requirement would involve undue cost or effort, the entity classifies the affected foreign exchange differences in the operating category.[4]

30. The staff acknowledges that addressing either (or both) of the two matters described in paragraph 28 could be viewed as adding complexity to the transition requirements in IAS 28 (revised 202x). However, not addressing these issues could make the 'undue cost or effort' relief more difficult to apply in practice, because investors might need to spend time and resources on considering these matters themselves.

Assessing whether retrospective application involves undue cost or effort

31. A key concern raised by respondents who disagreed with the proposal in the Exposure Draft to require retrospective application related to the availability of information about the remaining unrecognised portion of a previously restricted gain or loss at the transition date—either the lack of information or the cost or effort involved in retrieving it.[5]

[4] See paragraphs B65 and B68 of IFRS 18.

[5] See paragraphs 12–13 of the May 2025 Agenda Paper 13F *Feedback from respondents—Transition requirements* and paragraph 33 of the May 2025 Agenda Paper 13H *Outreach feedback summary*.

32. Paragraph 23 of the July 2026 Agenda Paper 13B *Transition requirements in IAS 28 (revised 202x)* describes some circumstances in which the investor might not have retained the information needed for retrospective application. Also, in some circumstances the information might have been retained but could involve cost or effort to retrieve it, such as situations in which the unrecognised portion of a previously restricted gain or loss resulted from a transaction that occurred several years before the transition date. Retrieving that information is likely to involve more cost and effort if the investor has a large volume of transactions with its associates, which might need to be analysed to identify those resulting in gains and losses for which a portion remains unrecognised at the transition date.

33. The circumstances described in paragraph 32 of this paper raise a question about the level of aggregation or disaggregation an investor should use when assessing whether retrospective application would involve undue cost or effort, such as whether that assessment should be made:

    (a) for each individual gain or loss from past transactions for which a portion is unrecognised at the transition date;

    (b) collectively for such gains and losses from transactions with each individual associate; or

    (c) collectively for all such gains and losses from transactions with associates (that is, an entity-wide assessment).

34. In the staff view, requiring an investor to make an assessment of 'undue cost or effort' for each gain or loss individually (the approach in paragraph 33(a) of this paper) is unlikely to be practical, for example, for an investor with a large number of transactions with its associates.

35. However, an entity-wide assessment (the approach in paragraph 33(c) of this paper) also might be difficult to apply in practice. The extent of cost or effort involved in retrospective application could vary significantly from one associate to another. It could be unclear how an investor should weigh up variations in the ease or difficulty of retrospective application for each associate in an entity-wide assessment, especially if the investor has two or more individually material associates.

36. In the staff view, permitting an investor to make a collective assessment of 'undue cost or effort' for each individual associate (the approach in paragraph 33(b) of this paper) is likely to be the most practical approach. In reaching this view, the staff considered that, in practice, an investor with a large number of associates could apply materiality to limit its assessment of 'undue cost or effort' to:

    (a) each associate that is material to the investor; and

    (b) all other associates in aggregate (assuming they are collectively material).

37. The staff notes that to apply the existing disclosure requirements in IFRS 12*,* an investor would have already determined which of its associates are individually material. Accordingly, it could use that determination in its assessment of the 'undue cost or effort' relief.

Alternative transition approach if the 'undue cost or effort' relief is applied

38. If an investor does not retrospectively apply its change in accounting policy for recognising gains and losses from transactions with an associate because doing so would involve undue cost or effort, logically the investor would apply its new accounting policy prospectively. However, there could be a question about whether the investor should apply its new accounting policy to transactions occurring:

    (a) after the date of initial application of IAS 28 (revised 202x), which is the beginning of the annual reporting period in which an investor first applies the Standard; or

(b) after the transition date, which is generally the beginning of the comparative period.[6]

39. In the staff view, if an investor uses the 'undue cost or effort' relief from applying its new accounting policy retrospectively at the transition date, it should be required to apply its new accounting policy prospectively to transactions occurring after the transition date. This approach is consistent with all other transition requirements in IAS 28 (revised 202x), which apply at the transition date.

40. As a result, an investor would need to adjust its comparative information in the year of initial application of IAS 28 (revised 202x), to remove the effects of restricting gains or losses for those transactions with associates that occurred during the comparative period. However, in the staff view, doing so would not be onerous, because the investor would be aware of the transition requirement. In Agenda Paper 13D *Effective date and early application*, staff are recommending an effective date for the revised Standard of 2030. Accordingly, on issue of the revised Standard, investors will be aware they need to retain information about restricted gains and losses for those transactions with associates that occur during the comparative period.

Staff recommendation

41. Based on the analysis in paragraphs 31–40 of this paper, the staff recommends:

(a) the IASB requires an investor, in assessing whether retrospective application of a change in accounting policy for recognising gains and losses from transactions with associates would involve undue cost or effort, to make that assessment for each associate, either collectively for all gains and losses from past transactions with that associate for which a portion remains unrecognised at the transition date, or individually for each such gain or loss.

[6] An investor that presents more than one period of comparative information is permitted, but not required, to restate additional prior periods presented. If an investor chooses to restate the additional prior periods presented, the transition date is the beginning of the earliest adjusted comparative period presented.

(b) the IASB requires that, in relation to those associates for which an investor determines that applying its change in accounting policy retrospectively from the transition date would involve undue cost or effort, the investor applies its new accounting policy prospectively to gains and losses from transactions with those associates occurring after the transition date.

Question for the IASB

Question for the IASB
Does the IASB agree with the staff recommendation in paragraph 41 of this paper?