

Staff condensed summary of the IASB's tentative decisions on application questions

A full record of the IASB's tentative decisions on the **Equity Method** project is available from [IASB Updates](#).

All drafting in this summary is illustrative only and subject to change. The IASB's tentative decisions from IASB Updates should always be cited as the primary source and the first document for reference.

| Application questions | IASB Meeting | IASB's tentative decisions |
|--|---|---|
| Changes in an investor's interest while retaining significant influence | | |
| How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence? | April 2022 March 2023 June 2022 | <ol style="list-style-type: none"> The IASB tentatively decided that an investor would measure the cost of an investment, when an investor obtains significant influence, at the fair value of the consideration transferred, including the fair value of any previously held interest in the associate. The IASB tentatively decided that an investor purchasing an additional interest in an associate while retaining significant influence would recognise any difference between the cost of the additional interest and its additional share in the net fair value of the associate's identifiable assets and liabilities either as goodwill, or as a gain from a bargain purchase. The IASB tentatively decided that an investor purchasing an additional interest in an associate (that is a bargain purchase), while retaining significant influence, would recognise a gain from a bargain purchase in profit or loss. |
| Whether an investor recognises its share of other changes in an associate's net assets, and if so, how is the change presented? | September 2022 | <ol style="list-style-type: none"> The IASB tentatively decided that when the investor's ownership interest: <ul style="list-style-type: none"> increases and retains significant influence, an investor would recognise that increase as a purchase of an additional interest. decreases and retains significant influence, an investor would recognise that decrease as a partial disposal. |
| How does an investor apply the equity method when disposing of an interest in an associate while retaining significant influence? | December 2022 | <ol style="list-style-type: none"> The IASB tentatively decided that an investor applying the equity method is measuring a single investment in an associate. Accordingly, in a partial disposal, an investor would be required to measure the portion of the investment in the associate to be derecognised as a proportion of the carrying amount of the investment at the date of the disposal. |

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| Recognition of losses | | |
| Whether an investor that has reduced its interest in an associate to nil is required to 'catch up' unrecognised losses if it purchases an additional interest in the associate? | December 2022 | 6. The IASB tentatively decided that an investor applying the equity method that has reduced the carrying amount of its investment in an associate to nil and has therefore stopped recognising its share of an associate's losses would not recognise any unrecognised losses on purchasing an additional interest in the associate. |
| Whether an investor that has reduced its interest in an associate to nil recognises each component of comprehensive income separately? | December 2022 | 7. The IASB tentatively decided: <ul style="list-style-type: none"> to clarify that an investor would recognise its share of an associate's comprehensive income until its interest in the associate is reduced to nil. that when an investor has reduced the carrying amount of its investment in an associate to nil the investor would recognise separately its share of each component of the associate's comprehensive income. if an investor's share of an associate's comprehensive income is a loss that is larger than that carrying amount of its investment in the associate, an investor would recognise in order its share of the associate's profit or loss, and its share of the associate's other comprehensive income. |
| Transactions between an investor and its associate | | |
| How should an investor recognise gains or losses that arise from the sale of a subsidiary to its associate, applying the requirements in IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> ? | March 2023 | 8. The IASB tentatively decided: <ul style="list-style-type: none"> that an investor would recognise the full gain or loss on all transactions with its associate. to propose improvements for the disclosure requirements when an investor recognises the full gain or loss on transactions with its associate. |

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| Initial recognition of an investment in an associate—Deferred taxes | | |
| Does an investor account for a deferred tax asset (or liability) arising from recognising its share of the associate's net identifiable assets and liabilities at fair value? | April 2023 | 9. The IASB tentatively decided that an investor would account for, and include in the carrying amount of its investment in an associate, a deferred tax asset (or liability) arising from recognising its share of the associate's net identifiable assets and liabilities at fair value. |