

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 on obtaining significant influence		
How does an investor determine the initial carrying amount of an investment in an associate? ¹	April 2022 March 2023	1. In answering the application question(s) on applying the equity method to changes in ownership interests while retaining significant influence, the IASB tentatively decided how an investor measures the cost of an investment on obtaining significant influence. Therefore, the IASB's tentative decision, at its April 2022 meeting, resolves these application questions.
An investor, with a previously held interest in an entity, acquires an additional interest and obtains significant influence. Does the initial measurement include the original purchase cost of the previously held interest or the carrying amount of that interest applying IFRS 9 <i>Financial Instruments</i> ? ²		
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	2. 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.

¹ At its [July 2023](#) meeting, the IASB decided to expand the project's scope by adding this application question that is considered resolved by its tentative decisions.

² At its [July 2023](#) meeting, the IASB decided to expand the project's scope by adding this application question that is considered resolved by its tentative decisions.

Application questions	IASB Meeting	IASB's tentative decisions
Changes in an investor's interest while retaining significant influence		
	April 2022 March 2023 June 2022	<p>3. 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.</p> <p>4. 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.</p>
Whether an investor recognises its share of other changes in an associate's net assets while retaining significant influence, and if so, how is the change presented?	September 2022 June 2023	<p>5. The IASB tentatively decided that when the investor's ownership interest:</p> <ul style="list-style-type: none"> • increases and the investor retains significant influence, the investor would recognise that increase as a purchase of an additional interest. • decreases and the investor retains significant influence, the investor would recognise that decrease as a partial disposal. <p>6. The IASB tentatively decided not to develop proposals on how an investor applies the equity method when an associate grants an equity-settled share-based payment or a share warrant</p>
How does an investor account for the associate's issuance of shares while retaining significant influence? Common transactions include the repurchase or issuance of shares by the associate. ³		<p>7. In answering the application question(s) on applying the equity method to changes in ownership interests while retaining significant influence, the IASB tentatively decided how an investor accounts for changes in an associate's net assets that change the investor's ownership interest from the issue of equity instruments. Therefore, the IASB's tentative decision, at its September 2022 meeting, resolves this application question.</p>

³ At its [July 2023](#) meeting, the IASB decided to expand the project's scope by adding this application question that is considered resolved by its tentative decisions.

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 disposing of an interest in an associate while retaining significant influence?	December 2022	8. 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.
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	9. 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	10. 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. that 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.
Whether an investor that has reduced its interest in an associate to nil continues eliminating its share of gains arising from a downstream transaction?	March 2023	11. The IASB's tentative decision, at its March 2023 meeting, on the perceived conflict between IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> resolves this application question.

Application questions	IASB Meeting	IASB's tentative decisions
Transactions with (and between) equity accounted investments		
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 and IAS 28?	March 2023	<p>12. The IASB tentatively decided:</p> <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.
Whether to recognise the portion of the investor's share of gain that exceeds the carrying amount of its investment in the investee in a downstream transaction?	March 2023	<p>13. The IASB's tentative decision, at its March 2023 meeting, on the perceived conflict between IFRS 10 and IAS 28 resolves these application questions.</p>
Whether the investor's share of gain or loss is eliminated from the carrying amount of the investment in the investee or the acquired asset in an upstream transaction?		
Whether the provision of service and transactions that are not transfer of assets are upstream or downstream transaction?		
Whether the requirement for adjustment of gains or losses in intra-group transactions between subsidiaries should be applied by analogy to transactions between investees that are accounted for applying the equity method?		

Application questions	IASB Meeting	IASB's tentative decisions
Transactions with (and between) equity accounted investments		
Does an investor eliminate its portion of gain or loss in a downstream transaction against the transaction gain or loss or the share of the associate's profit or loss? ⁴	March 2023	14. The IASB's tentative decision, at its March 2023 meeting, on the perceived conflict between IFRS 10 and IAS 28 resolves this application question.
<p>An investor sells an item of property, plant and equipment to an associate and leases it back:</p> <p>(a) IFRS 16 <i>Leases</i> requires to recognise only the amount of gain or loss that relates to the rights transferred; whereas</p> <p>(b) IAS 28 requires to adjust for the investor's portion of gain or loss.</p> <p>Concerns were expressed about possible double counting.⁵</p>	March 2023	15. The IASB's tentative decision, at its March 2023 meeting, on the perceived conflict between IFRS 10 and IAS 28 resolves this application question, resolving any concern about possible double counting.

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Application questions	IASB Meeting	IASB's tentative decisions
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	16. 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.
Contingent consideration		
How to, initially and subsequently, recognise and measure contingent consideration on acquisition of an investment in an associate applying IAS 28?	June 2023	17. The IASB tentatively decided that: <ul style="list-style-type: none"> • on acquisition of an investment in an associate, an investor would recognise contingent consideration as part of the cost of the investment and measure that contingent consideration at fair value; and • after the acquisition date: <ul style="list-style-type: none"> — <i>for contingent consideration classified as equity</i>—an investor would account for its subsequent settlement within equity. — <i>for other contingent consideration</i>—an investor would measure it at fair value at each reporting date and recognise changes in fair value in profit or loss.
Impairment		
Does an investor assess a decline in fair value in relation to the original purchase price or the carrying amount at the reporting date?	July 2023	18. The IASB tentatively decided to propose amendments to IAS 28: <ul style="list-style-type: none"> • to change the term 'cost' to 'carrying amount' in paragraph 41C of IAS 28. • to add as objective evidence of impairment a purchase price an investor pays for an additional interest in an associate, or a selling price for part of the interest, that is lower than the carrying amount of the investment in the associate at the date of the purchase or sale of that interest. • to remove the term 'significant or prolonged'.