
FASB | IASB Education Meeting

Date	11 October 2024
Project	Equity Method
Topic	Proposals in the Exposure Draft <i>Equity Method of Accounting IAS 28 (revised 202X)</i>
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Background—the project

Project objective

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

Project approach

Identify application questions



Identify the underlying principles



Apply the principles to the application questions

IASB proposals

Obtaining significant influence or joint control

Cost is the fair value of the consideration transferred, including the fair value of any previously held ownership interest and any contingent consideration



Purchasing or disposing of ownership interests



New requirements:

- cost accumulation for purchases
- disposed portion is a percentage of the carrying amount

Other changes in ownership interests, eg dilution

New requirements:

- apply requirements for purchases and disposals

IASB proposals



All transactions with associates and joint ventures

Impairment indicators

Share of profit or loss and other comprehensive income



Change requirement to recognise the full gains or losses

Amend requirements to:

- remove the reference to ‘significant or prolonged decline in fair value’
- clarify that investment might need to be tested for impairment when fair value of net investment is below carrying amount

New requirements on what to recognise in profit and loss and other comprehensive income

IASB proposals



Disclosures

Separate financial statements

Transition

Understandability



New disclosures:

- gains and losses on downstream transactions with associates & joint ventures
- contingent consideration
- reconciliation of carrying amounts of investment

Amendments will apply to subsidiaries that are equity accounted for in separate financial statements

Prospectively, except, at transition date, recognise:

- previously restricted gains and losses with associates & joint ventures in retained earnings.
- contingent consideration and adjust investment.

Reorder IAS 28 to improve readability

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