

FASB | IASB Education Meeting

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Project **Equity Method**

Topic Proposals in the Exposure Draft Equity Method of

Accounting IAS 28 (revised 202X)

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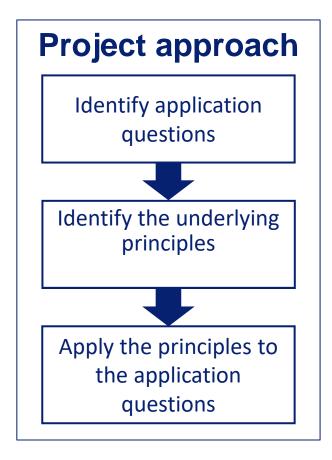


Background—the project

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.





IASB proposals

Obtaining significant influence or joint control



Purchasing or disposing of ownership interests



Other changes in ownership interests, eg dilution

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

New requirements:

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

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





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.

Understandability

Reorder IAS 28 to improve readability



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