
Exposure Draft

*Equity Method of Accounting
IAS 28 Investments in Associates and
Joint Ventures (revised 202x)*

Changes in ownership—losses not recognised

Application question

Does an investor or joint venturer that has reduced the carrying amount of its investment to nil ‘catch-up’ losses not recognised when purchasing an additional ownership interest?



IASB’s proposed answer

No, an investor or joint venturer does not ‘catch-up’ those losses by reducing the carrying amount of the additional ownership interest.

The IASB noted that if an impairment exists, an investor would be required to apply the requirements in IAS 28 and IAS 36 *Impairment of Assets*.

Impairment indicators

Application question

Does an investor or joint venturer assess a decline in the fair value of the net investment by comparing the fair value to the original purchase cost or the carrying amount at the reporting date?



IASB's proposed amendment

Compare the fair value to the carrying amount of the investment at the reporting date.

The IASB is also proposing:

- to remove the reference to 'a significant or prolonged' decline in the fair value of an investment.
- to change some of the wording in IAS 28 on impairment indicators to align with IAS 36.

The proposed amendment does not change the requirements in IAS 36 *Impairment of Assets* on how an entity measures the recoverable amount of the net investment.

Improving disclosures

Gains or losses from other changes in ownership interest in the associate's or joint venture's net assets

Amount of the gains or losses

Gains and losses from transactions with associates or joint ventures

Amount of the gains or losses from 'downstream' transactions

Contingent consideration arrangements

Information on the nature of the arrangement, amounts recognised and changes in those amounts, and range of possible outcomes

Changes in the carrying amount of investments

Reconciliation of the opening to the closing balance of the carrying amount

Transition

Transition reliefs

The IASB is proposing reliefs to facilitate the proposals' application.



IASB's transition proposals

Apply the proposals **prospectively**, except, at transition date, recognise:

- any previously restricted portion of gains or losses from transactions with associates or joint ventures in retained earnings; and
- contingent consideration at fair value as an adjustment to the carrying amount of the investment.

Improving understandability of IAS 28



Improving understandability

IAS 28 structure has been mostly unchanged since it was first issued. Changes to IAS 28 have been added on a piecemeal basis.

As part of the Third Agenda Consultation, the IASB decided to increase focus on the understandability of IFRS Accounting Standards.



IASB's proposals

To improve the understandability of IAS 28 in the Exposure Draft:

- the requirements have been reordered;
- topics have been grouped, following the structure of more recent IFRS Accounting Standards.

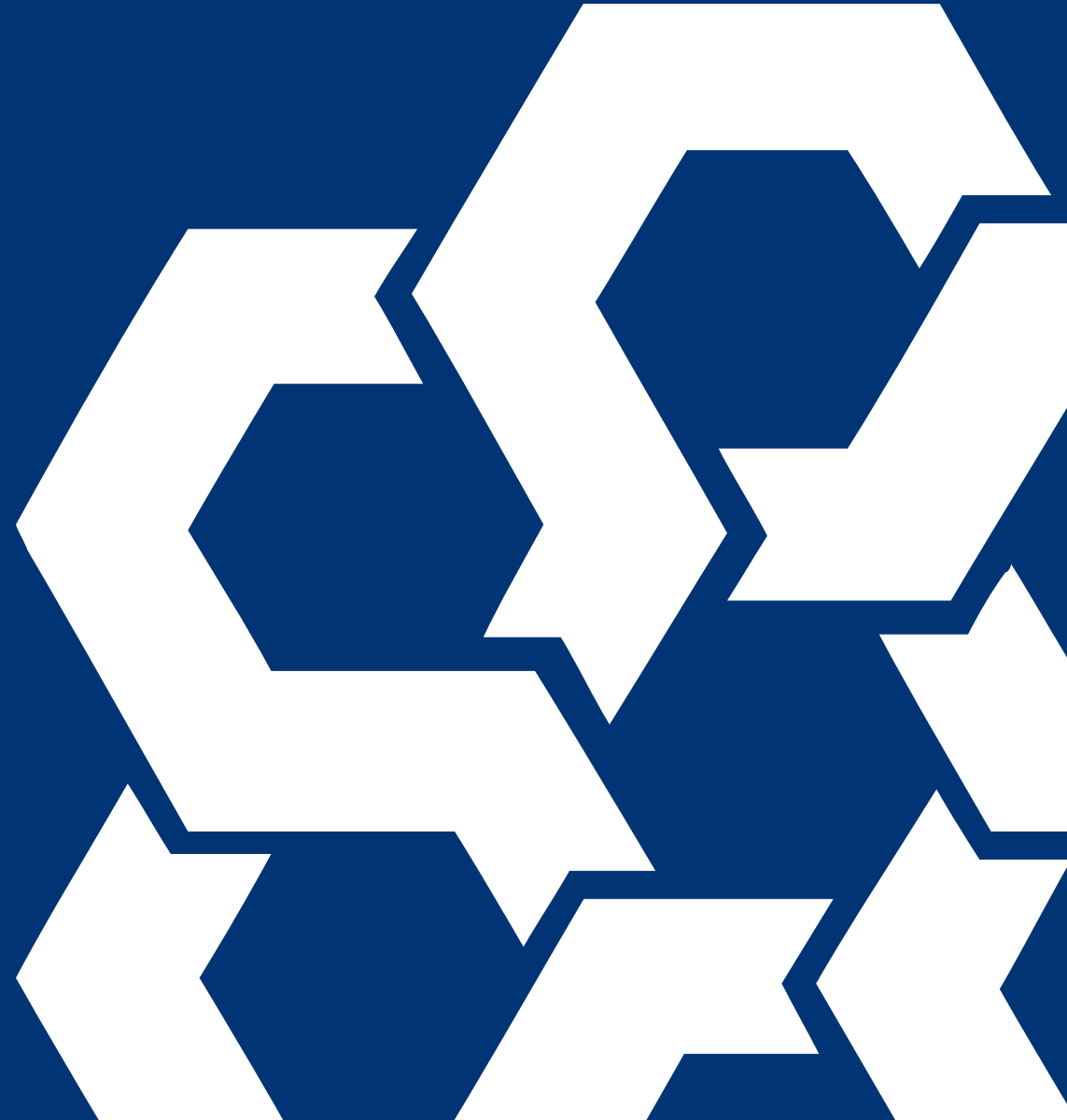
The Exposure Draft includes a table of concordance.

A supplementary document of a marked-up IAS 28 will be available on the IFRS Foundation website.

Thank you!

We invite you to review the
proposals and send your feedback

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