

EFRAG SECRETARIAT PAPER FOR PUBLIC MEETING

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IASB's Equity Method of Accounting Project Cover Note

Objective

- 1 To consider for approval a paper to be discussed at the next ASAF meeting in December that provides EFRAG's recommendation to the IASB on the appropriate scope for the IASB's Equity Method of Accounting Project.

Background

- 2 With the Short Series Discussion *The Equity Method: A measurement basis or one-line consolidation?*, issued in January 2014, EFRAG highlighted the need for an alternative to the issuance of narrow-scope amendments to properly address the issues encountered in practice in the application of the equity method. Since then discussions have been held in ASAF on how to scope the IASB's standard setting efforts. The longer term project as proposed had triggered controversy and EFRAG – fully supported by EFRAG CFSS – disagreed with the directions proposed by the IASB staff, i.e. to challenge the use of the equity method altogether.
- 3 In the EFRAG discussion on the IASB agenda consultation, the equity project has been rated as high priority, provided that it be clear that the purpose and scope of the project would be as agreed by EFRAG.
- 4 Earlier this month, EFRAG finalised its views on the postponement of the effective date of the Amendments to IFRS 10 and IAS 28 which dealt with one of the numerous issues of application of the equity method. Better focusing on the issues that trigger difficulties, rather than undertaking a complete overhaul of the accounting for joint ventures and associates, was deemed necessary to address the observed divergences in practice in a reasonably timely manner.
- 5 This proposed scope is in the attached paper (Agenda Paper 13.02). It has been developed for discussion at the next ASAF meeting in December 2015 as an input into the IASB's scoping of its research project on the equity method.
- 6 The paper was discussed by EFRAG TEG at its conference call on 20 October 2015. All 11 members of EFRAG TEG attending the meeting decided to recommend that the EFRAG Board approve the paper for discussion at the next ASAF meeting.

Questions for EFRAG TEG

- 7 Does the EFRAG Board agree with EFRAG TEG's recommendation?

Agenda Papers

- 8 In addition to this cover note, the agenda paper for this session is Agenda paper 13.02 – IASB's Equity Method of Accounting Project: Proposed Scope of Project.