

Supplementary Document

Mark-up version of [draft] IAS 28
Investments in Associates and Joint Ventures
(revised 202x)

Purpose of this supplementary document

To help in the evaluation of the proposals in the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)* (Exposure Draft), this supplementary document is being made available. This supplementary document has been prepared by International Accounting Standards Board (IASB) Technical Staff and has not been reviewed by IASB members.

As part of the IASB's work to improve the understandability of IFRS Accounting Standards, the IASB is proposing to re-order the requirements in IAS 28. Consequently, the Exposure Draft sets out a draft of a revised IAS 28 (IAS 28 (revised 202x)):

- (a) Paragraphs containing unchanged requirements are shaded in grey.
- (b) Paragraphs are 'unchanged' if the only changes proposed are renumbering or editorial amendments (for example, to replace 'entity' with 'investor or joint venturer').

This supplementary document reproduces the [draft] IAS 28 (revised 202x) from the Exposure Draft in marked-up form. In addition to showing in grey text paragraphs for unchanged requirements:

- (a) new requirements are underlined;
- (b) deleted requirements are struck through; and
- (c) amended requirements are either underlined or struck through.

A table of concordance between IAS 28 (issued version) and the [draft] IAS 28 (revised 202x) is included at the end of this supplementary document.

CONTENTS

from paragraph

[DRAFT] INTERNATIONAL ACCOUNTING STANDARD 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (REVISED 202X)

OBJECTIVE	1
SCOPE	2
EXEMPTIONS FROM APPLYING THE EQUITY METHOD	4
SIGNIFICANT INFLUENCE	8
THE EQUITY METHOD	13
Determining the investor's or joint venturer's ownership interest	15
Other interests in an associate or joint venture	19
APPLYING THE EQUITY METHOD	21
Recognition and initial measurement	21
Subsequent measurement	27
Changes in ownership interest	30
Discontinuing the use of the equity method	36
Equity method procedures	41
Impairment losses	56
PRESENTATION	60
APPENDICES	
A Defined terms	
B Not used	
C Effective date and transition (not reproduced in this supplementary document)	
TABLE OF CONCORDANCE	

[Draft] International Accounting Standard 28 *Investments in Associates and Joint Ventures* (revised 202x) is set out in paragraphs 1–60 and Appendices A and C–D. All the paragraphs have equal authority. Paragraphs in **bold** type state the main principles. Terms defined in Appendix A are in *italics* the first time that they appear in the Standard. [Draft] IAS 28 (revised 202x) should be read in the context of its objective and the Basis for Conclusions, the *Preface to IFRS Accounting Standards* and the *Conceptual Framework for Financial Reporting*. IAS 8 *Basis of Preparation of Financial Statements* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

[Draft] International Accounting Standard 28 *Investments in Associates and Joint Ventures* (revised 202x)

For ease of reading:

- (a) paragraphs containing unchanged requirements are shaded in grey. Paragraphs are 'unchanged' if the only changes proposed are renumbering or editorial amendments (for example, to replace 'entity' with 'investor or joint venturer');
- (b) new requirements are underlined;
- (c) deleted requirements are struck through; and
- (d) amended requirements are either underlined or struck through.

A table of concordance between IAS 28 (issued version) and the [draft] IAS 28 (revised 202x) is included at the end of this supplementary document.

Objective

- 1 [IAS 28.1] The objective of this Standard is to prescribe the accounting for investments in *associates* and to set out the requirements for applying the *equity method* when accounting for investments in *associates* and *joint ventures*.

Scope

- 2 [IAS 28.2] This Standard shall be applied by all entities that are:
- (a) investors with joint control of, or significant influence over, an associate; or
 - (b) joint venturers with joint control of a joint venture investee.
- 3 [IAS 28.44] An investment in an associate or joint venture shall be accounted for in the investor's or joint venturer's separate financial statements in accordance with paragraph 10 of IAS 27 *Separate Financial Statements*.

Exemptions from applying the equity method

- 4 [IAS 28.17] An investor or joint venturer need not apply the equity method to its investment in an associate or joint venture if it is a parent that is exempt from preparing *consolidated financial statements* by the scope exception in paragraph 4(a) of IFRS 10 *Consolidated Financial Statements* or if all the following apply:
- (a) The investor or joint venturer is a wholly owned subsidiary, or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor or joint venturer not applying the equity method.

- (b) The investor's or joint venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- (c) The investor or joint venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- (d) The ultimate or any intermediate parent of the investor or joint venturer produces financial statements available for public use that comply with IFRS Accounting Standards, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

5 [IAS 28.18] When an investment in an associate or joint venture is held by, or is held indirectly through, an investor or a joint venturer that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the investor or joint venturer might elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. An example of an investment-linked insurance fund is a fund held by an entity as the underlying items for a group of insurance contracts with direct participation features. For the purposes of this election, insurance contracts include investment contracts with discretionary participation features. An investor or joint venturer shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. (See IFRS 17 *Insurance Contracts* for terms used in this paragraph that are defined in that Standard.)

6 [IAS 28.19] When a portion of an investment in an associate is held indirectly through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the investor might elect to measure that portion of the investment in the associate at fair value through profit or loss in accordance with IFRS 9 regardless of whether the venture capital organisation, or the mutual fund, unit trust and similar entities including investment-linked insurance funds, has significant influence over that portion of the investment. If the investor makes that election, it shall apply the equity method to any remaining portion of its investment in an associate that is not held through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

7 [IAS 28.36A] Notwithstanding the requirement in paragraph 44, if an investor or joint venturer that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the investor or joint venturer might, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint

venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

Significant influence

- 8 [IAS 28.5] If an entity holds, directly or indirectly (for example, through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (for example, through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.
- 9 [IAS 28.6] The existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- (a) representation on the board of directors or equivalent governing body of the investee;
 - (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
 - (c) material transactions between the entity and its investee;
 - (d) interchange of managerial personnel; or
 - (e) provision of essential technical information.
- 10 [IAS 28.7] An entity might own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the entity additional voting power or to reduce another party's voting power over the financial and operating policies of another entity (that is, potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.
- 11 [IAS 28.8] In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights.
- 12 [IAS 28.9] An investor loses significant influence over an associate when it loses the power to participate in the financial and operating policy decisions of that associate. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example,

when an associate becomes subject to the control of a government, court, administrator or regulator. It could also occur as a result of a contractual arrangement.

The equity method ~~Equity method~~

13 ~~[IAS 28.10] On obtaining significant influence or joint control, an investor or joint venturer shall recognise its~~ Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at the cost of the associate or joint venture, and ~~Thereafter, the investor or joint venturer shall recognise, as part of the carrying amount of the investment, changes in its share of the associate's or joint venture's net assets—for example:~~

- ~~(a) the carrying amount of the investment is increased or decreased to recognise the investor's or joint venturer's share of the associate's or joint venture's profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss.~~
- ~~(b) the carrying amount of the investment is increased or decreased to recognise the investor's or joint venturer's share of the associate's or joint venture's other comprehensive income. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment, and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income (see IAS 1 Presentation of Financial Statements).~~
- ~~(c) distributions~~ Distributions ~~received from an associate or joint venture investee reduce the carrying amount of the investment.~~

14 [IAS 28.11] The recognition of income on the basis of distributions received might not be an adequate measure of the income earned by an investor or joint venturer on an investment in an associate or joint venture because the distributions received might bear little relation to the performance of the associate or joint venture. Because the investor has significant influence over the associate, or the joint venturer has joint control of the joint venture, it has an interest in the associate's or joint venture's performance and, as a result, the return on its investment. The investor or joint venturer accounts for this interest by extending the scope of its financial statements to include its share of the associate's or joint venture's profit or loss. As a result, application of the equity method provides more informative reporting of the investor's or joint venturer's net assets and profit or loss.

Determining the investor's or joint venturer's ownership interest

- 15 [IAS 28.12] When potential voting rights or other derivatives containing potential voting rights exist, an investor's or joint venturer's interest in an associate or joint venture is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivative instruments, unless paragraph 16 applies.
- 16 [IAS 28.13] In some circumstances, an investor or joint venturer has, in substance, an existing ownership interest as a result of a transaction that currently gives it access to the returns associated with that ownership interest. In such circumstances, the proportion allocated to the investor or joint venturer is determined by taking into account the eventual exercise of those potential voting rights and other derivative instruments that currently give the investor or joint venturer access to the returns.
- 17 [IAS 28.27] A group's ownership interest in an associate or joint venture is the aggregate of the holdings in that associate or joint venture by the parent and its subsidiaries. The holdings of the group's other associates or joint ventures are ignored for this purpose. When an associate or joint venture has subsidiaries, associates or joint ventures, the profit or loss, other comprehensive income and net assets taken into account in applying the equity method are those recognised in the associate's or joint venture's financial statements (including the associate's or joint venture's share of the profit or loss, other comprehensive income and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraph 7 and paragraphs 43–44).
- 18 [IAS 28.37] If an associate or joint venture has outstanding cumulative preference shares that are held by parties other than the investor or joint venturer and are classified as equity, the investor or joint venturer computes its share of profit or loss after adjusting for the dividends on such shares, whether or not the dividends have been declared.

Other interests in an associate or joint venture

- 19 [IAS 28.14] IFRS 9 does not apply to interests in associates and joint ventures that are accounted for using the equity method. When instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in an associate or joint venture, the instruments are not subject to IFRS 9. In all other cases, instruments containing potential voting rights in an associate or joint venture are accounted for in accordance with IFRS 9.
- 20 [IAS 28.14A] An investor or joint venturer also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the investor's or joint venturer's *net investment* in an associate or joint venture. An investor or joint venturer applies IFRS 9 to such long-term interests before it applies paragraphs 45–47 and paragraphs 56–59 of this Standard. In applying

IFRS 9, the investor or joint venturer does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.

Applying the equity method

Recognition and initial measurement

21 ~~[IAS 28.16 and 28.32 Partial] Subject to paragraphs 4–7, an investor or joint venturer shall apply An investment is accounted for using the equity method from the date on which it obtains significant influence or joint control becomes an associate or a joint venture.~~

16 ~~An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption in accordance with paragraphs 17–19.~~

22 ~~[IAS 28.10 Partial] An investor or joint venturer obtaining significant influence or joint control shall recognise its investment in an associate or joint venture and measure that investment at the cost of the associate or joint venture.~~

23 ~~[IAS 28.32 Partial] The carrying amount of the investment in the associate or joint venture shall include the investor's or joint venturer's share of the fair value of the associate's or joint venture's identifiable assets and liabilities, including the related deferred tax effects.~~

24 ~~[IAS 28.32 Partial] An investor or joint venturer shall account for On acquisition of the investment, any difference between the cost of an associate or a joint venture the investment and its the entity's share of the net fair value of the associate's or joint venture's investee's identifiable assets and liabilities, including the related deferred tax effects, is accounted for as follows:~~

(a) ~~goodwill; or Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.~~

(b) ~~a gain from a bargain purchase Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.~~

25 ~~[IAS 28.32 Partial] An investor or joint venturer shall include:~~

(a) ~~goodwill as part of the carrying amount of its investment; and~~

(b) ~~any gain from a bargain purchase in profit or loss.~~

26 ~~An investor or joint venturer shall recognise contingent consideration as part of the consideration transferred and measure that contingent consideration at fair value. The investor or joint venturer shall classify:~~

- (a) as a financial liability or an equity instrument an obligation to pay contingent consideration that meets the definition of a financial instrument on the basis of the definitions of a financial liability and an equity instrument in paragraph 11 of IAS 32 *Financial Instruments: Presentation*; and
- (b) as an asset a right to the return of previously transferred consideration.

Subsequent measurement

27 [IAS 28.10 Partial] An investor or joint venturer shall recognise the changes in its share of the associate's or joint venture's net assets, including:

- (a) its share of the associate's or joint venture's profit or loss in its profit or loss;
- (b) its share of the associate's or joint venture's other comprehensive income in its other comprehensive income; and
- (c) distributions received from the associate or joint venture as a reduction of the carrying amount of the investment.

28 [IAS 28.32 Partial] The investor or joint venturer shall adjust its share of the associate's or joint venture's profit or loss for the changes that it made to the carrying amount of the associate's or joint venture's identifiable assets and liabilities, including the related deferred tax effects. For example, depreciation of the depreciable assets and impairment losses shall be based on the fair values of the related depreciable assets at the date the investor or joint venturer obtains significant influence or joint control. The investor or joint venturer shall not amortise goodwill included in the carrying amount of the investment (see paragraph 58). Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

29 The investor or joint venturer shall:

- (a) for contingent consideration classified as an equity instrument – not remeasure that contingent consideration, its subsequent settlement is recognised in equity; and
- (b) for other contingent consideration – measure that contingent consideration at fair value at each reporting date and recognise changes in fair value in profit or loss.

Changes in ownership interest

Purchasing an additional ownership interest

30 An investor or joint venturer purchasing an additional ownership interest, while retaining significant influence or joint control, shall, at the date of that purchase:

- (a) recognise that additional ownership interest and measure it at the fair value of the consideration transferred; and
- (b) include in the carrying amount of that additional ownership interest its share of the fair value of the associate's or joint venture's identifiable assets and liabilities, including the related deferred tax effects.

31 The investor or joint venturer shall also apply paragraphs 24–26 to that additional ownership interest purchased.

Disposing of an ownership interest

32 An investor or joint venturer disposing of an ownership interest, while retaining significant influence or joint control, shall, at the date of that disposal:

- (a) derecognise the disposed portion of its investment in the associate or joint venture;
- (b) measure the disposed portion of its investment as a percentage of the carrying amount of the investment (that percentage is calculated as the disposed ownership interest divided by the total ownership interest); and
- (c) recognise any difference between the consideration received and the disposed portion as a gain or loss in profit or loss.

33 [IAS 28.25] If an investor's or joint venturer's ownership interest in an associate or joint venture is decreased, while retaining significant influence or joint control, the investor or joint venturer shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that decrease in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Other changes in ownership interest

34 An investor's or joint venturer's ownership interest might increase or decrease if its associate or joint venture redeems or issues equity instruments. If an investor's or joint venturer's ownership interest changes and the investor or joint venturer retains significant influence or joint control, it shall:

- (a) apply paragraphs 30–31 to an increase in its ownership interest, as if purchasing an additional ownership interest. For the purpose of applying paragraph 30(a), the investor or joint venturer shall read 'the fair value of the consideration transferred' as 'the investor's or joint

venturer's share of the change in its associate's or joint venture's net assets arising from the associate's or joint venture's redemption of equity instruments'; and

- (b) apply paragraphs 32–33 to a decrease in its ownership interest, as if disposing of an ownership interest. For the purpose of applying paragraph 32(c), the investor or joint venturer shall read 'the consideration received' as 'the investor's or joint venturer's share of the change in its associate's or joint venture's net assets arising from the associate's or joint venture's issue of equity instruments'.

35 [IAS 28.24] If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the investor or joint venturer continues to apply the equity method and does not remeasure the retained ownership interest.

Discontinuing the use of the equity method

Losing significant influence or joint control

36 [IAS 28.22 Partial] An investor or joint venturer shall discontinue the use of the equity method from the date when its investment ceases to be an associate or joint venture as follows:

- (a) If the investment becomes a subsidiary, the parent shall account for its investment in accordance with IFRS 3 *Business Combinations* and IFRS 10.
- (b) If the retained ownership interest in the former associate or joint venture is a financial asset, the entity shall measure the retained ownership interest at fair value. The fair value of the retained ownership interest shall be regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The entity shall recognise in profit or loss any difference between:
- (i) the fair value of any retained ownership interest and any proceeds from disposing of a partial ownership interest in the associate or joint venture; and
- (ii) the carrying amount of the investment at the date the equity method was discontinued.

37 [IAS 28.22 Partial] When an entity discontinues the use of the equity method, the entity shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

38 [IAS 28.23] Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. For example, if an associate or joint venture has cumulative exchange differences relating to a foreign operation and the entity discontinues the use of the equity method, the entity shall reclassify to

profit or loss the gain or loss that had previously been recognised in other comprehensive income in relation to the foreign operation.

Classifying investments as held for sale

39 [IAS 28.20] An investor or joint venturer shall apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to an investment, or a portion of an investment, in an associate or joint venture that meets the criteria to be classified as held for sale. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. After the disposal takes place, an investor or joint venturer shall account for any retained ownership interest in the associate or joint venture in accordance with IFRS 9 unless the retained ownership interest continues to be an associate or joint venture, in which case the investor or joint venturer uses the equity method.

40 [IAS 28.21] When an investment, or a portion of an investment, in an associate or joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Equity method procedures

Uniform reporting periods and accounting policies

41 [IAS 28.33] The most recent available financial statements of the associate or joint venture are used by the investor or joint venturer in applying the equity method. When the end of the reporting period of the investor or joint venturer is different from that of the associate or joint venture, the associate or joint venture prepares, for the use of the investor or joint venturer, financial statements as of the same date as the financial statements of the investor or joint venturer unless it is impracticable to do so.

42 [IAS 28.34] When, in accordance with paragraph 41, the financial statements of an associate or joint venture used in applying the equity method are prepared as of a date different from that used by the investor or joint venturer, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's or joint venturer's financial statements. In any case, the difference between the end of the reporting period of the associate or joint venture and that of the investor or joint venturer shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.

43 [IAS 28.35] The investor's or joint venturer's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.

44 [IAS 28.36] Except as described in paragraph 7, if an associate or joint venture uses accounting policies other than those of the investor or joint venturer for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the investor or joint venturer when the associate's or joint venture's financial statements are used by the investor or joint venturer in applying the equity method.

Recognising an investor's or joint venturer's share of losses

45 [IAS 28.38 Partial] ~~If an investor's or joint venturer's share of an associate's or joint venture's total comprehensive income is a loss that entity's share of losses of an associate or joint venture equals or exceeds its net investment its interest in the associate or joint venture, the investor or joint venturer shall:~~

- (a) ~~reduce that net investment to nil; and~~
- (b) ~~discontinue recognition of entity discontinues recognising its share of further additional losses (subject to paragraph 47).~~

46 [IAS 28.38 Partial] ~~Losses recognised using the equity method in excess of the entity's investment in ordinary shares are applied to the other components of the investor's or joint venturer's net investment entity's interest in an associate or joint venture in the reverse order of their seniority (that is, ie priority in liquidation).~~

47 [IAS 28.39 Partial] ~~An investor or joint venturer shall recognise a liability for additional losses After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that it the entity's has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.~~

48 [IAS 28.39 Partial] ~~Subsequently, if an investor's or joint venturer's share of an associate's or joint venture's total comprehensive income is a profit, the investor or joint venturer shall resume If the associate or joint venture subsequently reports profits, the entity resumes recognising its share of that profit only when that share exceeds its those profits only after its share of the profits equals the share of losses not recognised.~~

49 ~~On purchasing an additional ownership interest, an investor or joint venturer that has not recognised its share of an associate's or joint venture's losses shall not recognise those losses by reducing the carrying amount of the investment at the date of that purchase. The investor or joint venturer shall continue to apply paragraph 48 to those losses not recognised.~~

Share of profit or loss and share of other comprehensive income

50 ~~The investor or joint venturer shall recognise separately its share of the associate's or joint venture's profit or loss and its share of the associate's or joint venture's other comprehensive income.~~

51 If an investor's or joint venturer's share of profit or loss and share of other comprehensive income are both losses that in aggregate equal or exceed its net investment in the associate or joint venture, the investor or joint venturer shall recognise its share of profit or loss and then its share of other comprehensive income.

52 An investor or joint venturer that has reduced its net investment to nil shall continue to recognise separately its share of an associate's or joint venture's profit or loss and its share of an associate's or joint venture's other comprehensive income, retaining a carrying amount in the net investment of nil. For example, if an investor has reduced its net investment to nil and its share of profit or loss is a loss of CU250 and its share of other comprehensive income is a profit of CU100, the investor recognises a loss of CU100 in profit or loss and a profit of CU100 in other comprehensive income.

Transactions with associates or joint ventures

53 [IAS 28.28] An investor or joint venturer shall recognise in full the gains and losses resulting from all 'upstream' and 'downstream' transactions with its associates or joint ventures. Gains and losses resulting from 'upstream' and 'downstream' transactions involving assets that do not constitute a business, as defined in IFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. 'Upstream' transactions are, for example, sales of assets from an associate or a joint venture to the investor or from a joint venture to the joint venturer. The entity's share in the associate's or the joint venture's gains or losses resulting from these transactions is eliminated. 'Downstream' transactions are, for example, sales or contributions of assets from the investor to its associate or from the joint venturer to its joint venture.

29 When downstream transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed, or of an impairment loss of those assets, those losses shall be recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the investor shall recognise its share in those losses.

54 [IAS 28.30–31] If an investor or a joint venturer contributes non-monetary assets to The gain or loss resulting from the contribution of non-monetary assets that do not constitute a business, as defined in IFRS 3, to an associate or joint venture in exchange for an equity interest in that associate or joint venture, and that shall be accounted for in accordance with paragraph 28, except when the contribution lacks 'commercial substance', as that term is described in IAS 16 *Property, Plant and Equipment*,. If such a contribution lacks commercial substance, the investor or joint venturer shall regard the gain or loss on that contribution as unrealised and eliminate it against the carrying amount of the investment. the gain or loss is regarded as unrealised and is not recognised unless paragraph 31 also applies. Such unrealised gains and losses shall be eliminated against the investment accounted for using the equity

~~method and shall not be presented as deferred gains or losses in the entity's consolidated statement of financial position or in the entity's statement of financial position in which investments are accounted for using the equity method.~~

31 If, in addition to receiving an equity interest in ~~the an~~ associate or joint venture, ~~an investor or joint venturer an entity~~ receives monetary or non-monetary assets, ~~the investor or joint venturer shall recognise entity~~ recognises in full in profit or loss the portion of the gain or loss on the non-monetary contribution relating to the monetary and non-monetary assets received.

31A ~~The gain or loss resulting from a downstream transaction involving assets that constitute a business, as defined in IFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture is recognised in full in the investor's financial statements.~~

31B ~~An entity might sell or contribute assets in two or more arrangements (transactions). When determining whether assets that are sold or contributed constitute a business, as defined in IFRS 3, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction in accordance with the requirements in paragraph B97 of IFRS 10.~~

Other procedures

55 [IAS 28.26] Many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted on obtaining significant influence over an associate or joint control of a joint venture.

Impairment losses

56 [IAS 28.40] ~~After applying IFRS 9 to long-term interests and application of the equity method, including recognising its share of the associate's or joint venture's losses, if any in accordance with paragraph 38, the investor or joint venturer shall apply paragraph 57 entity applies paragraphs 41A–41C to determine whether there is any objective evidence that its net investment in the associate or joint venture might be is impaired.~~

41 ~~{Deleted}~~

57 [IAS 28.41A–41C] ~~When determining whether there is objective evidence that the The net investment in an associate or joint venture might be is impaired, an investor or joint venturer shall consider, as a minimum, these indications: and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of~~

~~several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:~~

- ~~(a) significant financial difficulty of the associate or joint venture;~~
- ~~(b) a breach of contract, such as a default or delinquency in payments by the associate or joint venture;~~
- ~~(c) the investor or joint venturer entity granting to the associate or joint venture, for economic or legal reasons relating to the its associate's or joint venture's financial difficulty, a concession that the investor or joint venturer entity would not otherwise consider;~~
- ~~(d) it becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganisation;~~ ~~or~~
- ~~(e) the disappearance of an active market for instruments issued by the associate or joint venture ~~the net investment~~ because of the associate's or joint venture's financial difficulty ~~difficulties of the associate or joint venture~~;~~
- ~~(f) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates.~~
- ~~(g) a downgrade of the associate's or joint venture's credit rating.~~
- ~~(h) a decline in the fair value of a net investment to less than its carrying amount. Information about the fair value might be observed from the price paid to purchase an additional ownership interest in the associate or joint venture or the price received to sell an ownership interest, or from a quoted market price for the investment.~~

~~41B The disappearance of an active market because the associate's or joint venture's equity or financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture, is not of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.~~

~~41C In addition to the types of events in paragraph 41A, objective evidence of impairment for the net investment in the equity instruments of the associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.~~

58 [IAS 28.42] Because goodwill that forms part of the carrying amount of the net investment in an associate or joint venture is not recognised separately, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill in IAS 36 *Impairment of Assets*. Instead, the entire carrying amount of the net investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount whenever application of paragraph 57 indicates that the net investment might be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the net investment subsequently increases. In determining the value in use of the net investment, an investor or joint venturer estimates:

- (a) its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds from the ultimate disposal of the investment; or
- (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Using appropriate assumptions, both methods give the same result.

59 [IAS 28.43] The recoverable amount of an investment in an associate or joint venture shall be assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the investor or joint venturer.

Presentation

60 [IAS 28.15] Unless an investment, or a portion of an investment, in an associate or joint venture is classified as held for sale in accordance with IFRS 5, the investment, or any retained interest in the investment not classified as held for sale, shall be classified as a non-current asset and presented accordingly.

Separate financial statements

References to IFRS 9

46 ~~If an entity applies this Standard but does not yet apply IFRS 9, any reference to IFRS 9 shall be read as a reference to IAS 39.~~

Appendix A **Defined terms**

This appendix is an integral part of the IFRS Accounting Standard.

associate	[IAS 28.3] An entity over which the investor has <i>significant influence</i> .
consolidated financial statements	[IAS 28.3] The financial statements of a group in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.
cost of the associate or joint venture	<u>Fair value of the consideration transferred, including the fair value of any previously held ownership interest (or any investment retained) in the associate or joint venture, measured at the date an investor obtains significant influence or a joint venturer obtains joint control.</u>
equity method	[IAS 28.3] A method of accounting whereby the investment is initially recognised at <u>the cost of the associate or joint venture</u> and adjusted thereafter for the changes <u>post-acquisition change</u> in the investor's or <u>joint venturer's</u> share of the <u>associate's or joint venture's investee's</u> net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
joint arrangement	[IAS 28.3] An arrangement of which two or more parties have <i>joint control</i> .
joint control	[IAS 28.3] The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint venture	[IAS 28.3] A <i>joint arrangement</i> whereby the parties that have <i>joint control</i> of the arrangement have rights to the net assets of the arrangement.
joint venturer	[IAS 28.3] A party to a <i>joint venture</i> that has <i>joint control</i> of that <i>joint venture</i> .
net investment	[IAS 28.38 Partial] The carrying amount of an investment in an <i>associate</i> or <i>joint venture</i> determined using the <i>equity method</i> together with long-term interests—that is, the long-term interests that, in substance, form part of the investor's or <i>joint venturer's</i> net investment in the <i>associate</i> or <i>joint venture</i> . For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the investor's or <i>joint venturer's</i> investment in that <i>associate</i> or <i>joint venture</i> . Such items might include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans.
significant influence	[IAS 28.3] The power to participate in the financial and operating policy decisions of the investee but is not control or <i>joint control</i> of those policies.

MARK-UP VERSION OF [DRAFT] IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
(REVISED 202x)

[IAS 28.4] The following terms are defined in paragraph 4 of IAS 27 *Separate Financial Statements* and in Appendix A of IFRS 10 *Consolidated Financial Statements* and are used in this Standard with the meanings specified in the IFRS Accounting Standards in which they are defined:

- control of an investee.
- group.
- parent.
- separate financial statements.
- subsidiary.

Table of concordance

This table shows how the contents of [draft] IAS 28 (revised 202x) and IAS 28 (issued version) correspond. Paragraphs are treated as corresponding if they broadly address the same matter although the requirements might differ.

IAS 28 (issued version) paragraph	[Draft] IAS 28 (revised 202x) paragraph
1	1
2	2
3	Appendix A – Defined terms
4	
5	8
6	9
7	10
8	11
9	12
10	13, 22 and 27
11	14
12	15
13	16
14	19
14A	20
15	60
16	21
17	4
18	5
19	6
20	39
21	40
22	36–37
23	38
24	35
25	33
26	55
27	17
28	53
29	-
30	54
31	
31A	-

continued...

MARK-UP VERSION OF [DRAFT] IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
(REVISED 202x)

...continued

IAS 28 (issued version) paragraph	[Draft] IAS 28 (revised 202x) paragraph
31B	-
32	21, 23–25 and 28
33	41
34	42
35	43
36	44
36A	7
37	18
38	45–46 and Appendix A – Defined terms
39	47–48
40	56
41A	57
41B	
41C	
42	58
43	59
44	3
45	Paragraph C1 of Appendix C – Effective date and transition (<i>not reproduced in this supplementary document</i>)
45A–45K	-
46	-
47	-
-	26 – added
-	29 – added
-	30 – added
-	31 – added
-	32 – added
-	34 – added
-	49 – added
-	50 – added
-	51 – added
-	52 – added
-	‘Cost of the associate or joint venture’ in Appendix A – Defined terms – added
-	Paragraphs C2–C10 of Appendix C – Effective date and transition – added (<i>not reproduced in this supplementary document</i>)