IFRS AT A GLANCE
IAS 28 Investments in Associates and Joint Ventures
**Specific quantitative disclosure requirements:**

- **Entities:**

  Ventures are provided in IFRS 12

  The disclosure requirements for Investments in Associates and Joint

  - Statements

  financial statements, as set out in IFRS 10

  - **DEFINITIONS**

    **Joint arrangement**

    Arrangement of which two or more parties have joint control.

    **Joint control**

    The contractually agreed sharing of control of an arrangement - decisions require the unanimous consent of the parties sharing control.

    **Joint venture**

    A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

    - **EQUITY METHOD**

      - The investment is initially recognised at cost

      - Subsequently, the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition (IAS 28.10):

        - The investor’s share of the profit or loss of the investee is recognised in the investor’s profit or loss

        - Distributions received from an investee reduce the carrying amount of the investment

        - Adjustments to the carrying amount may also arise from changes in the investee’s other comprehensive income (OCI) (i.e. revaluation of property, plant and equipment and foreign exchange translation differences. The investe’s share of those changes is recognised in OCI of the investor

        - An investment in an investee that meets the definition of a ‘non-current asset held for sale’ should be recognised in OCI of the investor

        - The equity method is used from the date significant influence ceases, to the date significant influence arises, to the date significant influence ceases.

    - **ISSUES TO NOTE**

      - Potential voting rights are taken into account to determine whether significant influence exists, but equity accounting is based on actual interest only

      - Financial statements of the investor and investee used must not differ by more than 3 months in terms of the reporting date

      - The investor’s share in the investee’s profits and losses resulting from transactions with the investee are eliminated in the equity accounted financial statements of the parent

      - Use uniform accounting policies for like transactions and other events in similar circumstances

      - If an investor’s share of losses of an investee exceeds its interest in the investee, continue recognising share of further losses. The interest in an investee is the carrying amount of the investment in the investee. E.g., 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 investment in that investee.

      - If ownership interest is reduced, but equity method remains, the entity reclassifies profit or loss the gain or loss that had previously been recognised in OCI.

      - DISCONTINUING THE USE OF THE EQUITY METHOD

        An entity is required to discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture as follows:

        - If an investment becomes a subsidiary, the entity follows the guidance in IFRS 3 Business Combinations and IFRS 10

        - If any retained investment is held as a financial asset, the entity applies IFRS 9 Financial Instruments, and recognise in profit or loss the difference between:

          - The fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture

          - The carrying amount of investment at date equity method discontinued.

        - Account for all amounts recognised in OCI in relation to that investment on same basis as if investee had directly disposed of related assets and liabilities.

    - **IMPAIRMENT LOSSES**

      - Entities apply IAS 39 Financial Instruments: Recognition and Measurement to determine whether an impairment loss with respect to its net investment in the investee.

      - Goodwill that forms part of the carrying amount of an investment in an investee is not separately recognised and therefore not tested separately for impairment - instead the entire investment is tested as ‘one’ in accordance with IAS 36.

    - **DISCLOSURES**

      - The disclosure requirements for Investments in Associates and Joint Ventures are provided in IFRS 12 Disclosure of Interests in Other Entities.

      - **SEPARATE FINANCIAL STATEMENTS**

        An investment in an investee is required to be accounted for in the entity’s separate financial statements either at cost or at fair value in accordance with IFRS 9.
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