



IFRS IN BRIEF

IAS 28 *Investments in Associates and Joint Ventures*

SCOPE

IAS 28 applies to all investors who have joint control or significant influence over an investee.

- An associate is an entity over which the investor has significant influence.
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is determined in accordance with IFRS 11.

Under IAS 28 investments in associates and joint ventures are accounted for applying the equity method

Exemptions from applying the equity method include:

- Investment is held by a mutual fund, unit trust, venture capital organisation, investment-linked insurance fund or similar entity and the entity elects to measure investment as a financial instrument at fair value through profit or loss in accordance with IFRS 9
- Investments, or parts of investments that meet the definition to be classified as held-for-sale in accordance with IFRS 5
- The investor is a parent that is exempt from preparing consolidated financial statements under IFRS 10
- The investor is a subsidiary of another entity; none of the investors debt or

equity instruments are publicly traded or in the process of listing for public trading, an ultimate or intermediate parent produces IFRS compliant financial statements and all owners do not object to equity accounting not being applied.

SIGNIFICANT INFLUENCE

An investor has significant influence when it has the ability to participate in the financial and operating policy decision making of an entity but does not control or jointly control the entity.

Indicators of significant influence include:

- Representation on board of directors
- Participation key policy making processes including decisions about dividends or other distributions etc.
- Material transactions between investor and entity
- Interchange of management personnel
- Providing essential technical information

An investor is assumed to have significant influence if it holds directly, or indirectly at least 20% of the voting power in the investee (Rebuttable presumption: 20% to 50% shareholding gives rise to significant influence).

APPLICATION OF EQUITY METHOD

Equity accounting is applied as follows:

- Initial investments in equity accounted investments are recognised at cost.
- The investment is increased or decreased for the investors share of net profit and other comprehensive income.
- Distributions received from investee are a reduction in the carrying amount of the investment
- The investors shares of gains or losses arising on transactions between the investor and investee shall be eliminated to the extent they have not been realised by balance date
- The share of net profit and other comprehensive income shall be determined based on financial statements with the same financial period as the investor unless to do so would not be practical.
- The investees accounting policies should also be adjusted to be consistent with those of the investor before determining the investors share of net profit or other comprehensive income.
- Financial statements of the investor and investee used must not differ by more than 3 months in terms of the reporting date.
- Impairment losses recognised in accordance with IAS 36 are deducted from the carrying amount of the investment.
- If the share of losses reduces the carrying amount of the investment below nil. No further losses are recognised.
- If ownership interest is reduced, but equity method remains, the entity reclassifies to profit or loss a proportion gain or loss that had previously been recognised in OCI.
- Investors cease to apply equity accounting when they cease to have significant influence or joint control.
- If the investor gains control, it applies IFRS 3 to the business combination.
- If the investor retains an interest but no longer has significant influence or joint control, it accounts for its retained interest as a financial instrument under IFRS 9.

DISCLOSURES

The disclosure requirements are provided in IFRS 12.

CONTACTS

BOAZ DAHARI

Moore Israel
boazd@lionorl.co.il

CHRISOF STEUBE

Moore Singapore
christofsteube@moorestephens.com.sg

EMILY KY CHAN

Moore CPA Limited
emilykychan@moore.hk

IRINA HUGHES

Johnston Carmichael
Irina.Hughes@icca.co.uk

KRISTEN HAINES

Moore Australia
kristen.haines@moore-australia.com.au

NEES DE VOS

Moore DRV
N.de.Vos@drv.nl

PAUL CALLAGHAN

Moore Oman
paul.callaghan@moore-oman.com

SAHEEL ABDULHAMID

Moore JVB LLP
saheel@moore-jvb.com

TAN KEI HUI

Moore Malaysia
keihui@moore.com.my

TESSA PARK

Moore Kingston Smith
TPark@rmks.co.uk

THEODOSIOS DELYANNIS

Moore Greece
theodosios.Delyannis@moore.gr

MOORE IFRS in Brief is prepared by Moore Global Network Limited ("Moore Global") and is intended for general guidance only. The use of this document is no substitute for reading the requirements in the IFRS® Accounting Standards issued by the International Accounting Standards Board (IASB). This document reflects requirements applicable as at the date of publication, any amendments applicable after the date of issuance, to the IFRS® Accounting Standards have not been reflected. Professional advice should be taken before applying the content of this publication to your particular circumstances. While Moore Global endeavors to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted Moore Global.