



# IFRS Alert

## IASB issues Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

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### Executive summary

The International Accounting Standards Board (IASB) has published amendments to IAS 28 'Investments in Associates and Joint Ventures' clarifying that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9 'Financial Instruments'. This includes long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

### Background

IFRS 9 excludes interests in associates and joint ventures accounted for in accordance with IAS 28. However, some stakeholders expressed an opinion that it was not clear whether that exclusion applies only to interests in associates and joint ventures to which the equity method is applied or whether it applies to all interests in associates and joint ventures.

#### Main issues addressed by the amendments to IAS 28

In the amendments to IAS 28 the IASB clarifies that the exclusion in IFRS 9 applies only to interests accounted for using the equity method. Therefore, a company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and which, in substance, form part of the net investment in those associates and joint ventures.

The IASB has also published an example that illustrates how entities apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

The amendments are effective from annual periods beginning on or after 1 January 2019, with earlier application permitted.



### Grant Thornton International Ltd comment

We welcome the amendments to IAS 28 as we believe they will lead to reduced diversity in practice.



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