

IFRS in Focus

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

Contents

Background

The amendments

Effective date and transition

Further information

The International Accounting Standards Board (the IASB) has issued amendments to IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.

- The IASB clarifies that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees.
- The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

Background

There was uncertainty in practice about whether IFRS 9, in particular its impairment requirements, applies to an entity's long-term interests in an associate or joint venture to which the equity method is not applied but that form part of the entity's net investment in the investee ('long-term interests'). Such long-term interests include long-term loans for which settlement is neither planned nor likely to occur in the foreseeable future.

The amendments

The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Observation

The IASB reached this conclusion on the basis that IFRS 9 scopes out interests in associates or joint ventures that are accounted for using the equity method. Long-term interests are mentioned in IAS 28 only in the context of sharing losses of the equity-method investee and of impairing the net investment in the investee. In other words, IAS 28 does not specify any general recognition or measurement requirements for long-term interests. Accordingly, long-term interests are **not** accounted for using the equity method under IAS 28 and are thus within the scope of IFRS 9.

The amendments are accompanied by an example illustrating how the requirements of IAS 28 and IFRS 9 interact.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Effective date and transition

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

Further information

The amendments and example are available on the IFRS Foundation website for holders of a professional or comprehensive eIFRS subscription. The amendments will be incorporated in the next updated set of unaccompanied Standards, which are available free of charge to registered users. That update is expected early in 2018.

If you have any questions about the amendments, please speak to your usual Deloitte contact or get in touch with a contact identified in this IFRS in Focus.

Key contacts

Global IFRS Leader

Veronica Poole
ifrsglobalofficeuk@deloitte.co.uk

IFRS centres of excellence

Americas

| | | |
|---------------|---------------|----------------------------|
| Canada | Karen Higgins | ifrs@deloitte.ca |
| Mexico | Miguel Millan | mx-ifrs-coe@deloittemx.com |
| United States | Robert Uhl | iasplus-us@deloitte.com |

Asia-Pacific

| | | |
|-----------|----------------|----------------------|
| Australia | Anna Crawford | ifrs@deloitte.com.au |
| China | Stephen Taylor | ifrs@deloitte.com.cn |
| Japan | Shinya Iwasaki | ifrs@tohatsu.co.jp |
| Singapore | James Xu | ifrs-sg@deloitte.com |

Europe-Africa

| | | |
|----------------|-----------------------|-----------------------------|
| Belgium | Thomas Carlier | ifrs-belgium@deloitte.com |
| Denmark | Jan Peter Larsen | ifrs@deloitte.dk |
| France | Laurence Rivat | ifrs@deloitte.fr |
| Germany | Jens Berger | ifrs@deloitte.de |
| Italy | Massimiliano Semprini | ifrs-it@deloitte.it |
| Luxembourg | Eddy Termaten | ifrs@deloitte.lu |
| Netherlands | Ralph Ter Hoeven | ifrs@deloitte.nl |
| Russia | Maria Proshina | ifrs@deloitte.ru |
| South Africa | Nita Ranchod | ifrs@deloitte.co.za |
| Spain | Cleber Custodio | ifrs@deloitte.es |
| United Kingdom | Elizabeth Chrispin | deloitteifrs@deloitte.co.uk |

Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2017 Deloitte LLP. All rights reserved.

Designed and produced by The Creative Studio at Deloitte, London. J13837