

## IFRS in Focus

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

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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](http://www.iasplus.com)

[www.deloitte.com](http://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.

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