Straight away
IFRS bulletin from PwC

3 December 2013

IASB publishes exposure draft to allow use of the equity method in separate financial statements

What's the issue?

The IASB is proposing to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The option will be beneficial for entities which are subject to regulatory requirements to prepare separate financial statements and account for investments in subsidiaries, joint ventures and associates using the equity method.

The IASB expects that the proposed change will reduce compliance costs for these entities, while providing information helpful to an assessment of the investor's net assets and profit or loss.

Key amendments

The IASB proposes to amend IAS 27, 'Separate Financial Statements', to allow an option to use the equity method. Hence, an entity can account for investments in subsidiaries, joint ventures and associates:

a) at cost;
b) in accordance with IFRS 9; or
c) using the equity method as described in IAS 28.

The exposure draft proposes that an entity electing to change to the equity method would be required to apply that change retrospectively. It does not propose any special relief for first-time adopters.

Am I affected?

The proposal potentially affects all entities which prepare separate financial statements in accordance with IFRS.

What do I need to do?

Please read the proposed amendments in their entirety to determine the impact on you and consider commenting on the proposals.