

# Investments in Associates and Joint Ventures

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This compiled Standard applies to annual reporting periods beginning on or after 1 January 2018. Early application is permitted for annual reporting periods beginning on or after 24 July 2014 but before 1 January 2018. It incorporates relevant amendments made up to and including 17 December 2014.

Prepared on 12 March 2015 by the staff of the Australian Accounting Standards Board.



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BASIS FOR CONCLUSIONS ON IAS 28  
(available on the AASB website)

Australian Accounting Standard AASB 128 *Investments in Associates and Joint Ventures* (as amended) is set out in paragraphs 1 – 46. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 128 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

## COMPILATION DETAILS

### Accounting Standard AASB 128 *Investments in Associates and Joint Ventures* as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2018. It takes into account amendments up to and including 17 December 2014 and was prepared on 12 March 2015 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 128 (August 2011) as amended by other Accounting Standards, which are listed in the Table below.

#### Table of Standards

Standard	Date made	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
AASB 128	29 Aug 2011	(beginning) 1 Jan 2013	see (a) below
AASB 2012-10	18 Dec 2012	(beginning) 1 Jan 2013	see (b) below
AASB 2012-11	18 Dec 2012	(beginning) 1 Jul 2013	see (c) below
AASB 2014-7	17 Dec 2014	(beginning) 1 Jan 2018	see (d) below

- (a) For-profit entities (but not not-for-profit entities) may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013, provided that certain related Standards are also applied to such periods. This early application provision was subsequently amended by AASB 2012-10.
- (b) For-profit entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. Not-for-profit entities may elect to apply the amendments to AASB 128 in this Standard to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.
- (c) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to such periods.
- (d) Entities may elect to apply this Standard to annual reporting periods beginning on or after 24 July 2014 but before 1 January 2018, provided that AASB 9 *Financial Instruments* (2014) is also applied to such periods.

#### Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Aus1.2-Aus1.3	amended	AASB 2012-10 [56]
Aus17.1	amended	AASB 2012-11 [17]
40-41	amended	AASB 2014-7 [43]
41A-41C	added	AASB 2014-7 [43]
42	amended	AASB 2014-7 [43]
45A	added	AASB 2014-7 [43]

## COMPARISON WITH IAS 28

AASB 128 *Investments in Associates and Joint Ventures* as amended incorporates IAS 28 *Investments in Associates and Joint Ventures* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 28) are identified with the prefix “Aus”, followed by the number of the preceding IASB paragraph and decimal numbering.

For-profit entities that comply with AASB 128 as amended will simultaneously be in compliance with IAS 28 as amended.

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements and not-for-profit entities using the added “Aus” paragraphs in this Standard may not be simultaneously complying with IAS 28.

## ACCOUNTING STANDARD AASB 128

The Australian Accounting Standards Board made Accounting Standard AASB 128 *Investments in Associates and Joint Ventures* under section 334 of the *Corporations Act 2001* on 29 August 2011.

This compiled version of AASB 128 applies to annual reporting periods beginning on or after 1 January 2018. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 17 December 2014 (see Compilation Details).

## ACCOUNTING STANDARD AASB 128

### *INVESTMENTS IN ASSOCIATES AND JOINT VENTURES*

#### Objective

- 1 The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

#### Application

Aus1.1 This Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;
- (b) general purpose financial statements of each other reporting entity; and
- (c) financial statements that are, or are held out to be, general purpose financial statements.

Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 January 2013, except that for not-for-profit entities it applies to annual reporting periods beginning on or after 1 January 2014. [Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Aus1.3 This Standard may be applied by:

- (a) for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013; and
- (b) not-for-profit entities to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.

If an entity applies this Standard to such an annual reporting period in accordance with paragraph (a) or (b), it shall disclose that fact and apply AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements* (August 2011), at the same time.

Aus1.4 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

Aus1.5 When applied or operative, this Standard supersedes AASB 128 *Investments in Associates* (July 2004, as amended).

#### Scope

- 2 This Standard shall be applied by all entities that are investors with joint control of, or significant influence over, an investee.

#### Definitions

- 3 The following terms are used in this Standard with the meanings specified:

*An associate* is an entity over which the investor has significant influence.

*Consolidated financial statements* are the financial statements of a group in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

**The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.**

**A joint arrangement is an arrangement of which two or more parties have joint control.**

**Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.**

**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.**

**A joint venturer is a party to a joint venture that has joint control of that joint venture.**

**Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.**

- 4 The following terms are defined in paragraph 4 of AASB 127 *Separate Financial Statements* and in Appendix A of AASB 10 *Consolidated Financial Statements* and are used in this Standard with the meanings specified in the Standards in which they are defined:
- control of an investee
  - group
  - parent
  - separate financial statements
  - subsidiary.

## Significant influence

- 5 If an entity holds, directly or indirectly (eg through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (eg through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.
- 6 The existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- (a) representation on the board of directors or equivalent governing body of the investee;
  - (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
  - (c) material transactions between the entity and its investee;
  - (d) interchange of managerial personnel; or
  - (e) provision of essential technical information.
- 7 An entity may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the entity additional voting power or to reduce another party's voting power over the financial and operating policies of another entity (ie potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.
- 8 In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights.
- 9 An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate becomes subject to the control of a government, court, administrator or regulator. It could also occur as a result of a contractual arrangement.

## Equity method

- 10 Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income (see AASB 101 *Presentation of Financial Statements*).
- 11 The recognition of income on the basis of distributions received may not be an adequate measure of the income earned by an investor on an investment in an associate or a joint venture because the distributions received may bear little relation to the performance of the associate or joint venture. Because the investor has joint control of, or significant influence over, the investee, the investor has an interest in the associate's or joint venture's performance and, as a result, the return on its investment. The investor accounts for this interest by extending the scope of its financial statements to include its share of the profit or loss of such an investee. As a result, application of the equity method provides more informative reporting of the investor's net assets and profit or loss.
- 12 When potential voting rights or other derivatives containing potential voting rights exist, an entity's interest in an associate or a joint venture is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivative instruments, unless paragraph 13 applies.
- 13 In some circumstances, an entity has, in substance, an existing ownership as a result of a transaction that currently gives it access to the returns associated with an ownership interest. In such circumstances, the proportion allocated to the entity is determined by taking into account the eventual exercise of those potential voting rights and other derivative instruments that currently give the entity access to the returns.
- 14 AASB 9 *Financial Instruments* does not apply to interests in associates and joint ventures that are accounted for using the equity method. When instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in an associate or a joint venture, the instruments are not subject to AASB 9. In all other cases, instruments containing potential voting rights in an associate or a joint venture are accounted for in accordance with AASB 9.
- 15 Unless an investment, or a portion of an investment, in an associate or a joint venture is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the investment, or any retained interest in the investment not classified as held for sale, shall be classified as a non-current asset.

## Application of the equity method

- 16 An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption in accordance with paragraphs 17–19.

## Exemptions from applying the equity method

- 17 An entity need not apply the equity method to its investment in an associate or a joint venture if the entity is a parent that is exempt from preparing consolidated financial statements by the scope exception in paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10 or if all the following apply:
  - (a) The entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
  - (b) The entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
  - (c) The entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
  - (d) The ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs.
- Aus17.1 Notwithstanding paragraph 17(d), an entity that meets the criteria in paragraphs 17(a), 17(b) and 17(c) need not apply the equity method in accounting for an interest in an associate or joint venture if its ultimate or any intermediate parent produces consolidated financial statements available for public use and:
  - (a) the investor or the joint venturer and its ultimate or intermediate parent are:



- (i) both not-for-profit entities complying with Australian Accounting Standards; or
  - (ii) both entities complying with Australian Accounting Standards – Reduced Disclosure Requirements; or
- (b) the investor or the joint venturer is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.
- 18 When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with AASB 9.
- 19 When an entity has an investment in an associate, a portion of which is held indirectly through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that portion of the investment in the associate at fair value through profit or loss in accordance with AASB 9 regardless of whether the venture capital organisation, or the mutual fund, unit trust and similar entities including investment-linked insurance funds, has significant influence over that portion of the investment. If the entity makes that election, the entity shall apply the equity method to any remaining portion of its investment in an associate that is not held through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

### Classification as held for sale

- 20 An entity shall apply AASB 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. After the disposal takes place, an entity shall account for any retained interest in the associate or joint venture in accordance with AASB 9 unless the retained interest continues to be an associate or a joint venture, in which case the entity uses the equity method.
- 21 When an investment, or a portion of an investment, in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

### Discontinuing the use of the equity method

- 22 **An entity shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture as follows:**
- (a) **If the investment becomes a subsidiary, the entity shall account for its investment in accordance with AASB 3 *Business Combinations* and AASB 10.**
  - (b) **If the retained interest in the former associate or joint venture is a financial asset, the entity shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 9. The entity shall recognise in profit or loss any difference between:**
    - (i) **the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and**
    - (ii) **the carrying amount of the investment at the date the equity method was discontinued.**
  - (c) **When an entity discontinues the use of the equity method, the entity shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.**
- 23 Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. For example, if an associate or a joint venture has cumulative exchange differences relating to a foreign operation and the entity discontinues the use of the equity method, the entity shall reclassify to profit or loss the gain or loss that had previously been recognised in other comprehensive income in relation to the foreign operation.
- 24 **If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.**

## Changes in ownership interest

- 25 If an entity's ownership interest in an associate or a joint venture is reduced, but the entity continues to apply the equity method, the entity shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

## Equity method procedures

- 26 Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in AASB 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.
- 27 A group's share in an associate or a joint venture is the aggregate of the holdings in that associate or joint venture by the parent and its subsidiaries. The holdings of the group's other associates or joint ventures are ignored for this purpose. When an associate or a joint venture has subsidiaries, associates or joint ventures, the profit or loss, other comprehensive income and net assets taken into account in applying the equity method are those recognised in the associate's or joint venture's financial statements (including the associate's or joint venture's share of the profit or loss, other comprehensive income and net assets of its associates and joint ventures), after any adjustments necessary to give effect to uniform accounting policies (see paragraphs 35 and 36).
- 28 Gains and losses resulting from 'upstream' and 'downstream' transactions between an entity (including its consolidated subsidiaries) and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. 'Upstream' transactions are, for example, sales of assets from an associate or a joint venture to the investor. 'Downstream' transactions are, for example, sales or contributions of assets from the investor to its associate or its joint venture. The investor's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.
- 29 When downstream transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed, or of an impairment loss of those assets, those losses shall be recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the investor shall recognise its share in those losses.
- 30 The contribution of a non-monetary asset to an associate or a joint venture in exchange for an equity interest in the associate or joint venture shall be accounted for in accordance with paragraph 28, except when the contribution lacks commercial substance, as that term is described in AASB 116 *Property, Plant and Equipment*. If such a contribution lacks commercial substance, the gain or loss is regarded as unrealised and is not recognised unless paragraph 31 also applies. Such unrealised gains and losses shall be eliminated against the investment accounted for using the equity method and shall not be presented as deferred gains or losses in the entity's consolidated statement of financial position or in the entity's statement of financial position in which investments are accounted for using the equity method.
- 31 If, in addition to receiving an equity interest in an associate or a joint venture, an entity receives monetary or non-monetary assets, the entity recognises in full in profit or loss the portion of the gain or loss on the non-monetary contribution relating to the monetary or non-monetary assets received.
- 32 An investment is accounted for using the equity method from the date on which it becomes an associate or a joint venture. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:
- (a) Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
  - (b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

- 33 **The most recent available financial statements of the associate or joint venture are used by the entity in applying the equity method. When the end of the reporting period of the entity is different from that of the associate or joint venture, the associate or joint venture prepares, for the use of the entity, financial statements as of the same date as the financial statements of the entity unless it is impracticable to do so.**
- 34 **When, in accordance with paragraph 33, the financial statements of an associate or a joint venture used in applying the equity method are prepared as of a date different from that used by the entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date**

**of the entity's financial statements. In any case, the difference between the end of the reporting period of the associate or joint venture and that of the entity shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.**

- 35 The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.**
- 36 If an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method.
- 37 If an associate or a joint venture has outstanding cumulative preference shares that are held by parties other than the entity and are classified as equity, the entity computes its share of profit or loss after adjusting for the dividends on such shares, whether or not the dividends have been declared.
- 38 If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate or joint venture. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised using the equity method in excess of the entity's investment in ordinary shares are applied to the other components of the entity's interest in an associate or a joint venture in the reverse order of their seniority (ie priority in liquidation).
- 39 After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

## **Impairment losses**

- 40 After application of the equity method, including recognising the associate's or joint venture's losses in accordance with paragraph 38, the entity applies paragraphs 41A–41C to determine whether there is any objective evidence that its net investment in the associate or joint venture is impaired.
- 41 The entity applies the impairment requirements in AASB 9 to its other interests in the associate or joint venture that are in the scope of AASB 9 and that do not constitute part of the net investment.
- 41A The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:
- (a) significant financial difficulty of the associate or joint venture;
  - (b) a breach of contract, such as a default or delinquency in payments by the associate or joint venture;
  - (c) the entity, for economic or legal reasons relating to its associate's or joint venture's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider;
  - (d) it becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganisation; or
  - (e) the disappearance of an active market for the net investment because of financial difficulties of the associate or joint venture.
- 41B The disappearance of an active market because the associate's or joint venture's equity or financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture, is not of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.
- 41C In addition to the types of events in paragraph 41A, objective evidence of impairment for the net investment in the equity instruments of the associate or joint venture includes information about significant changes with an

adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

- 42 Because goodwill that forms part of the carrying amount of the net investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in AASB 136 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount whenever application of paragraphs 41A–41C indicates that the net investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the net investment subsequently increases. In determining the value in use of the net investment, an entity estimates:
- (a) its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds from the ultimate disposal of the investment; or
  - (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Using appropriate assumptions, both methods give the same result.

- 43 The recoverable amount of an investment in an associate or a joint venture shall be assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

## Separate financial statements

- 44 An investment in an associate or a joint venture shall be accounted for in the entity's separate financial statements in accordance with paragraph 10 of AASB 127 (August 2011).

## Effective date and transition

- 45 [Deleted by the AASB – see paragraphs Aus1.2 and Aus1.3]
- 45A AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, issued in December 2014, amended paragraphs 40, 41 and 42 and added paragraphs 41A–41C. An entity shall apply those amendments when it applies AASB 9 (December 2014).

## References to AASB 9

- 46 If an entity applies this Standard but does not yet apply AASB 9, any reference to AASB 9 shall be read as a reference to AASB 139.

## Withdrawal of IAS 28 (2003)

- 47 [Deleted by the AASB – see paragraph Aus1.5]

## **DELETED IAS 28 TEXT**

*Deleted IAS 28 text is not part of AASB 128.*

### **Paragraph 45**

An entity shall apply this Standard for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply IFRS 10, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 (as amended in 2011) at the same time.

### **Paragraph 47**

This Standard supersedes IAS 28 *Investments in Associates* (as revised in 2003).