DIGITAL CFO SOLUTIONS • IFRS SERIES

ACTIVE STANDARD

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 10 · 11 · 12

Group Reporting: Consolidation, Associates & Joint Arrangements

Control, consolidation mechanics, the equity method and joint arrangements — IAS 27 and IAS 28, updated for the IASB's equity method amendments, IFRS 19 and IFRS 18

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ROADMAP

What We Will Cover

Foundations of Group Reporting

What a group is, and how IFRS 10 and IAS 27 divide responsibility

The Control Model

Power, exposure to variable returns, and the link between the two

Consolidation Mechanics

The SOFP and SOPL consolidation process, NCI, consideration and goodwill

Intra-Group Eliminations

Unrealised profit on inventories and non-current assets, dividends, and fair value adjustments

Disclosure Requirements

What IFRS 12 requires for subsidiaries, associates and structured entities

Associates & the Equity Method

Significant influence, and how the equity method builds up an investment's carrying amount

Joint Arrangements

Joint operations vs joint ventures, and why the distinction changes the accounting

Recent Developments

The IASB's equity method amendments, IFRS 19, and the impact of IFRS 18

PART I — FOUNDATIONS

Foundations of Group Reporting

What a group is, why consolidated financial statements exist, and how IFRS 10 and IAS 27 divide the work between them.

What Is a Group?

IFRS 10 requires consolidated financial statements wherever a group of entities is controlled by a parent — combining every group entity's financial statements to present the group as if it were one single entity.

Group

A parent and all of its subsidiaries, presented together as a single reporting entity.

Parent

An entity that controls one or more other entities (IFRS 10, Appendix A).

Subsidiary

An entity that is controlled by another entity — the parent.

IFRS 10 vs IAS 27

IFRS 10 sets out the control model and consolidation principles; IAS 27 governs separate financial statements, where investments are shown at cost, fair value, or using the equity method.

FOUNDATIONS

Objectives of Consolidated Financial Statements

1 Present the Group as One Entity

Determine the financial position and performance of the group as if it were a single economic entity, looking through the legal boundaries of each subsidiary.

2 Safeguard Shareholders' Interests

Protect the interests of the ordinary shareholders of the parent company by showing the full resources under the group's control.

3 Show the Full Return on Investment

Present the parent's full share of earnings generated by its investments in subsidiaries, not merely dividends received.

4 Prevent Manipulation

Reduce the scope for structuring transactions between group entities to obscure the true financial position of the group as a whole.

FOUNDATIONS

Exemption from Preparing Consolidated Financial Statements

A parent need not present consolidated financial statements only where ALL FOUR of the following conditions are met.

1 No Objection from Owners

The parent is itself a wholly or partially owned subsidiary of another entity, and its other owners have been informed and do not object to consolidated statements not being presented.

2 An Ultimate Parent Already Consolidates

The ultimate or an intermediate parent produces consolidated financial statements, available for public use, that comply with IFRS Accounting Standards.

3 No Public Market for Instruments

The parent's debt or equity instruments are not traded in a public market — a domestic or foreign stock exchange, or an over-the-counter market.

4 No Regulatory Filing in Progress

The parent has not filed, and is not in the process of filing, its financial statements with a securities commission for the purpose of issuing instruments in a public market.

FOUNDATIONS

Subsidiaries That Cannot Be Excluded

IFRS 10 provides NO specific consolidation exemption for the following categories of subsidiary, even where they seem to sit outside the group's core business.

Dissimilar Business Activities

A subsidiary whose business activities are dissimilar from the rest of the group is still consolidated — relevant information is better provided through disclosure, not exclusion.

Venture Capital & Fund Structures

Subsidiaries of a venture capital organisation, mutual fund, unit trust or similar entity are still consolidated, unless the specific IAS 28 fair-value exemption applies to the entity itself.

Subsidiaries Held for Sale

An investment in an entity held only for the purpose of selling it is measured and presented in accordance with IFRS 5, rather than being excluded from consolidation outright.

PART II — THE CONTROL MODEL

The Control Model

IFRS 10’s single control model determines whether an investor consolidates an investee — built from three elements that must ALL be present together.

THE CONTROL MODEL

The Three Elements of Control

An investor controls an investee if, and only if, it has ALL THREE of the following characteristics.

1 Power Over the Investee

Existing rights that give the investor the current ability to direct the investee’s relevant activities — the activities that significantly affect its returns.

2 Exposure to Variable Returns

Exposure, or rights, to returns from involvement with the investee that can vary as a result of the investee’s performance.

3 The Link Between the Two

The ability to use power over the investee to affect the amount of the investor’s own returns — power alone, without this link, is not control.

Power — Relevant Activities & Substantive Rights

Power comes from RIGHTS — existing rights that give the investor the current ability to direct the investee's relevant activities.

- RELEVANT ACTIVITIES are the activities of the investee that significantly affect its returns — examples include selling and purchasing goods or services, managing financial assets, selecting or disposing of assets, research and development, and determining a funding structure.
- Rights that can confer power include: voting rights or potential voting rights; rights to appoint, reassign or remove key management personnel; rights to appoint or remove another entity that directs relevant activities; rights to direct the investee into (or veto) transactions for the investor's benefit; and other decision-making rights specified in a management contract.
- Only SUBSTANTIVE rights are considered in assessing power — a right that cannot practically be exercised, for example because of substantial economic penalties or barriers to exercise, is not substantive and is disregarded.
- Where voting rights alone do not confer a majority, an investor may still have power through an agreement with other vote holders, potential voting rights, or a voting interest large enough relative to the dispersion of other holdings to give DE FACTO power in practice.

Exposure to Returns & the Principal-vs-Agent Test

Power and returns must be linked — an investor with power but no exposure to returns, or returns but no power, does not control the investee.

- An investor is exposed to variable returns when its returns from involvement have the potential to vary as a result of the investee's performance — only ONE investor can control an investee, though more than one party can share in its returns (e.g. non-controlling interests share profits without sharing control).
- Where an investor with decision-making rights (a decision maker) assesses whether it controls an investee, it must determine whether it is acting as PRINCIPAL or as AGENT.
- An AGENT is a party primarily engaged to act on behalf of, and for the benefit of, another party or parties (the principals) — an agent does NOT control the investee, however extensive its decision-making authority appears.
- An investor must also determine whether another entity holding decision-making rights is in substance acting as its agent — in which case those decision-making rights are treated as the investor's own for the purpose of assessing control.

WORKED ILLUSTRATIONS

Illustration I — Assessing Control Without a Majority Holding

FACT PATTERN

Investor P holds 40% of the voting shares of Investee S. The remaining 60% is widely dispersed among thousands of small shareholders, none individually holding more than 1%, and historically only around 35% of total votes are cast at annual general meetings. P has consistently been able to appoint a majority of S's board using its 40% voting power at recent meetings. Required: does P control S?

SOLUTION

P holds less than a majority of voting rights (40%), so power does not follow automatically from ownership alone.

IFRS 10 requires an assessment of DE FACTO power — where an investor's voting interest is large relative to the size and dispersion of other shareholdings, and historical voting patterns show it can direct relevant activities in practice, power may still exist.

Given the wide dispersion of the remaining 60% and P's consistent ability to appoint a majority of the board, P is likely to have de facto power over S's relevant activities.

Assuming P is also exposed to variable returns (as a 40% shareholder) and can use its power to affect those returns, ALL THREE elements of control are met — P controls S and consolidates it as a subsidiary, despite holding less than 50% of the voting rights.

PART III — CONSOLIDATION MECHANICS

Consolidation Mechanics

How the individual financial statements of the parent and its subsidiaries are combined into one set of consolidated statements.

Consolidation Process — SOFP, First Steps

1 Add Line by Line

Add together the assets, liabilities, income and expenditure of the parent and each subsidiary, item by item.

2 Cancel the Investment

Cancel the parent's investment in the subsidiary (in the parent's books) against the parent's share of the subsidiary's share capital and pre-acquisition reserves (in the subsidiary's books).

3 Eliminate Intra-Group Balances

Eliminate all intra-group balances, transactions, income and expenses in full — intra-group revenue, inventories, unrealised profit, tangible asset transfers, loans, and dividends.

Consolidation Process — SOFP, Remaining Steps

1 Split Pre- & Post-Acquisition Profit

Split the subsidiary's profit or loss between pre- and post-acquisition portions, based on the acquisition date — only post-acquisition profit is added to group reserves.

2 Fair Value & Deferred Tax

Calculate the fair value of the subsidiary's identifiable assets at acquisition, and the resulting deferred tax on any fair value uplift.

3 Goodwill & Non-Controlling Interest

Calculate goodwill (or a bargain purchase gain) and the value of the non-controlling interest at acquisition, then roll it forward to the reporting date and present it within equity.

Consolidation Process — Statement of Profit or Loss

- Where the subsidiary was owned for the FULL YEAR and there is NO non-controlling interest: add every line item of the individual income statements together, line by line, down to profit after tax for the year.
- Where the subsidiary was owned for the full year and a non-controlling interest DOES exist: add all lines down to profit after tax for the year, then show the NCI's share of that profit separately, with the parent's share shown as the residual.
- Where the subsidiary was ACQUIRED DURING THE YEAR: split its profit for the year into pre- and post-acquisition portions by time-apportioning the income statement (or using actual results if available); only the POST-acquisition portion is included in the consolidated statement of profit or loss.
- The pre-acquisition portion of profit, together with the subsidiary's net assets at acquisition, feeds into the goodwill calculation rather than the consolidated income statement.

Non-Controlling Interest — Measurement & Presentation

IFRS 3 permits a choice, made separately for each business combination, of how the non-controlling interest is initially measured.

Full Goodwill Method

NCI is measured at FAIR VALUE at the acquisition date — goodwill is grossed up to include the portion attributable to the NCI, not just the parent's share.

Proportionate Share Method

NCI is measured at its proportionate share of the acquiree's identifiable net assets — goodwill is recognised only for the PARENT'S share (partial goodwill).

Types of Consideration

Type	Characteristics
Cash	Recognised as Dr. Investment X / Cr. Cash X on payment.
Share exchange	Measured at the fair value of shares issued. Example: P Co acquires 27,000 shares in S Co, exchanging 2 P Co shares for every 3 S Co shares held. P Co shares have a $1 par value and a $3 market price: consideration = (27,000 × 2/3) × $3 = $54,000 — Dr. Investment $54,000 / Cr. Share capital $18,000 / Cr. Share premium $36,000.
Contingent consideration	Additional cash, equity or other assets the acquirer commits to transfer after the acquisition date, on the fulfilment of a specified future event or condition.
Deferred consideration	Consideration payable in the future, which is fixed rather than contingent on a future event — recognised at its present value at the acquisition date.

Measurement of Goodwill

GOODWILL

Consideration transferred + Amount of NCI + Fair value of any previously held equity interest

Less: Fair value of identifiable net assets acquired

Where the result is negative, it is a BARGAIN PURCHASE and recognised immediately as a gain in profit or loss, after reassessing whether all assets and liabilities have been correctly identified and measured. Acquisition-related costs — finder's fees, advisory, legal, accounting and valuation fees — are expensed as incurred under IFRS 3; only the costs of issuing debt or equity securities used as consideration are recognised under IAS 32 (equity) or IFRS 9 (debt).

WORKED ILLUSTRATIONS

Illustration II — Goodwill & NCI at Acquisition

FACT PATTERN

P Ltd acquired 80% of the ordinary shares of S Ltd on 1 January 2025 for cash consideration of $900,000. At that date, S Ltd's identifiable net assets had a book value of $950,000, including a $50,000 fair value uplift required on land over its carrying amount. NCI is measured using the proportionate share method. Required: calculate the fair value of S Ltd's identifiable net assets, goodwill, and NCI at acquisition.

SOLUTION

Component	Calculation	Amount ($)
S Ltd net assets at book value	—	950,000
Fair value uplift on land	—	50,000
Identifiable net assets at fair value	950,000 + 50,000	1,000,000
NCI at acquisition (20%, proportionate share)	20% × 1,000,000	200,000
Goodwill	900,000 + 200,000 − 1,000,000	100,000

Because NCI is measured under the proportionate share method, goodwill of $100,000 represents only the PARENT'S share of goodwill — no goodwill is grossed up for the NCI's portion, unlike under the full goodwill (fair value) method.

PART IV — INTRA-GROUP ELIMINATIONS

Intra-Group Eliminations

Transactions between group entities, and profits not yet realised outside the group, must be eliminated in full on consolidation — including the fair value adjustments made at acquisition.

Unrealised Profit on Intra-Group Inventories

Where inventory sold within the group remains unsold to a third party at the reporting date, any profit the SELLING group entity recorded on that sale is unrealised from the group's perspective and must be eliminated.

- The unrealised profit is calculated as the margin embedded in the transfer price, applied to the value of inventory still held within the group at the reporting date.
- DOWNSTREAM sales (parent sells to subsidiary): the unrealised profit is eliminated entirely against the PARENT'S retained earnings — the non-controlling interest is unaffected.
- UPSTREAM sales (subsidiary sells to parent): the unrealised profit is eliminated against the SUBSIDIARY'S profit, and so is shared proportionately between the parent's share and the non-controlling interest.
- The related deferred tax effect (typically an increase in the deferred tax asset, since the unrealised profit is not yet taxable to the group) is also adjusted for on consolidation.

WORKED ILLUSTRATIONS

Illustration III — URP on Inventory

FACT PATTERN

During the year, P Ltd (the parent) sold inventory to its subsidiary S Ltd for $120,000, at a margin of 25% on selling price (cost to P Ltd was $90,000). At the year end, S Ltd still held $40,000 (at transfer price) of this inventory in its closing stock. Required: the consolidation adjustment for unrealised profit.

SOLUTION

Unrealised profit = $40,000 (inventory still held, at transfer price) × 25% margin = $10,000

Consolidation adjustment: Dr. Group retained earnings (cost of sales) $10,000 / Cr. Group inventory $10,000

Because this is a DOWNSTREAM sale (parent selling to subsidiary), the full $10,000 is eliminated against the PARENT’S retained earnings — there is no impact on the non-controlling interest.

Had S Ltd (the subsidiary) been the seller instead, the same $10,000 adjustment would instead reduce S Ltd’s reported profit before it is split between the parent’s share and the NCI.

INTRA-GROUP ELIMINATIONS

Unrealised Profit on Intra-Group Non-Current Assets

Where a group entity sells a non-current asset to another group entity at a profit, TWO adjustments are needed — not just one — because the asset is now depreciated on an inflated cost.

- First, the unrealised profit on the sale itself (selling price less the original group carrying amount) is eliminated, restating the asset to its original cost to the group.
- Second, because the buying entity now depreciates the asset on the higher, inflated cost, an EXCESS DEPRECIATION adjustment reverses the extra depreciation charged on the unrealised profit portion, over the asset's remaining useful life.
- The excess depreciation adjustment is a CREDIT to group retained earnings (reducing the group's depreciation expense) in each period until the asset is fully depreciated or disposed of.
- As with inventory, the treatment of any NCI share depends on whether the sale was downstream (parent as seller — no NCI impact) or upstream (subsidiary as seller — shared with NCI).

WORKED ILLUSTRATIONS

Illustration IV — URP on Sale of a Non-Current Asset

FACT PATTERN

On 1 January 2025, P Ltd sold an item of plant to its subsidiary S Ltd for \$80,000, when its carrying amount in P Ltd's books was \$60,000. The remaining useful life of the plant at the date of transfer was 4 years, depreciated straight-line with no residual value. Required: the consolidation adjustments needed at 31 December 2025.

SOLUTION

Unrealised profit on sale = \$80,000 − \$60,000 = \$20,000. Adjustment: Dr. Group retained earnings (profit on disposal) \$20,000 / Cr. Property, plant and equipment \$20,000, restating the asset to its original group cost of \$60,000.

Excess depreciation for 2025 = \$20,000 unrealised profit ÷ 4 years remaining life = \$5,000. Adjustment: Dr. Accumulated depreciation \$5,000 / Cr. Group retained earnings (depreciation expense) \$5,000.

Net effect on consolidated retained earnings for 2025 = −\$20,000 + \$5,000 = −\$15,000 — the unrealised profit still embedded in the asset's carrying amount at the year end, after clawing back the one year of excess depreciation already reversed.

Intra-Group Dividends, Loans & Fair Value Adjustments

- INTRA-GROUP DIVIDENDS: a dividend paid by a subsidiary to its parent is eliminated in full on consolidation — dividend income in the parent's books is cancelled against the dividend deducted from the subsidiary's retained earnings, so the group's income statement shows only dividends paid to parties OUTSIDE the group.
- INTRA-GROUP LOANS AND BALANCES: any loan, receivable or payable between group entities is eliminated in full, together with any related interest income and expense recognised on it during the period.
- FAIR VALUE ADJUSTMENTS ON ACQUISITION: the subsidiary's identifiable assets and liabilities are restated to fair value at the acquisition date for consolidation purposes — this uplift is NOT recorded in the subsidiary's own books, only in the consolidation working papers.
- A fair value uplift on a depreciable asset generates ADDITIONAL depreciation in the consolidated financial statements over its remaining useful life, together with a related DEFERRED TAX liability on the uplift, which unwinds as the additional depreciation is charged.

PART V — DISCLOSURE

Disclosure Under IFRS 12

A single disclosure standard covering every category of interest a reporting entity can hold in another entity.

DISCLOSURE

Disclosure of Interests in Other Entities

1 A Single Disclosure Standard

IFRS 12 consolidates the disclosure requirements for subsidiaries, joint ventures, joint operations, associates, and unconsolidated structured entities into one Standard.

2 Objective-Based Disclosures

IFRS 12’s disclosure objectives give preparers flexibility to tailor individual disclosures to the entity’s own circumstances, rather than following a fixed checklist.

3 Understanding Profit & Cash Flow

The disclosures are designed to help users identify the profit or loss and cash flows available to the reporting entity, and any risks associated with its interests.

4 Expanded Structured Entity Disclosures

IFRS 12 expands disclosure for BOTH consolidated and unconsolidated structured entities — entities may need to adapt reporting systems to capture the additional information required.

PART VI — ASSOCIATES

Associates & the Equity Method

Significant influence falls short of control — IAS 28 responds with a distinct measurement basis: the equity method.

What Is an Associate?

An associate is an entity over which the investor has SIGNIFICANT INFLUENCE — the power to participate in financial and operating policy decisions, without control or joint control (IAS 28.3).

Board Representation

Representation on the board of directors or equivalent governing body of the investee.

Policy-Making Participation

Participation in the investee's policy-making processes, including decisions about dividends and other distributions.

Material Transactions

Material transactions between the investor and the investee, indicating an ongoing operational relationship.

Personnel & Technical Interchange

Interchange of managerial personnel, or the provision of essential technical information to the investee.

The Equity Method — Core Principle

The equity method recognises the investor’s share of the investee’s performance as it is earned, rather than only when a dividend is received.

CARRYING AMOUNT OF THE INVESTMENT

Cost of the investment at initial recognition

Plus/minus the investor’s share of post-acquisition changes in the investee’s net assets

The investor’s profit or loss includes its share of the investee’s profit or loss, and its other comprehensive income includes its share of the investee’s other comprehensive income. Dividends received from the investee reduce the carrying amount of the investment — they are not recognised as investment income under the equity method.

The Equity Method — Process

1 Eliminate Intra-Group Profits

Eliminate the investor’s share of unrealised profits and losses on transactions between the investor and the investee.

2 Identify & Amortise Goodwill

Identify the goodwill portion of the purchase price at acquisition; goodwill within an equity-accounted investment is not amortised, but the investment as a whole is tested for impairment.

3 Adjust for Fair Value Depreciation

Adjust the investor’s share of profit for additional depreciation on the investee’s depreciable assets, based on their fair values at acquisition.

4 Adjust for Cross-Holdings & Policies

Adjust for the effect of any cross-holdings, and align the investee’s accounting policies with the investor’s where they differ.

Illustration V — Equity Method Worked Example

FACT PATTERN

Alpha Inc acquired 40% of the ordinary shares of Beta Inc on 1 January 2025 for $220,000, giving Alpha significant influence over Beta. Beta's identifiable net assets at that date were $500,000 (equal to fair value). For the year ended 31 December 2025, Beta reported profit after tax of $60,000 and paid dividends of $15,000. During the year, Beta sold inventory to Alpha for $25,000, earning a profit of $5,000; none of this inventory had been sold by Alpha at the year end. The tax rate is 30%. Required: the carrying amount of Alpha's investment in Beta at 31 December 2025.

SOLUTION

Implied goodwill at acquisition = $220,000 cost − (40% × $500,000 fair value of net assets) = $20,000, embedded within the carrying amount of the investment rather than separately recognised.

The inventory sale is an UPSTREAM transaction (Beta, the associate, is the seller) — solution continues on the next slide.

Illustration V — Equity Method Worked Example (continued)

FACT PATTERN

Continuing the Alpha/Beta example: building up the carrying amount of the investment from cost, through Alpha's share of profit (net of the unrealised profit adjustment), to the closing balance after dividends received.

SOLUTION

Component	Calculation	Amount ($)
Cost of investment (1 Jan 2025)	—	220,000
Share of Beta's profit for the year	40% × 60,000	24,000
Less: after-tax unrealised profit (upstream)	40% × (70% × 5,000)	(1,400)
Less: dividend received from Beta	40% × 15,000	(6,000)
Carrying amount at 31 December 2025	220,000 + 24,000 − 1,400 − 6,000	236,600

Alpha's share of Beta's profit recognised in Alpha's own profit or loss for the year = $24,000 − $1,400 = $22,600 — the dividend received is NOT separately recognised as income; it simply reduces the investment's carrying amount.

Losses, Goodwill & Bargain Purchases

- If an investor’s share of an associate’s LOSSES equals or exceeds the carrying amount of its investment, the investor discontinues recognising its share of further losses, reducing the investment to nil.
- Additional losses are recognised only to the extent the investor has incurred legal or constructive obligations, or made payments, on behalf of the associate — for example, under a guarantee.
- If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of unrecognised losses.
- Where the cost of the investment is LESS than the investor’s share of the fair value of the associate’s identifiable net assets, the resulting excess (a bargain purchase) is included as income in determining the investor’s share of the associate’s profit in the period of acquisition.

PART VII — JOINT ARRANGEMENTS

Joint Arrangements

IFRS 11 looks past the legal form of an arrangement to the rights and obligations it actually creates — and that distinction drives two very different accounting outcomes.

JOINT ARRANGEMENTS

Joint Operations vs Joint Ventures

Both require JOINT CONTROL — contractually agreed sharing of control, where decisions about relevant activities require unanimous consent — but the parties' rights differ.

Joint Operation

The parties have rights to the ASSETS, and obligations for the LIABILITIES, relating to the arrangement — typically where it is not structured through a separate vehicle, or the vehicle does not shield the parties from the underlying items.

Joint Venture

The parties have rights to the NET ASSETS of the arrangement — typically structured through a separate vehicle that itself holds the assets and owes the liabilities, with the parties holding only an equity interest in it.

Accounting Treatment Comparison

The classification of an interest determines which of three very different accounting models applies.

Interest	Basis for Classification	Accounting Treatment
Subsidiary (IFRS 10)	Control — power, exposure to variable returns, and the link between them	Full consolidation, line by line, with any non-controlling interest presented within equity
Joint venture (IFRS 11)	Joint control, with rights only to the arrangement's NET ASSETS	Equity method (IAS 28) — a single line investment, not line-by-line consolidation
Joint operation (IFRS 11)	Joint control, with rights to ASSETS and obligations for LIABILITIES directly	The operator recognises its own share of assets, liabilities, revenue and expenses directly, line by line
Associate (IAS 28)	Significant influence — participation in policy decisions, without control or joint control	Equity method — the same single-line approach as a joint venture

PART VIII — RECENT DEVELOPMENTS

Recent Developments

The IASB's equity method project, a newly finalised amendment to IAS 28, IFRS 19 for eligible subsidiaries, and the impact of IFRS 18.

RECENT DEVELOPMENTS

Changes to Group Reporting Standards

Group reporting is in an active period of change — one amendment has just been finalised, another remains under redeliberation, and a new Standard targets simpler subsidiary disclosures.

Equity Method Exposure Draft

The IASB's September 2024 Exposure Draft on applying the equity method is still redeliberated as of mid-2026, including tentative decisions on retained interests after losing control, and IAS 28 / IFRS 10 inconsistencies.

Enhanced Associate Disclosures

Tentative decisions would require an investor to disclose gains or losses from ownership interest changes, contingent consideration information, and a reconciliation of associates' carrying amounts.

IAS 28 Fair Value Option — Finalised

Issued 26 June 2026: targeted amendments clarify which entities — those with a fair-value-based investing model under IFRS 18.49(a) — may elect fair value through profit or loss instead of the equity method.

IFRS 19 — Subsidiaries Without Public Accountability

A new Standard permitting eligible subsidiaries to apply IFRS recognition and measurement with substantially reduced disclosures, effective for periods beginning on or after 1 January 2027.

RECENT DEVELOPMENTS

Impact of IFRS 18 on Group Reporting

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 and is effective for annual periods beginning on or after 1 January 2027, with early application permitted.

- Income and expenses from equity-accounted associates and joint ventures are classified within the INVESTING category of the statement of profit or loss by default under IFRS 18 — even where equity-accounted investments form part of an entity’s main business activities, unless the new IAS 28 fair value election applies.
- Non-controlling interest continues to be presented within equity, separately from equity attributable to owners of the parent — IFRS 18 does not change this presentation.
- Where an entity presents a management-defined performance measure that adjusts for equity-accounted results or NCI, IFRS 18 requires a reconciliation to the most directly comparable IFRS-defined subtotal.
- None of IFRS 10, IFRS 11 or IFRS 12’s recognition, measurement or disclosure requirements change under IFRS 18 — its impact is confined to where the resulting income, expense and equity lines are presented.

SUMMARY

Key Takeaways

Control Needs All Three Elements

Power, exposure to variable returns, and the link between them — a majority shareholding is neither necessary nor sufficient on its own.

Consolidation Adds, Then Eliminates

Every group entity is combined line by line, then intra-group balances, transactions and unrealised profit are stripped out in full.

Unrealised Profit Needs Two Adjustments on Fixed Assets

The profit itself, and the excess depreciation charged on it — missing the second is the most common consolidation error.

The Equity Method Is a One-Line Consolidation

It tracks the investor's share of an associate's net assets through a single investment balance, not a line-by-line combination.

Joint Arrangements Turn on Rights, Not Labels

Rights to net assets mean the equity method; rights to assets and obligations for liabilities mean direct, line-by-line recognition.

Group Reporting Is Actively Being Reshaped

A finalised IAS 28 amendment, an active equity method project, and IFRS 19's reduced-disclosure regime are all live changes to track.

ABOUT THE AUTHOR

A Career Built on Making IFRS Understandable

BD

Founder, Digital CFO Solutions

B D Chatterjee
Teacher and Mentor to finance professionals worldwide
FCA · ACMA · ACS
DipIFR (ACCA – UK)
35+ years of CFO, industry & global finance leadership

B D Chatterjee is a Chartered Accountant and financial thought leader with over 35 years of global experience spanning corporate finance, accounting standards, financial reporting, business valuation and financial due diligence. As a seasoned CFO, he has led finance functions across major corporations and now heads Digital CFO Solutions, a platform delivering institutional-grade IFRS, US GAAP and valuation workbooks alongside fractional CFO services.

✓ **Published author of the Pocketbook of IFRS series**

Guided thousands through IFRS, US GAAP & valuation transitions

✓ **Institutional-grade Excel platforms**

Digital CFO Solutions provides institutional-grade Excel-based CFO workbooks, fractional CFO advisory, and published finance literature on IFRS, US GAAP, business valuation and financial due diligence.

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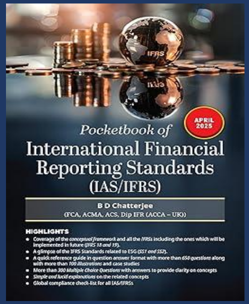
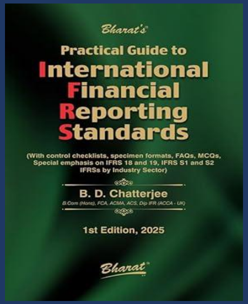
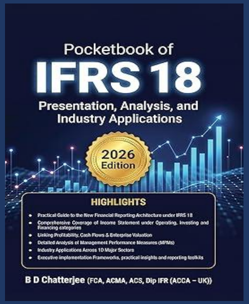


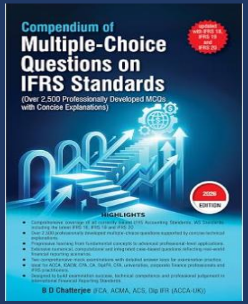
Pocketbook of International Financial Reporting Standards (IAS/IFRS)



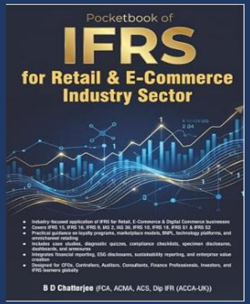
Practical Guide to International Financial Reporting Standards



Pocketbook of IFRS 18 — Presentation, Analysis & Industry Applications



Compendium of Multiple-Choice Questions on IFRS Standards



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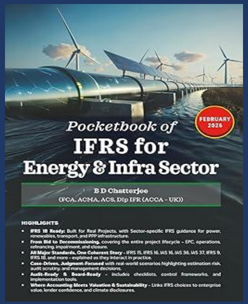

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