

IFRS Developments

IASB amends the fair value option for Investments in Associates and Joint Ventures



What you need to know

- The amendment clarifies the meaning of a 'similar entity' eligible to apply the fair value option
- The amendment references the requirements in IFRS 18 about specified main business activities
- The IASB reiterated that eligibility for the fair value option is assessed by the entity holding the investment
- Applying the fair value option under IAS 28 does not determine the classification of income and expenses under IFRS 18

Introduction

On 26 June 2026, the International Accounting Standards Board (IASB) issued *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures*. The amendments clarify which entities can apply the fair value option in IAS 28 *Investments in Associates and Joint Ventures*.

The amendments respond to stakeholder feedback highlighting diversity in practice in applying the fair value option and how this interacts with the classification requirements introduced by IFRS 18 *Presentation and Disclosure in Financial Statements*.

The IASB considered whether to extend the fair value option to all entities, but decided instead to adopt a targeted approach, focusing on addressing specific areas of uncertainty without fundamentally changing the scope of the exemption.

Background

IAS 28 permits certain entities, such as venture capital organisations, mutual funds unit trusts and 'similar entities', to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. However, stakeholders noted uncertainty about:

- How broadly the term 'similar entities' could be interpreted; and
- How the fair value option interacts with the requirements in IFRS 18.

To address these concerns, the IASB developed narrow-scope amendments aimed at clarifying the requirements.



Summary of the amendments

Revision of 'similar entity'

The amendments clarify that a 'similar entity' includes an entity with a main business activity of investing in particular types of assets, as described in paragraph 49(a) of IFRS 18.

This revision replaces the previous reference to 'similar entity, including investment-linked insurance funds', and removes the example of an investment-linked insurance fund from IAS 28.

The IASB noted that this amendment does not change the existing requirements for venture capital organisations, mutual funds or unit trusts that are eligible to apply the fair value option. Therefore, it is intended to refine the scope of 'similar entity' without affecting the specially mentioned entities that already apply the fair value option under IAS 28.

Assessment at the entity level

The IASB has confirmed that the assessment of eligibility to apply the fair value option is based on the entity that directly holds the investment in the associate or joint venture.

Accordingly, in a group structure, the assessment is made at the level of the entity holding the investment, rather than at the level of the reporting entity. Therefore, eligibility to elect the fair value option depends on whether the entity holding the investment has a main business activity of investing in particular types of assets.

The IASB observed that the application of the fair value option is determined by the nature of the entity that holds the investment. Therefore, when such an entity is included in the consolidated financial statements, the fair value option continues to be available in accordance with paragraphs 18 and 19 in IAS 28, regardless of whether the parent entity has a main business activity of investing in particular types of assets.

Interaction with IFRS 18 classification

The amendments do not change the requirements in IFRS 18 for the classification of income and expenses.

The classification of income and expenses arising from investments in associates and joint ventures measured at fair value is determined by applying paragraphs 53 and 55 of IFRS 18, including the assessment of whether the reporting entity has a main business activity of investing in associates, joint ventures and unconsolidated subsidiaries. The assessment is performed on individual assets or groups of assets with shared characteristics.

Therefore, although an entity may be permitted to apply the fair value option in IAS 28 to measure its investments in associates or joint ventures, the related income and expenses are not automatically classified in the operating category in the statement of profit and loss. The classification of income and expenses depends on whether the reporting entity meets the requirements in IFRS 18, and may result in such income and expenses being presented in the investing category in the statement of profit or loss.

Effective date and transition

The amendments are applied when an entity first applies IFRS 18. If an entity elects to apply IFRS 18 for an earlier period, the amendments are applied consistently with that early application. However, if IFRS 18 is applied early for a period beginning before the issuance of the amendments, entities apply the amendments for the first reporting period ending on or after their issuance.

In accordance with the transition requirements in IFRS 18, the amendments are applied retrospectively in accordance with IAS 8 *Basis of Preparation of Financial Statements*. Furthermore, an entity applying paragraph 11 of IAS 27 *Separate Financial Statements* is required to make the same change in its separate financial statements.



How we see it

The amendments clarify the scope of entities that are eligible to apply the fair value option.

Entities eligible to apply paragraph 18 of IAS 28 are permitted to change their election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss in accordance with IFRS 9, on initial application of IFRS 18. The clarified scope may increase the number of entities eligible to apply the exemption and entities may wish to use this opportunity to change the measurement of all, or some, associates or joint ventures. In assessing whether to apply the fair value option, entities may need to consider the structure through which investments are held and the implications for the classification of the resulting income and expenses under IFRS 18.

The amendments also provide clarity ahead of the effective date of IFRS 18, which may assist entities in evaluating the implications of their measurement elections and related classification outcomes. Insurers and other entities may welcome the opportunity to achieve greater consistency in the classification of income and expenses arising from these investments and related liabilities.

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