PBE IPSAS 7 Investments in Associates – Differences to NZ IFRS (PBE)

	NZ IAS 28 (PBE)	PBE IPSAS 7	Difference
1	NZ IAS 28 applies to accounting for investments in associates. NZ IAS 28.1 (scope)	PBE IPSAS 7 applies to investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. PBE IPSAS 7.1	The scope of the new PBE standard is narrower. Entities that are currently using the equity method of accounting for associates (because they have significant influence) will need to review their accounting policy if their ownership interest is not in the form of a shareholding or other formal equity structure.
2	NZ IAS 28 requires that, on the loss of significant influence, any remaining investment will be measured at fair value (on that date) and the investor shall recognise in profit or loss any difference between: (a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and (b) the carrying amount of the investment at the date when significant influence is lost. NZ IAS 28.18	PBE IPSAS 7 requires that on the loss of significant influence, any remaining investment will also be measured at fair value (on that date) – but IPSAS 7 does not specify any other requirements around accounting for this change. PBE IPSAS 7.24.1	While the requirement to measure the remaining investment at fair value upon loss of significant influence has not changed, PBE IPSAS 7 does not specify what is recognised in surplus or deficit from the change. While this opens the possibility of different accounting treatment, we would not expect any change from NZ IFRS (PBE) in practice

	NZ IAS 28 (PBE)	PBE IPSAS 7	Difference
3	NZ IAS 28 requires that upon acquisition of an investment in an associate: (a) goodwill relating to the associate is included in the carrying amount of the investment (this arises when the cost of the investment is greater than the investor's share of the net fair value of the associates' identifiable assets and liabilities). or (b) any gain on a bargain purchase is treated as a share of the surplus from the associate in the investor's statement of financial performance in the period in which the investment is acquired (this arises when the cost of the investment is less than the investor's share of the net fair value of the associates' identifiable assets and liabilities). NZ IAS 28.23	PBE IPSAS 7 requires that any difference (whether positive or negative) between the cost of acquisition and the investor's share of the associates' net assets (i.e. the net of identifiable assets and liabilities measured at fair value) is treated as goodwill. However, IPSAS 7 is silent about the presentation of a gain on a bargain purchase. Therefore, under the PBE standards, PBE IFRS 3 *Business Combinations* is the standard that deals with accounting for goodwill. PBE IFRS 3 states that the gain is treated as the acquirer's gain on purchase rather than a share of the surplus or deficit from associates. PBE IPSAS 7.29	This is a minor presentational difference on the face of the statement of financial performance. Under PBE IPSAS 7 (and PBE IFRS 3) gains on the bargain purchase of an investment in an associate is presented as the investor's gain. Under NZ IFRS (PBE) the gain is treated as the investor's share of the associate's surplus or deficit.