

**Statement of
Financial Accounting Standards
No. 5**

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Translated by

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Financial Accounting Standards Committee

Statement of Financial Accounting Standards No.5

Long-Term Investments Under Equity Method

I Introduction

- (1) This Statement establishes accounting standards for long-term investments under equity method.

Certain long-term investments held by the entities such as venture capital organizations, mutual funds, unit trusts and similar entities are excluded from the scope of this Statement if, at the time of initial recognition, such interests are designated as at fair value through profit or loss or classified as held for trading. Instead, such interests should follow the rules specified in the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement*.

- (2) Deleted

II Explanation

- (3) Accounting information should be prepared in recognition of economic reality, rather than legal formality. Since the object of financial reporting is the economic entity and most decisions made by users of financial reporting are economic decisions, the implications for economic reality are often more important than those for the legal formality.
- (4) Based on the notion of significant influence over the investee company, long-term investment in equity securities can be classified into three categories:

- (a) those with controlling power;
 - (b) those with significant influence; and
 - (c) those without significant influence.
- (5) When an investor company holds more than 50% of an investee company's stock with voting rights, the former generally has controlling power over the latter, unless there are evidences that indicate the investor has no controlling power.

Even though the investor company owns, directly or indirectly, less than 50% of an investee company's stock with voting rights, the investor company still has controlling power when any of the following is met:

- (a) power over more than half of the investee company's voting right by an agreement with other investors;
- (b) power to govern the financial, operating and personnel policies of the investee company;
- (c) power to appoint or remove the majority of the major members of the board of directors (or equivalent governing body) and the control of the investee company is under the board (or equivalent governing body);
- (d) power to cast the majority of votes at the meeting of the boards of directors (or equivalent governing body) and the control of the investee company is under the board (or equivalent governing body); or,
- (e) other cases that indicate the investor company has controlling power over the investee company.

As the investor company has controlling power over the investee company, the parent-subsidiary relationship exists. In formality,

these two companies have their own legal names and entities, however, in reality, they are the same economic entity.

If the investee company is a limited company, each stockholder has the same voting rights. But if the articles of a limited company specify that the voting right is proportional to the percentage of each stockholder's capital contribution, then the percentage of capital contribution is the percentage of voting rights.

- (6) When an investor company holds 20% or more of an investee company's stock with voting rights, the former usually has significant influence over the operating, financing, and dividend policies of the latter.
- (7) When an investor company holds less than 20% of an investee company's stock with voting rights, the former usually has no significant influence over the latter. However, if any one of the following situations is met, it is usually evident that the investor company has significant influence:
 - (a) an investor company's ownership percentage in an investee company's outstanding stock with voting rights is the highest among all the shareholders;
 - (b) the president of an investee company is assigned by an investor company;
 - (c) according to a joint venture contract, an investor company has the right of operation; or
 - (d) other situations indicating that an investor company has significant influence over an investee company.
- (8) Deleted
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- (10) Under the equity method, the book value of an investor's long-term

investment account increases or decreases by the ownership percentage times the change in shareholders' equity of an investee company. The investor company shall recognize investment revenue or additional paid-in capital at the same time.

- (11) When an investor company has controlling power or significant influence over an investee company, using the equity method can more accurately reflect the reality of the investment.
- (12) Deleted
- (13) Since the stockholders are only liable to the amounts that they have contributed into a company, the investor company's share of an investee company's losses, in general, shall be limited to the extent that reduces the book value of such long-term investment and advances (including accounts receivable and other advances) to zero. But if the investor company intends to continue its support for the investee company, or expects the investee company to return to profitability in the short run so as not to give up the investee company, then an investor company shall continue to recognize investment losses in proportion to its stock ownership percentage.

If an investor company guarantees the obligations of an investee company, or is otherwise committed to provide further financial support for an investee company, it is usually evident that the investor company intends to continue its support for the investee company.

When the investor company has controlling power, it should recognize all of the excess loss that exceeds the equity of the investee company, unless other shareholders of the investee company are willing to offer additional funding to bear the loss. If the investee company later becomes profitable, then all the profits should first be attributed to the investor company that has the controlling power until the recognized excess loss is fully recovered.

- (14) Under the equity method, since an investor company has significant influence, even controlling power, over an investee company, these

two companies shall be regarded as a single economic entity and, therefore, unrealized gains or losses from intercompany transactions shall be offset.

The afore-mentioned "intercompany transactions" includes the three following types:

- (a) Downstream transaction: an investor company sells goods, services, or other assets to its investee company;
 - (b) Upstream transaction: an investee company sells goods, services or other assets to its investor company; and
 - (c) Sidestream transaction: one investee company sells goods, services or other assets to another investee company. Both parties to the transaction are investee companies under the same investor company.
- (15) If an investor company purchases the stock of an investee company at a price higher than the book value of the stock (abbreviated as *underlying equity in net assets*), then the possible reasons include that the fair market values of an investee company's assets are higher than their book values, or an investee company has goodwill that has not been accounted for. Therefore, the investment cost is larger than the underlying equity in net assets. On the contrary, if the investment cost is smaller than the underlying equity in net assets at the time of investment, it is possible that some assets of an investee company are over-valued, or that it reflects the poor business performance of an investee company thereby incurring negative goodwill. Under the equity method, the difference between investment cost and underlying equity in net assets shall follow the allocation procedures of acquisition cost as specified in SFAS No. 25: *Business Combinations*. If an investor company had used the non-equity method to account for the long-term investment in equity securities, then the retained earnings or cumulative losses of an investee company would also create a difference between the book value of a long-term investment and underlying equity in net assets of an investee company. When changing the accounting method to

the equity method, such difference shall be retroactively adjusted, or analyzed and dealt with in the year of changing method.

III Accounting standards

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Long-term investment valuation using the equity method

(17) An investor company's long-term investment in equity securities shall be valued using the equity method if any one of the following conditions is met:

- (a) an investor company holds more than 50% of an investee company's stock with voting rights;
- (b) an investor company holds 20% of an investee company's stock with voting rights but without the controlling power, unless it is evident that the investor company does not have significant influence over an investee company; and,
- (c) even though an investor company holds less than 20% of an investee company's stock with voting rights, but the investor company has significant influence over an investee company.

To compute the overall ownership percentage of an investee company's stock with voting rights, an investor company should not only consider its own holding percentage of the investee company's stock, but also add the ownership percentage of the investee company's stock held by its other investee company in which the investor company owns controlling power of its stock with voting rights. The afore-mentioned "other investee company" includes the other investee company itself and its reinvested company in which the other investee company holds controlling power of its stock.

Exceptions to using the equity method for long-term investments

- (18) If the investee company has declared bankruptcy or been re-organizing under the supervision of the court, the equity method may not be applicable. However, any profit or loss before bankruptcy or re-organization should still be recognized in accordance with the equity method.

In a situation when the investor company does not own controlling power, if the equity method is required for the first time and if the investor company is unable to obtain the investee company's audited financial statements for the current year in time, the previous method can still be applied.

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Accounting treatments under the equity method

Acquisition costs

- (28) The acquisition costs of a long-term equity investment include the purchase price and transaction costs, but exclude interest resulting from the financing of such purchase. If an equity security is acquired through exchange, that is, by providing services or other assets, then

the fair value of such security or the fair value of the service or assets surrendered, whichever is more objectively determined, is the purchase price of the security.

Recognition of gains and losses

(29) When an investee company has net income or loss for the year, an investor company shall consider the following situations and recognize investment gains or losses in proportion to its equivalent stock ownership:

- (a) If the investee company has net income for the year, its compensation to the company promoters, directors, supervisors, and employee bonuses in accordance with the company's articles of incorporation, along with other non-shareholders' earnings distribution and accrued preferred stock dividends for the current year should be deducted; or
- (b) If the investee company has net loss for the year, the net loss and the accrued cumulative preferred stock dividends for the year should be aggregated to compute the investment loss of the investor company, unless it is evident that the cumulative preferred stock dividends are not realizable.

The recognition of investment gains or losses in proportion to the equivalent stock ownership stated above shall be accounted for, based on specific situations, in accordance with the following rules:

- (a) If there is no change in the stock ownership percentage for the whole year, then the investor company shall use the stock ownership percentage at the yearend to recognize investment gains or losses.
- (b) If the stock ownership percentage changes during the year, then the investor company shall use a weighted-average stock ownership percentage for the whole year to recognize investment gains or losses. However, if an investee company

has prepared interim financial statements that are audited by independent auditors, then an investor company shall use interim reports to compute an investee company's net income or net loss from the day of investment to the yearend, and recognize investment gains or losses in proportion to the actual stock ownership percentage. If an investee company's securities are purchased in the same month (but on different dates), an investor company is allowed to compute aggregate investment gains or losses, and use the month as the basis of computation.

- (30) If the articles of incorporation of an investee company do not state the percentage of net income to be distributed to directors, supervisors, and employees bonuses, then an investor company shall adjust investment gains or losses in proportion to the prior year's equivalent stock ownership percentage after the amount of funds to be distributed are finalized.
- (31) The investee company's additional paid-in capital that is resulting from the after-tax amount from the disposal gains of fixed assets in previous years that were transferred from retained earnings in proportion to its equivalent stock ownership, the amount of additional paid-in capital should be transferred back to retained earnings in proportion to the percentage of the long-term equity investment sold when the investor company sells such long-term equity investment.
- (32) For an investor company that only has significant influence but not controlling power on an investee company, the investor company's share of the investee company's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method, plus advances made by an investor company, then the recognized investment losses shall be limited to the extent that makes the book value of a long-term investment and advances equal to zero. However, if any of the following conditions is met, the investor company shall continue to recognize investment losses in proportion to its stock ownership percentage:

- (a) the investor company intends to continue its support for the investee company, or
- (b) an investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations in the near future.

If the afore-mentioned treatment results in credit balance on the investor company's book value of a long-term equity investment and advances for the investee company shall be treated as a liability on the balance sheet. If an investee company subsequently reports net income, an investor company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

When the investor company has controlling power, it should recognize all of the excess loss that exceeds the equity of the investee company, unless other shareholders of the investee company are willing to offer additional funding to bear the loss. If the investee company later becomes profitable, then all the profits should first be attributed to the investor company that has controlling power until the recognized excess loss is fully recovered.

- (33) When affiliated companies purchase their bonds reciprocally, the bonds should be treated as retired. The parent company should recognize the retirement gains or losses during the current year and adjust the *Long-term investments* and the *Investment gains or losses* accounts accordingly.

Elimination of intercompany unrealized gains or losses

- (34) The unrealized profits and losses from intercompany transactions between an investor company and investee company during the current year shall be eliminated. The elimination methods are as the following:
 - (a) For the downstream transactions between an investor

company and an investee company, the elimination percentage of unrealized gains or losses from intercompany transactions depends on whether an investor company has controlling power or not. If an investor company has controlling power over an investee company, all unrealized gains or losses from downstream intercompany transactions should be eliminated. If an investor company does not have controlling power over an investee company, unrealized gains or losses from downstream intercompany transactions should be eliminated in proportion to its year-end stock ownership.

- (b) For the upstream transactions between an investor company and an investee company, regardless of whether an investor company has controlling power over the investee company, the elimination percentage of unrealized gains or losses from intercompany transactions should be eliminated in proportion to its equivalent stock ownership as stated in Paragraph 29.
- (35) When an investor company recognizes investment gains or losses, the elimination methods for the sidestream transactions between two investee companies that are both accounted by the equity method are as the following:
 - (a) If an investor company has controlling power over each investee company that it has sidestream transactions with, then the unrealized gains or losses from such sidestream intercompany transactions should be eliminated in proportion to its equivalent stock ownership in the investee company that has resulted in such gains or losses.
 - (b) Except that an investor company has controlling power over both investee companies that have sidestream transactions, unrealized gains or losses from sidestream intercompany transactions should be eliminated in proportion to the product of one investee company's equivalent stock ownership multiplied by the other investee company's equivalent stock ownership.

(36) If the transaction gains or losses as stated in Paragraph 34 and 35 come from depreciated, depleted, or amortized fixed asset, the recognition of such gains or losses shall be spread over the useful lives of such assets; otherwise, the recognition should be in the year when gains or losses are realized.

(37) Deleted

Investee company adopts different fiscal years

(38) When an investor company's fiscal year is different from that of an investee company, the investee company should prepare additional financial statements that have the same fiscal year as the investor company, unless it is impracticable.

As stated in the previous item, the investee company's financial statements are needed for the equity method when its fiscal year is different from that of an investee company. The effects of significant transactions or events that had occurred between different financial statement dates of the investee and the investor companies should be adjusted accordingly. Under the case of different financial statement dates of the investee and investor companies, the difference should not exceed three months. The difference of the reporting dates and the length of the reporting periods should be the same for each period.

Gains or losses from downstream intercompany transactions between an investor company and an investee company, if not realized in the year of transaction, should be eliminated in the current year. Unrealized gains or losses from upstream intercompany transactions, if not realized in the year of transaction, should be eliminated in the year when an investor company recognizes its share of an investee company's gains or losses.

Differences between investment cost and underlying equity in net assets

(39) The difference between investment cost and underlying equity in net

assets should be analyzed and dealt with by following the allocation procedures of the acquisition cost specified in the Statement of Financial Accounting Standards No. 25: *Business Combinations*. If the difference comes from non-current assets that can be depreciated, depleted or amortized, then an investor company shall amortize such difference over estimated remaining economic lives. If the difference between investment cost and underlying equity in net assets comes from discrepancies between the book values of assets and their fair values, then an investor company shall offset all unamortized differences when conditions making such over or under-valuation are no longer present (e.g., asset reappraisal or sale of assets). If the investment cost exceeds the fair value of identifiable net assets, the excess should be recognized as goodwill. If the fair value of identifiable net assets exceeds the investment cost, the excess should be reduced the carrying amounts of non-current assets (except for financial assets not under the equity method, non-current assets held for sale, deferred tax assets, and pre-paid pension or other pension costs) in proportion to their fair values. If there is still difference when the carrying amounts become zero, the difference should be recognized as extraordinary gain.

The difference between investment cost and underlying equity in net assets is calculated as follows:

Difference between investment cost and underlying equity in net assets

$$= (\text{Investment cost}) - (\text{Investee's common stockholders' equity at investment}) \\ \times (\text{Common stock holding percentage for this investment})$$

The *Investee's common stockholders' equity at investment* stated above shall be calculated based on data in interim financial statements if an investee company prepares fairly presented interim financial statements that are audited by independent auditors. Otherwise, it shall be calculated in accordance with the following formula:

Investee common stockholders' equity at investment

$$= (\text{Investee's common stockholders' equity at the beginning of the year}) + (\text{Increase or decrease in the investee common stockholders' equity from the beginning of the year to the date of investment excluding current year net income or net losses}) + (\text{Investee's net income or losses for the year belonging to its common stockholders' equity}) \times (\text{Number of months starting from beginning of the year to the month of investment}) / 12.$$

The afore-mentioned "investee common stockholders' equity" is defined as investee stockholders' equity less investee non-common stockholders' equity, such as prior accumulated but not distributed preferred stock dividends and redemption price of preferred stock..

If an investee company reappraises its assets, the increase in values shall be retroactively applied from the beginning of the year. Investments made in the same month can be aggregated for calculating the differences between investment costs and underlying equity in net assets, and the basis of calculation is a month.

(40) When the treatment for a long-term equity investment is changed to the equity method from other methods, the difference between investment cost and underlying equity in net assets can be adjusted retroactively or follow the rules specified in the preceding paragraph in the year of changing method. If the investor company decides to adjust retroactively, it should restate its prior-period financial statements.

(40-1) If the equity investment that was previously measured at fair value through profit or loss or at cost is changed to the equity method, the book value of the equity investment at the beginning of the year should be used as the initial book value of the long-term equity investment under the equity method.

If the equity investment that was previously measured as available for sale financial assets, the book value of the equity investment at the beginning of the year should be used as the initial book value of

the long-term equity investment under the equity method after reconciling the equity adjustment item to reflect fair value.

(41) In the year an investor company changes its treatment for a long-term investment to the equity method, and an investor company receives cash dividends from an investee company, then the investment revenue and the long-term investment shall be offset if dividends have been treated as investment revenue previously under the previous method. If the difference between investment cost and underlying equity in net assets is not adjusted retroactively, then the difference belonging to the current year must be separated from that belonging to previous years, and these differences should follow the rules specified in paragraph 39 separately. If the equity investment that was previously measured at fair value through profit or loss or at cost, its difference between investment cost and underlying equity in net assets for previous years shall be calculated as follows.

Difference between investment cost and underlying equity in net assets

$$= (\text{Book value of the investment at the beginning of the year}) - (\text{Investee's common shareholders' equity at the beginning of the year}) \times (\text{Stock holding percentage at the beginning of the year})$$

If the equity investment that was previously measured as available for sale financial assets, its difference between investment cost and underlying equity in net assets for previous years shall be calculated as follows.

Difference between investment cost and underlying equity in net assets

$$= (\text{Book value of the investment at the beginning of the year after reconciling the equity adjustment item to reflect fair value}) - (\text{Investee's common shareholders' equity at the beginning of the year}) \times (\text{Stock holding percentage at the beginning of the year})$$

The amortization of the afore-mentioned difference should adjust the *Long-term investments* and the *Investment gains or losses* accounts accordingly.

- (42) If an investor company is not able to obtain an investee company's yearend financial statements for the year in which the equity method is adopted, it shall still use the previous method for that year as stated in Paragraph 18. The difference between investment cost and underlying equity in net assets shall follow the rules specified in Paragraph 39 when the investee company's financial statements are obtained in next year. The investor company should disclose such facts in the financial statements for this and next years.
- (43) If an investor company increases long-term investments after the equity method has been adopted, then the accounting for the difference between investment cost and underlying equity in net assets is the same as that stated in Paragraph 39 unless the increase in long-term equity investments is not resulting from the investee company's issuing new shares.
- (44) If an investor company sells the long-term equity investments, the difference between investment cost and underlying equity in net assets should be reduced proportionally. The remaining difference should continue to follow the previous analysis and the rules specified in Paragraph 39.

Change in an investee company's shareholders' equity

- (45) A distribution of cash dividends from an investee company shall be regarded as a reduction in long-term equity investments for an investor company.
- (46) An investor company should make no journal entry when an investee company appropriates statutory retained earnings (legal reserve) or special retained earnings (special reserve).
- (47) If stock dividends are distributed from an investee company through retained earnings or additional paid-in capital, then the increase in

the number of stocks shall be noted in the investor company's financial statements without making any journal entry. If the stock ownership percentage changes due to the distribution of employee bonus stock, an investor company should follow the rules stated in Paragraph 50.

- (48) Except for the rules stated in Paragraph 31, when there are increases or decreases in the equity of an investee company other than capital or retained earnings, an investor company shall adjust the increases or decreases to the *Long-term investments* account and other equity adjustment item from long-term investment in accordance with its stock ownership percentage.
- (49) If an investee company's losses are covered by additional paid-in capital generated after the long-term investment was made, then an investor company shall calculate such amount in accordance with its ownership percentage and debit the *Additional paid-in capital* account and credit the *Retained earnings* account; no journal entries shall be made for other types of loss coverage.
- (50) If an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the *Additional paid-in capital* and the *Long-term investments* accounts. If the adjustment stated above is to debit the *Additional paid-in capital* account and the book balance of additional paid-in capital from long-term investments is not enough to be offset, then the difference shall be debited to the *Retained earnings* account.

An investee company making prior-period adjustment for profits or losses

- (51) If an investee company adjusts prior-period profits or losses, an investor company shall calculate the after-tax effect and adjust retained earnings in accordance with the equivalent ownership percentage for the related periods.

Impairment of Long-term Equity Investment

(52) For an investor company that only has significant influence but not controlling power on long-term equity investment, it should evaluate whether there are indications of impairment on the financial statement date, based on the individual carrying amount of long-term equity investment. If there is objective evidence that the investment is impaired, the investor company should follow the rules specified in SFAS No. 35: *Impairment of Assets*. It should compare the recoverable amount with the carrying amount of individual investment to calculate the impairment loss of the investment. When the investor company determines the recoverable amount of the investment, either of the following estimation methods can be used:

- (a) discounted present value of expected future cash flows of the investee company that the investor company can share; or,
- (b) discounted present value of expected future cash dividends and disposal proceeds of the investee company that the investor company can receive.

When an investor company estimates the recoverable amount of each investee company, it should base on each investee company unless the investee companies cannot generate largely independent cash flows from other assets.

If an investor company has controlling power on long-term equity investment, the accounting treatment for impairment should follow the rules specified in SFAS 35: *Impairment of Assets*.

Sale of investee company's stock

(53) When an investor company sells a long-term equity investment, the difference between the selling price and book value of the investment shall be treated as a gain or loss from the disposal of the long-term equity investment. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term investment, then an investor company shall recognize current gains

or losses in accordance with the percentage of sale. However, the additional paid-in capital resulting from the rules stated in Paragraph 31 should be transferred to retained earnings in accordance with the percentage of sale.

Losing influence and control over investee company

(54) For the long-term equity investment under equity method, if an investor company loses its influence over an investee company because of a decrease in ownership or other reasons, it shall cease using the equity method and apply the rules specified in the SFAS No. 34: *Financial Instruments: Recognition and Measurement*. The cost of investment will be the book value at the time of change. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term equity investment, then an investor company shall calculate its share when the investment is sold, so that the pro-rata gains or losses from the disposal of the long-term investment can be accounted for. In the year when the accounting treatment is changed, cash dividends received shall be credited to the *Long-term equity investments* account. In the subsequent years, the investment profits or losses shall be accounted for in accordance with the rules specified in the Statement of Financial Accounting Standards No. 32: *Revenue*.

If the equity method is terminated, an investor company should recognize its unrealized gains or loss from downstream intercompany transaction.

Treatment for investment in non-common stock of an investee company limited by share

(55) When an investor company invests in preferred stock of an investee company, it should determine whether or not there is significant influence based upon the percentage of voting rights, and recognize investment gain or loss based upon net profit or loss sharing ratio.

However, when recognizing investment gain or loss and evaluating the net equity value of such investments, the investee company's incorporation articles or issuance terms for preferred stock should be

considered and appropriately treated. The same rules apply to an investor company's investment in limited companies.

Disclosures in financial statements

- (56) In addition to the disclosure requirements stated in other statements, an investor company shall disclose the following information related to the long-term equity investments under equity method:
- (a) valuation method on sale or transfer;
 - (b) book value and market value;
 - (c) the difference between investment cost and underlying equity in net assets that result from goodwill, amortizable assets, or non-amortizable assets, their beginning amounts and the amounts of changes during the period;
 - (d) the limitations for an investee company to distribute earnings;
 - (e) material additional paid-in capital or other equity adjustment items from long-term equity investments;
 - (f) subsequent events of an investee company that have significant effect on an investor company; and,
 - (g) the profit and loss computation method for the cross-shareholding between investor company and investee company.

IV Notes

- (57) Deleted
- (58) This Statement was issued on April 1, 1984. This Statement was first revised on May 9, 1985. The second revision of this Statement was

on June 18, 1998. The third revision was on December 9, 2004. The fourth revision was on September 22, 2005. The fifth revision of this Statement was on December 22, 2005.

The third revision of this Statement shall be effective for financial statements with fiscal years beginning on or after January 1, 2005. Early adoption is permitted. However, if it is adopted earlier, an enterprise should disclose such facts.

Those financial statements that had been originally prepared in accordance with the provisions of this Statement need not be restated retroactively to follow the third revision of this Statement. However, if there is change in accounting principles, the cumulative effect of such change in accounting principles should be presented separately in income statement.

The fourth and fifth revisions of this Statement shall be effective for financial statements with fiscal years beginning on or after January 1, 2006. Early adoption is not permitted.

Those financial statements that had been originally prepared in accordance with the provisions of this Statement need not be restated retroactively to follow the fourth and fifth revisions of this Statement. The original difference between investment cost and underlying equity in net assets, if it had originally be analyzed the causes of the difference, should continue in the same way as the previous analysis has indicated. However, the goodwill in the difference shall not be amortized any more, and the goodwill that had been amortized shall not be reversed. The deferred credit in the difference shall continue to be amortized over the remaining amortization period. If the total difference had be chosen to be amortized over certain period, then the unamortized difference of investment cost over underlying equity in net assets shall follow the same treatment as goodwill. The unamortized difference of underlying equity in net assets over investment cost shall follow the same treatment as deferred credit.

The provisions of this Statement need not be applied to immaterial items.

