

**Interpretation of the Emerging Accounting Issues Working Group****INT 01-10: EITF 00-1: Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures****ISSUE NULLIFIED BY SSAP NO. 48****INT 01-10 Dates Discussed**

December 4, 2000; March 26, 2001

**INT 01-10 References**

*SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* (SSAP No. 48)

**INT 01-10 Issue**

1. *ABP Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock* (APB No. 18) addresses only investments in common stock of corporations and does not directly address investments in unincorporated entities. However, investors in unincorporated entities such as partnerships and other unincorporated joint ventures generally account for their investments using the equity method of accounting by analogy to Opinion 18 if the investor has the ability to exercise significant influence over the investee. Paragraph 19.c. of APB No. 18 requires investments accounted for by the equity method to be displayed as a single amount in the investor's balance sheet and the investor's share of the investee's earnings or losses to be displayed as a single amount in the investor's income statement. In contrast, if (a) the investor holds an undivided interest in each asset, (b) the investor is proportionately liable for each liability, and (c) no other separate legal entity exists, then the investor's accounting for those rights and obligations is outside the scope of APB No. 18. In those circumstances, the investor displays, on a proportionate gross basis, those assets and liabilities in the investor's balance sheet and the related results of operations in the investor's income statement. However, for entities subject to *AICPA Statement of Position 78-9, Accounting for Investments in Real Estate Ventures*, the guidance in paragraph 11 should be applied. That guidance requires real property owned by undivided interests that is subject to joint control, as defined therein, to be presented in the same manner as investments in noncontrolled partnerships (that is, generally using the equity method).

2. However, there is a longstanding practice in the construction industry and in the extractive industries of investors displaying investments in separate legal entities (that is, they do not own an undivided interest as described in paragraph 1 accounted for using the equity method of accounting on a proportionate gross basis). Under that practice, the investor presents its proportionate share of the investee's revenues and expenses in each major revenue and expense caption of the investor's income statement and may also present its proportionate share of the investee's assets and liabilities separately in each major asset and liability caption of the investor's balance sheet.

3. The issue is whether there are circumstances in which proportionate gross presentation is appropriate under the equity method of accounting for an investment in a legal entity.

**INT 01-10 Discussion**

4. The working group reached a consensus to reject the positions reached in *EITF 00-01, Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures* as this issue is currently addressed in SSAP No. 48.

**INT 01-10 Status**

5. No further discussion planned.