

Corporate investments – Summary of accounting methods

Michel Blanchette, November 2006

TYPE OF INVESTMENT	ACCOUNTING METHOD	FINANCIAL STATEMENT PRESENTATION
Portfolio investment (no control or influence = generally ownership is less than 20%)	Fair value ¹	Investment = 1 line in the balance sheet : fair value Revenue in the income statement = 1 line for dividends received + 1 line for gains/losses on investments considered speculative Other comprehensive income = 1 line for gains/losses on investments considered available for sale
Investment in an entity subject to significant influence (guidance = 20% to 50%)	Equity method	Investment = 1 line in the balance sheet : historical cost + revenues recognized in the income statement - dividends received Revenues in the income statement = share of profits of the entity (\pm certain adjustments such as amortization of the purchase price discrepancy and elimination of unrealized profits on inter-company transactions)
Investment in a joint venture (joint control)	Proportionate consolidation ²	Sum of every asset/liability/revenue/expense of the parent company + the percentage owned of every asset/liability/revenue/expense of the joint venture \pm certain adjustments such as amortization of the purchase price discrepancy and elimination of inter-company transactions
Investment in a subsidiary (control of more than 50% of voting shares)	Full consolidation	Sum of every asset/liability/revenue/expense of the parent company + those of the subsidiary \pm certain adjustments such as amortization of the purchase price discrepancy and elimination of inter-company transactions With a separate presentation of the net amount representing the minority interest in the balance sheet and income statement

¹ In certain situations, the cost method can be used for portfolio investments, when the fair value is not available (stock not quoted, 3855.66c).

² In the US, GAAP require the use of equity method for joint ventures.