Accounting for Investments

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1. **Types of Investments**
    - Equity investments (shares in other companies), debt investments (bonds), and investments in associates/subsidiaries.
2. **Classification Categories (IFRS 9)**
    - **Fair value through profit or loss (FVTPL)**: gains/losses hit the income statement.
    - **Fair value through other comprehensive income (FVOCI)**: gains/losses recorded in OCI.
    - **Amortized cost**: for debt instruments held to collect contractual cash flows.
3. **Significant Influence vs. Control**
    - **Associates** (20-50% ownership, significant influence): accounted for using the equity method.
    - **Subsidiaries** (>50% ownership, control): fully consolidated.
4. **Equity Method Basics**
    - The investment is initially recorded at cost, then adjusted for the investor's share of the associate's profits/losses each period.
5. **Why Classification Matters**
    - Different classifications affect where gains/losses appear in the financial statements, directly influencing reported profit volatility.