

# A Systematic Review of Accounting Practices for Reporting Investments in Associates and Joint Ventures: Equity Method and Consolidation Method

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## Abstract

**Purpose:** This paper presents findings from empirical studies related to the adoption of accounting practices, namely the equity and consolidated methods of accounting, for reporting investments in associates and joint ventures.

**Design/ Methodology/ Approach:** This review considered 21 published articles sourced from Scopus and Web of Science (WoS) databases, with the publication date spanning from January 1980 to December 2022. The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) method was employed for article retrieval.

**Findings:** Based on the search results, the empirical research was synthesised and segregated into three (3) major domains: usefulness, value relevance and level of compliance. Despite having mixed empirical evidence across countries, the equity method is more beneficial to investors due to its positive relationship with market values and lower volatility. While crucial for creditors, the consolidation method significantly impacts financial statements and explains price fluctuations. The review suggests that future research should address implementation challenges, incorporate more qualitative studies and explore Asian datasets, which are currently underrepresented.

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**Originality/ Value:** This review synthesizes 44 years of empirical research on accounting practices for reporting investments in associates and joint ventures, focusing on the equity method and consolidation method. It identifies three distinct thematic domains within this body of literature, providing a comprehensive mapping of its development.

**Keywords:** Investment in associates and joint ventures, accounting practices, equity method, consolidation method