IAS 27 — Separate Financial Statements (2011)

Overview

IAS 27 *Separate Financial Statements* (as amended in 2011) outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

IAS 27 was reissued in May 2011 and applies to annual periods beginning on or after 1 January 2013, superseding IAS 27 *Consolidated and Separate Financial Statements* from that date.

History of IAS 27 (as amended in 2011)

Date	Development	Comments
September 1987	Exposure Draft E30 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*	
April 1989	IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* issued	Effective 1 January 1990
1994	IAS 27 reformatted	
December 1998	Amended by IAS 39 *Financial Instruments: Recognition and Measurement*	Effective 1 January 2001

18 December 2003	IAS 27 *Consolidated and Separate Financial Statements* issued	Effective for annual periods beginning on or after 1 January 2005
25 June 2005	Exposure Draft of Proposed Amendments to IFRS 3 and IAS 27	
10 January 2008	IAS 27 *Consolidated and Separate Financial Statements* (2008) issued	Effective for annual periods beginning on or after 1 July 2009
22 May 2008	Amended by *Cost of a Subsidiary in the Separate Financial Statements of a Parent on First-time Adoption of IFRSs*	Effective for annual periods beginning on or after 1 January 2009
22 May 2008	Amended by *Annual Improvements to IFRSs* (investments in subsidiaries held for sale)	Effective for annual periods beginning on or after 1 January 2009
6 May 2010	Amended by *Annual Improvements to IFRSs 2010* (transitional requirements)	Effective for annual periods beginning on or after 1 July 2010
12 May 2011	Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011). Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 *Consolidated Financial Statements*	Effective for annual periods beginning on or after 1 January 2013
31 October 2012	Amended by *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (project history)	Effective for annual periods beginning on or after 1 January 2014
12 August 2014	Amended by *Equity Method in Separate*	Effective for

	Financial Statements (Amendments to IAS 27) (project history)	annual periods beginning on or after 1 January 2016, with earlier application permitted

Amendments under consideration by the IASB

- IFRS 13 — Unit of account
- Research project — Common control transactions

Summary of IAS 27 (as amended in 2011)

The summary below applies to IAS 27 *Separate Financial Statements*, issued in May 2011 and applying to annual reporting periods beginning on or after 1 January 2013. For earlier reporting periods, refer to our summary of IAS 27 *Consolidated and Separate Financial Statements*.

Objectives of IAS 27

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Key definitions

[IAS 27(2011).4]

Consolidated financial statements	Financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity
Separate financial statements	Financial statements presented by a parent (i.e. an investor with control of a subsidiary), an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with IFRS 9 *Financial Instruments*

Preparation of separate financial statements

Requirement for separate financial statements

IAS 27 does not mandate which entities produce separate financial statements available for public use. It applies when an entity prepares separate financial statements that comply with International Financial Reporting Standards. [IAS 27(2011).3]

Financial statements in which the equity method is applied are not separate financial statements. Similarly, the financial statements of an entity that does not have a subsidiary, associate or joint venturer's interest in a joint venture are not separate financial statements. [IAS 27(2011).7]

An investment entity that is required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with of IFRS 10 *Consolidated Financial Statements* presents separate financial statements as its only financial statements. [IAS 27(2011).8A]

[Note: The investment entity consolidation exemption was introduced into IFRS 10 by *Investment Entities*, issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014.]

Choice of accounting method

When an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either: [IAS 27(2011).10]

- at cost, or
- in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted IFRS 9), or
- using the equity method as decribed in IAS 28 *Investments in Associates and Joint Ventures*. [See the amendment information below.]

The entity applies the same accounting for each category of investments. Investments that are accounted for at cost and classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are accounted for in accordance with that IFRS. Investments carried at cost should be measured at the lower of their carrying amount and fair value less costs to sell. The measurement of investments accounted for in accordance with IFRS 9 is not changed in such circumstances.

If an entity elects, in accordance with IAS 28 (as amended in 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9, it shall also account for those investments in the same way in its separate financial statements. [IAS 27(2011).11]

Investment entities

[Note: The investment entity consolidation exemption was introduced into IFRS 10 by *Investment Entities*, issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014.]

If a parent investment entity is required, in accordance with IFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39, it is required to also account for its investment in a subsidiary in the same way in its separate financial statements. [IAS 27(2011).11A]

When a parent ceases to be an investment entity, the entity can account for an investment in a subsidiary at cost (based on fair value at the date of change or status) or in accordance with IFRS 9. When an entity becomes an investment entity, it accounts for an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9. [IAS 27(2011).11B]

Recognition of dividends

An entity recognises a dividend from a subsidiary, joint venture or associate in profit or loss in its separate financial statements when its right to receive the dividend in established. [IAS 27(2011).12]

(Accounting for dividends where the equity method is applied to investments in joint ventures and associates is specified in IAS 28 *Investments in Associates and Joint Ventures*.)

Group reorganisations

Specified accounting applies in separate financial statements when a parent reorganises the structure of its group by establishing a new entity as its parent in a manner satisfying the following criteria: [IAS 27(2011).13]

- the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent
- the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation, and
- the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation.

Where these criteria are met, and the new parent accounts for its investment in the original parent at cost, the new parent measures the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. [IAS 27(2011).13]

The above requirements:

- apply to the establishment of an intermediate parent within a group, as well as establishment of a new ultimate parent of a group [IAS 27(2011).BC24]
- apply to an entity that is not a parent entity and establishes a parent in a manner that satisfies the above criteria [IAS 27(2011).14]
- apply only where the criteria above are satisfied and do not apply to other types of reorganisations or for common control transactions more broadly. [IAS 27(2011).BC27].

Disclosure

When a parent, in accordance with paragraph 4(a) of IFRS 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements: [IAS 27(2011).16]

- the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation if different) of the entity whose consolidated financial statements that comply with IFRS have been produced for public use; and the address where those consolidated financial statements are obtainable,

- a list of significant investments in subsidiaries, jointly controlled entities, and associates, including the name, principal place of business (and country of incorporation if different), proportion of ownership interest and, if different, proportion of voting rights, and
- a description of the method used to account for the foregoing investments.

When an investment entity that is a parent prepares separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by IFRS 12. [IAS 27(2011).16A]

[Note: The investment entity consolidation exemption was introduced into IFRS 10 by *Investment Entities*, issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014.]

When a parent (other than a parent covered by the above circumstances) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with IFRS 10, IFRS 11 or IAS 28 (as amended in 2011) to which they relate. The parent or investor shall also disclose in its separate financial statements: [IAS 27(2011).17]

- the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law,
- a list of significant investments in subsidiaries, jointly controlled entities, and associates, including the name, principal place of business (and country of incorporation if different), proportion of ownership interest and, if different, proportion of voting rights, and
- a description of the method used to account for the foregoing investments.

Applicability and early adoption

IAS 27 (as amended in 2011) is applicable to annual reporting periods beginning on or after 1 January 2013. [IAS 27(2011).18]

An entity may apply IAS 27 (as amended in 2011) to an earlier accounting period, but if doing so it must disclose the fact that is has early adopted the standard and also apply: [IAS 27(2011).18]

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011).

The amendments to IAS 27 (2011) made by *Investment Entities* are applicable to annual reporting periods beginning on or after 1 January 2014 and special transitional provisions apply.

Equity Method in Separate Financial Statements (Amendments to IAS 27), issued in August 2014, amended paragraphs 4–7, 10, 11B and 12. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. [IAS 27(2011).18A-18J].

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