

AASB Standard

AASB 127
August 2011

Separate Financial Statements



Australian Government
Australian Accounting Standards Board

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DELETED IAS 27 TEXT

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BASIS FOR CONCLUSIONS ON IAS 27

(available on the AASB website)

Australian Accounting Standard AASB 127 *Separate Financial Statements* is set out in paragraphs 1 – 19. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 127 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

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PREFACE

Introduction

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 1 requirements incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of each Standard in the Australian environment.

Publicly accountable for-profit private sector entities are required to adopt Tier 1 requirements, and therefore are required to comply with IFRSs. Furthermore, other for-profit private sector entities complying with Tier 1 requirements will simultaneously comply with IFRSs. Some other entities complying with Tier 1 requirements will also simultaneously comply with IFRSs.

Tier 2 requirements comprise the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosure requirements in comparison to Tier 1.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either

restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. These requirements do not prevent publicly accountable for-profit private sector entities from complying with IFRSs. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Implications for not-for-profit entities

This Standard applies to both for-profit and not-for-profit entities. However, prior to the 1 January 2013 mandatory application date of this Standard, the AASB will consider whether this Standard should be modified for application by not-for-profit entities having regard to its *Processes for Modifying IFRSs for PBE/NFP*. In light of this, not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.

Reduced disclosure requirements

Disclosure requirements under Tier 2 will be determined through a separate due process with amendments being made subsequently to this Standard as required.

COMPARISON WITH IAS 27

AASB 127 *Separate Financial Statements* incorporates IAS 27 *Separate Financial Statements* issued by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 27) are identified with the prefix “Aus”, followed by the number of the preceding IASB paragraph and decimal numbering.

For-profit entities that comply with AASB 127 will simultaneously be in compliance with IAS 27.

Not-for-profit entities using the added “Aus” paragraphs in the Standard that specifically apply to not-for-profit entities may not be simultaneously complying with IAS 27.

ACCOUNTING STANDARD AASB 127

The Australian Accounting Standards Board makes Accounting Standard AASB 127 *Separate Financial Statements* under section 334 of the *Corporations Act 2001*.

Dated 29 August 2011

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 127

SEPARATE FINANCIAL STATEMENTS

Objective

- 1 The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

Application

Aus1.1 This Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act* and that is a reporting entity;
- (b) general purpose financial statements of each other reporting entity; and
- (c) financial statements that are, or are held out to be, general purpose financial statements.

Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 January 2013.

Aus1.3 This Standard may be applied by for-profit entities, but not by not-for-profit entities, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. If a for-profit entity applies this Standard to such an annual reporting period, it shall disclose that fact and apply AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 *Investments in*

Associates and Joint Ventures (August 2011) at the same time.

- Aus1.4** The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- Aus1.5 When applied or operative, this Standard, together with AASB 10, supersedes AASB 127 *Consolidated and Separate Financial Statements* (March 2008, as amended).

Scope

- 2 **This Standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements.**
- 3 This Standard does not mandate which entities produce separate financial statements. It applies when an entity prepares separate financial statements that comply with Australian Accounting Standards.

Definitions

- 4 **The following terms are used in this Standard with the meanings specified:**
- Consolidated financial statements* are the 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* are those presented by a parent (ie an investor with control of a subsidiary) or 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 AASB 9 *Financial Instruments*.**
- 5 The following terms are defined in Appendix A of AASB 10 *Consolidated Financial Statements*, Appendix A of AASB 11 *Joint Arrangements* and paragraph 3 of AASB 128 *Investments in Associates and Joint Ventures*:
- associate

- control of an investee
 - group
 - joint control
 - joint venture
 - joint venturer
 - parent
 - significant influence
 - subsidiary.
- 6 Separate financial statements are those presented in addition to consolidated financial statements or in addition to financial statements in which investments in associates or joint ventures are accounted for using the equity method, other than in the circumstances set out in paragraph 8. Separate financial statements need not be appended to, or accompany, those statements.
- 7 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.
- 8 An entity that is exempted in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10 from consolidation or paragraphs 17 and Aus17.1 of AASB 128 (August 2011) from applying the equity method may present separate financial statements as its only financial statements.

Preparation of separate financial statements

- 9 Separate financial statements shall be prepared in accordance with all applicable Standards, except as provided in paragraph 10.**
- 10 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:**
- (a) at cost, or**
 - (b) in accordance with AASB 9.**

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The measurement of investments accounted for in accordance with AASB 9 is not changed in such circumstances.

- 11 If an entity elects, in accordance with paragraph 18 of AASB 128 (August 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with AASB 9, it shall also account for those investments in the same way in its separate financial statements.
- 12 An entity shall recognise a dividend from a subsidiary, a joint venture or an associate in profit or loss in its separate financial statements when its right to receive the dividend is established.**
- 13 When a parent reorganises the structure of its group by establishing a new entity as its parent in a manner that satisfies the following criteria:
- (a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;
 - (b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation;
and
 - (c) 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,
- and the new parent accounts for its investment in the original parent in accordance with paragraph 10(a) in its separate financial statements, the new parent shall measure cost at 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.
- 14 Similarly, an entity that is not a parent might establish a new entity as its parent in a manner that satisfies the criteria in paragraph 13. The requirements in paragraph 13 apply equally to such reorganisations. In such cases, references to 'original parent' and 'original group' are to the 'original entity'.

Disclosure

- 15** An entity shall apply all applicable Standards when providing disclosures in its separate financial statements, including the requirements in paragraphs 16–17.
- 16** When a parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements:
- (a)** 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 International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable.
 - (b)** a list of significant investments in subsidiaries, joint ventures and associates, including:
 - (i)** the name of those investees.
 - (ii)** the principal place of business (and country of incorporation, if different) of those investees.
 - (iii)** its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.
 - (c)** a description of the method used to account for the investments listed under (b).
- Aus16.1** When a not-for-profit parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements the disclosures specified in paragraph 16, with the exception that the reference in paragraph 16(a) to ‘International Financial Reporting Standards’ is replaced by a reference to ‘Australian Accounting Standards’.

- 17 **When a parent (other than a parent covered by paragraph 16 or Aus16.1) 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 AASB 10, AASB 11 or AASB 128 (August 2011) to which they relate. The parent or investor shall also disclose in its separate financial statements:**
- (a) **the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law.**
 - (b) **a list of significant investments in subsidiaries, joint ventures and associates, including:**
 - (i) **the name of those investees.**
 - (ii) **the principal place of business (and country of incorporation, if different) of those investees.**
 - (iii) **its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.**
 - (c) **a description of the method used to account for the investments listed under (b).**

The parent or investor shall also identify the financial statements prepared in accordance with AASB 10, AASB 11 or AASB 128 (August 2011) to which they relate.

Effective date and transition

- 18 [Deleted by the AASB – see paragraphs Aus1.2 and Aus1.3]

References to AASB 9

- 19 If an entity applies this Standard but does not yet apply AASB 9, any reference to AASB 9 shall be read as a reference to AASB 139 *Financial Instruments: Recognition and Measurement*.

Withdrawal of IAS 27 (2008)

- 20 [Deleted by the AASB – see paragraph Aus1.5]

DELETED IAS 27 TEXT

Deleted IAS 27 text is not part of AASB 127.

Paragraph 18

An entity shall apply this Standard for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply IFRS 10, IFRS 11, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 (as amended in 2011) at the same time.

Paragraph 20

This Standard is issued concurrently with IFRS 10. Together, the two IFRSs supersede IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008).