

# **Explanatory Statement**

## **Accounting Standard AASB 127** ***Separate Financial Statements***

**August 2011**



**Australian Government**

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**Australian Accounting  
Standards Board**

## EXPLANATORY STATEMENT

### Reasons for Issuing AASB 127

The International Accounting Standards Board (IASB) has issued IAS 27 *Separate Financial Statements* which supersedes, together with IFRS 10 *Consolidated Financial Statements*, IAS 27 *Consolidated and Separate Financial Statements* (March 2008, as amended) for annual reporting periods beginning on or after 1 January 2013. The AASB needs to issue AASB 127 *Separate Financial Statements* to enable Australian reporting entities that have subsidiaries, joint ventures or associates to continue to satisfy International Financial Reporting Standards when preparing separate financial statements.

### Main Features of AASB 127

The Standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The key change is the relocation of the requirements relating to consolidated financial statements to AASB 10 *Consolidated Financial Statements*. There have been minimal changes in the requirements concerning separate financial statements.

### Application Date

AASB 127 is applicable to annual reporting periods beginning on or after 1 January 2013. 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. The AASB will consider promulgating additional guidance for not-for-profit entities by 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.

### Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 171 *Consolidated Financial Statements* in December 2008. ED 171 reproduced the proposals included in the IASB's Exposure Draft ED 10 *Consolidated Financial Statements* (December 2008) without amendment. The objective of the Exposure Draft was to publish a single IFRS on consolidation to replace the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements*.

No changes were proposed to the requirements concerning separate financial statements.

The AASB received seven submissions from Australian constituents on ED 171. Submissions received were generally supportive.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 127 as the amendments made do not have a substantial direct or indirect impact on business or competition.