



IFRS AT A GLANCE
IAS 27 *Separate Financial Statements*



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SCOPE

When an entity elects (or is required by local regulations) to present separate financial statements, IAS 27 applies in accounting for investments in:

- ▶ Subsidiaries
- ▶ Joint ventures
- ▶ Associates.

IAS 27 does not mandate which entities produce separate financial statements.

DEFINITIONS

Separate financial statements

Financial statements presented by a parent (i.e. 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, at fair value, or using the equity method.

Consolidated financial statements

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 a single economic entity.

For definitions of: associate; control of an investee; group; joint control; joint venture; joint venturer; parent; significant influence; and subsidiary - please refer to the below standards:

- ▶ IFRS 10 Consolidated Financial Statements
- ▶ IFRS 11 Joint Arrangements
- ▶ IAS 28 Investments in Associates and Joint Ventures.

SEPARATE FINANCIAL STATEMENTS

- ▶ Separate financial statements can, but are not required to be presented in addition to consolidated financial statements or, where an entity does not have subsidiaries, individual financial statements in which investments in associates and joint ventures are accounted for using the equity method.
- ▶ Investments are accounted for: (i) At cost; (ii) in accordance with IFRS 9 Financial Instruments; or (iii) using the equity method in accordance with IAS 28
- ▶ An entity that is exempt in accordance with IFRS 10.4(a) from consolidation or IAS 28.17 from applying the equity method may present separate financial statements as its only financial statements.

PREPARATION OF SEPARATE FINANCIAL STATEMENTS

Investment in subsidiaries, joint ventures, and associates

Accounted for either:

- ▶ At cost,
- ▶ At fair value in accordance with IFRS 9, or
- ▶ Using the equity method (see IAS 28).

The entity is required to apply the same accounting for each category of investments.

Investments in subsidiaries, joint ventures, and associates classified as held for sale

When investments are classified as held for sale or for distribution to owners (or included in a disposal group that is classified as held for sale or for distribution to owners), they are accounted for:

- ▶ In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, if previously accounted for at cost
- ▶ In accordance with IFRS 9, if previously accounted for in accordance with IFRS 9.

Investments in associates or joint ventures at fair value

Investments in associates or joint ventures that are measured at fair value in accordance with IFRS 9 are required to be measured in the same way in the separate and consolidated financial statements (i.e. at fair value).

Dividends received

Dividends received from subsidiaries, joint ventures, and associates are recognised when the right to receive the dividend is established and accounted for as follows:

- ▶ in profit or loss, if the investment is accounted for at cost or at fair value;
- ▶ as a reduction from the carrying amount of the investment, if the investment is accounted for using the equity method.



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DISCLOSURE

An entity is required to apply all applicable IFRSs when providing disclosures in its separate financial statements.

When a parent qualifies and elects not to prepare consolidated financial statements (IFRS 10 paragraph 4(a)) and instead prepares separate financial statements, it is required to disclose:

- ▶ That the financial statements are separate financial statements
- ▶ That the paragraph 4(a) exemption has been used
- ▶ The name, principal place of business, address, and country of incorporation, of the entity whose IFRS compliant consolidated financial statements are publicly available
- ▶ A list of significant investments in subsidiaries, joint ventures and associates, including:
 - The name of those investees
 - The investees principal place of business and country of incorporation
 - The proportion of the ownership interest and its proportion of the voting rights held in those investees.
- ▶ A description of the method used to account for the investments listed under the previous bullet point.

When a parent (other than a parent using the consolidation exemption) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, it is required to disclose:

- ▶ That the financial statements are separate financial statements
- ▶ The reasons why the separate financial statements are prepared if not required by law
- ▶ A list of significant investments in subsidiaries, joint ventures and associates, including:
 - The name of those investees
 - The investees principal place of business and country of incorporation
 - The proportion of the ownership interest and the proportion of voting rights held in those investees.
- ▶ A description of the method used to account for the investments listed
- ▶ The financial statements prepared in accordance with IFRS 10, IFRS 11, or IAS 28 to which they relate.












Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.



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