International Accounting Standard 27

Consolidated and Separate Financial Statements

This version was issued in January 2008 and includes subsequent amendments resulting from IFRSs issued up to 31 December 2008. Its effective date is 1 July 2009.

IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* was issued by the International Accounting Standards Committee in April 1989. It replaced IAS 3 *Consolidated Financial Statements* (issued in June 1976) except in so far as IAS 3 dealt with accounting for investments in associates. IAS 27 was reformatted in 1994, and limited amendments were made by IAS 39 in 1998 and 2000.

In April 2001 the International Accounting Standards Board (IASB) resolved that all Standards and Interpretations issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

The Standing Interpretations Committee developed two Interpretations relating to IAS 27:

- SIC-12 *Consolidation—Special Purpose Entities* (issued December 1998)
- SIC-33 *Consolidation and Equity Method—Potential Voting Rights and Allocation of Ownership Interests* (issued December 2001).

In December 2003 the IASB issued a revised IAS 27 with a new title—*Consolidated and Separate Financial Statements*. The revised standard also amended SIC-12 and replaced SIC-33.

IAS 27 was subsequently amended by the following IFRSs:

- IFRS 3 *Business Combinations* (issued March 2004)
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (issued March 2004)
- IFRS 8 *Operating Segments* (issued November 2006)*
- IAS 1 *Presentation of Financial Statements* (as revised in September 2007).*

In January 2008 the IASB issued an amended IAS 27.

Since then, IAS 27 and its accompanying documents have been amended by the following IFRSs:

- *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27) (issued May 2008)*
- *Improvements to IFRSs* (issued May 2008).*

* effective date 1 January 2009

As well as SIC-12 the following Interpretations refer to IAS 27:

- IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (issued December 2004)
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (issued November 2008).*

* effective date 1 July 2009

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International Accounting Standard 27 *Consolidated and Separate Financial Statements* (IAS 27) is set out in paragraphs 1–46 and the Appendix. All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. IAS 27 should be read in the context of the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance .

This amended Standard was issued in January 2008. The text of the amended Standard, marked to show changes from the previous version, is available from the IASB's Subscriber Website at www.iasb.org for a limited period.

Introduction

Reasons for issuing the Standard

IN1 The International Accounting Standards Board revised IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) in 2003 as part of its project on Improvements to International Accounting Standards. The Board's main objective was to reduce alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. The Board did not reconsider the fundamental approach to consolidation of subsidiaries contained in IAS 27.

IN2 In 2008 the Standard was amended as part of the second phase of the business combinations project. That phase of the project was undertaken jointly with the US Financial Accounting Standards Board (FASB). The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. The boards concluded the second phase of the project by the IASB issuing the amended IAS 27 and the FASB issuing FASB Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements*, along with, respectively, a revised IFRS 3 *Business Combinations* and FASB Statement No. 141 (revised 2007) *Business Combinations*.

IN3 The amended Standard must be applied for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised in 2008).

Main features of the Standard

Objective

IN4 The objective of IAS 27 is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The Standard specifies:

(a) the circumstances in which an entity must consolidate the financial statements of another entity (being a subsidiary);

(b) the accounting for changes in the level of ownership interest in a subsidiary;

(c) the accounting for the loss of control of a subsidiary; and

(d) the information that an entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

Presentation of consolidated financial statements

IN5 A parent must consolidate its investments in subsidiaries. There is a limited exception available to some non-public entities. However, that exception does not relieve venture capital organisations, mutual funds, unit trusts and similar entities from consolidating their subsidiaries.

Consolidation procedures

IN6 A group must use uniform accounting policies for reporting like transactions and other events in similar circumstances. The consequences of transactions, and balances, between entities within the group must be eliminated.

Non-controlling interests

IN7 Non-controlling interests must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the ownership interests

IN8 Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

IN9 When an entity loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

Separate financial statements

IN10 When an entity elects, or is required by local regulations, to present separate financial statements, investments in subsidiaries, jointly controlled entities and associates must be accounted for at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Disclosure

IN11 An entity must disclose information about the nature of the relationship between the parent entity and its subsidiaries.

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Consolidated and Separate Financial Statements

Scope

1 **This Standard shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent.**

2 This Standard does not deal with methods of accounting for business combinations and their effects on consolidation, including goodwill arising on a business combination (see IFRS 3 *Business Combinations*).

3 **This Standard shall also be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate financial statements.**

Definitions

4 **The following terms are used in this Standard with the meanings specified:**

Consolidated financial statements **are the financial statements of a group presented as those of a single economic entity.**

Control **is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.**

A *group* **is a parent and all its subsidiaries.**

Non-controlling interest **is the equity in a subsidiary not attributable, directly or indirectly, to a parent.**

A *parent* **is an entity that has one or more subsidiaries.**

Separate financial statements **are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

A *subsidiary* **is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).**

5 A parent or its subsidiary may be an investor in an associate or a venturer in a jointly controlled entity. In such cases, consolidated financial statements prepared and presented in accordance with this Standard are also prepared so as to comply with IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

6 For an entity described in paragraph 5, separate financial statements are those prepared and presented in addition to the financial statements referred to in paragraph 5. Separate financial statements need not be appended to, or accompany, those statements.

