2011

Technical Summary

# IAS 27

# *Consolidated and Separate Financial Statements*

as issued at 1 January 2011. Includes IFRSs with an effective date after 1 January 2011 but not the IFRSs they will replace.

*This extract has been prepared by IASC Foundation staff and has not been approved by the IASB. For the requirements reference must be made to International Financial Reporting Standards.*

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.

*Consolidated financial statements* are the financial statements of a group presented as those of a single economic entity. A *group* is a parent and all its subsidiaries. A *subsidiary* is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent). *Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

## Presentation of consolidated financial statements

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

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.

In preparing consolidated financial statements, an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated (see IFRS 3, which describes the treatment of any resultant goodwill);

(b) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and

(c) non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests in the net assets consist of:

   (i) the amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and

   (ii) the non-controlling interests' share of changes in equity since the date of the combination.

## Non-controlling interests

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

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

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

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 IFRS 9 *Financial Instruments*.

## Disclosure

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