

Exposure Draft

Indian Accounting Standard (Ind AS) 27 (as amended)

Separate Financial Statements

(Last date for Comments: October 15, 2011)



Issued by
Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

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Separate Financial Statements

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Exposure Draft

Indian Accounting Standard (Ind AS) 27

Separate Financial Statements

Following is the Exposure Draft of the Indian Accounting Standard (Ind AS) 27 (as amended), issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

*Comments should be submitted in writing to the Secretary, Accounting Standards Board. The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than **October 15, 2011**. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.*

*(This Exposure Draft of the Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the Indian Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards¹)*

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.

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 law, to present separate financial statements.

¹ Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

3 This Standard does not mandate which entities produce separate financial statements. It applies when an entity prepares separate financial statements that comply with Indian 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 (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 or in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*.

5 The following terms are defined in Appendix A of Ind AS 110 *Consolidated Financial Statements*, Appendix A of Ind AS 111 *Joint Arrangements* and paragraph 3 of Ind AS 28 *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, Separate financial statements need not be appended to, or accompany, those statements unless required by law.

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 [Refer to Appendix 1]

Preparation of separate financial statements

9 Separate financial statements shall be prepared in accordance with all applicable Ind AS, 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 Ind AS 39.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with Ind AS 105 *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 Ind AS 39 is not changed in such circumstances.

11 If an entity elects, in accordance with paragraph 18 of Ind AS 28 (as amended), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with Ind AS 39, 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 Ind ASs when providing disclosures in its separate financial statements, including the requirements in paragraph 17.

16 (Refer to Appendix 1)

17 When a parent 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 Ind AS 110, Ind AS 111 or Ind AS 28 (as amended) 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
(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 Ind AS 110, Ind AS 111 or Ind AS 28 (as amended) to which they relate.

Effective date and transition

18-19 (Refer to Appendix 1).

Withdrawal of Ind AS 27

20 This Standard is issued concurrently with Ind AS 110. Together, the two Ind ASs supersede Ind AS 27 *Consolidated and Separate Financial Statements*

Appendix A

Note: This appendix is provided to bring out the major differences between Exposure Draft of Ind AS 27 (as amended) Separate Financial Statements and Ind AS 27 with a view to facilitate commentators in sending their comments on the Exposure Draft of Ind AS 27.

Major differences between the Exposure Draft of Ind AS 27 (as amended), Separate Financial Statements and Ind AS 27, Consolidated Financial statements

1. Ind AS 27 (as amended) contains the accounting and disclosure requirements relating only to separate financial statements, whereas Ind AS 27 dealt with consolidated financial statements also.
2. In Ind AS 27 (as amended), it is clarified that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent that prepares consolidated financial statements that comply with Ind ASs. Ind AS 27 requires the disclosure of the country of incorporation or residence of such entities.

Appendix 1

Comparison with IAS 27 (as amended in 2011), *Separate Financial Statements*

Note: This appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Indian Accounting Standard (Ind AS) 27 (as amended) and the corresponding International Accounting Standard (IAS) 27, Separate Financial Statements (amended in May 2011) issued by the International Accounting Standards Board:

Comparison with IAS 27 Separate Financial Statements

1. Paragraphs 8 and 16 have been deleted and paragraphs 6 and 17 have been modified as the applicability or exemptions to the Indian Accounting Standards is governed by the Companies Act and the Rules made thereunder. However, paragraphs number 8 and 16 have been retained in Ind AS 27 to maintain consistency with paragraph numbers of IAS 27
2. Paragraphs 18 and 19 appear as deleted as they are not relevant in the Indian context. However, paragraphs number 18 and 19 have been retained in Ind AS 27 to maintain consistency with paragraph numbers of IAS 27