PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 34 SEPARATE FINANCIAL STATEMENTS (PBE IPSAS 34)

Issued January 2017 and incorporates amendments to 31 January 2021

This Standard was issued on 12 January 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 February 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective dates in paragraphs 32.1 to 32.4.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This New Zealand Tier 1 and Tier 2 Public Benefit Entity Accounting Standard has been issued as a result of a new International Public Sector Accounting Standard.

This Standard is issued concurrently with PBE IPSAS 35 *Consolidated Financial Statements*. When applied, the two Standards supersede PBE IPSAS 6 (PS) *Consolidated and Separate Financial Statements* and PBE IPSAS 6 (NFP) *Consolidated and Separate Financial Statements*.

PBE IPSAS 34 SEPARATE FINANCIAL STATEMENTS

COPYRIGHT

© External Reporting Board (XRB) 2017

This XRB standard contains copyright material and reproduces, with the permission of the International Federation of Accountants (IFAC), parts of the corresponding international standard issued by the International Public Sector Accounting Standards Board (IPSASB), and published by IFAC. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

All existing rights (including copyrights) in this material outside of New Zealand are reserved by IFAC, with the exception of the right to reproduce for the purposes of personal use or other fair dealing. Further information can be obtained from IFAC at www.ifac.org or by writing to permissions@ifac.org

ISBN 978-0-947505-11-0

PBE IPSAS 34 SEPARATE FINANCIAL STATEMENTS

CONTENTS

Public Benefit Entity International Public Sector Accounting Standard 34 *Separate Financial Statements* is set out in paragraphs 1–34.1 and Appendix A. All the paragraphs have equal authority. PBE IPSAS 34 should be read in the context of its objective, the NZASB's Basis for Conclusions on PBE IPSAS 34, the IPSASB's Basis for Conclusions on IPSAS 34, the *Public Benefit Entities' Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

Scope

1.1 **This Standard applies to Tier 1 and Tier 2 public benefit entities.**

1.2 **A Tier 2 entity is not required to comply with the requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession**.

2. **An entity that prepares and presents financial statements shall apply this Standard in accounting for investments in controlled entities, joint ventures and associates when it elects, or is required by regulations, to present separate financial statements.**

3. This Standard does not mandate which entities produce separate financial statements. It applies when an entity prepares separate financial statements that comply with PBE Standards.

4. [Not used]

5. [Not used]

Definitions

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

<u>**Consolidated financial statements**</u> **are the financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.**

<u>**Separate financial statements**</u> **are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with PBE IPSAS 41 *Financial Instruments* or using the equity method as described in PBE IPSAS 36 *Investments in Associates and Joint Ventures*.**

Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately. The following terms are defined in PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures* or PBE IPSAS 37 *Joint Arrangements*: associate, control, controlled entity, controlling entity, economic entity, equity method, investment entity, joint control, joint operation, joint venture, joint venturer and significant influence.

7. Separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have controlled entities but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by PBE IPSAS 36 to be accounted for using the equity method, other than in the circumstances set out in paragraphs 9–10.

8. The financial statements of an entity that does not have a controlled entity, associate or joint venturer's interest in a joint venture are not separate financial statements.

9. An entity that is exempted in accordance with paragraph 5 of PBE IPSAS 35, from consolidation or paragraph 23 of PBE IPSAS 36, from applying the equity method may present separate financial statements as its only financial statements.

10. An investment entity that is required, throughout the current period and all comparative periods presented, to measure its investment in all its controlled entities at fair value through surplus or deficit in accordance with paragraph 56 of PBE IPSAS 35, presents separate financial statements as its only financial statements.

Preparation of Separate Financial Statements

11. **Separate financial statements shall be prepared in accordance with all applicable PBE Standards, except as provided in paragraph 12.**

12. **When an entity prepares separate financial statements, it shall account for similar investments in controlled entities, joint ventures and associates either:**

    (a) **At cost;**

    (b) **In accordance with PBE IPSAS 41; or**

    (c) **Using the equity method as described in PBE IPSAS 36.**

    The entity shall apply the same accounting for each category of investments. Investments accounted for at cost or using the equity method shall be accounted for in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution). The measurement of investments accounted for in accordance with PBE IPSAS 41 is not changed in such circumstances.

13. **If an entity elects, in accordance with paragraph 24 of PBE IPSAS 36, to measure its investments in associates or joint ventures at fair value through surplus or deficit in accordance with PBE IPSAS 41, it shall also account for those investments in the same way in its separate financial statements.**

14. **If a controlling entity is required to measure its investment in a controlled entity at fair value through surplus or deficit in accordance with PBE IPSAS 41, it shall also account for that investment in the same way in its separate financial statements. A controlling entity that is not itself an investment entity shall measure its investments in a controlled investment entity in accordance with paragraph 12 in its separate financial statements.**

15. **When a controlling entity ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred, as follows:**

    (a) **When an entity ceases to be an investment entity, the entity shall account for an investment in a controlled entity in accordance with paragraph 12. The date of the change of status shall be the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date shall represent the transferred deemed consideration when accounting for the investment in accordance with paragraph 12.**

    (b) **When an entity becomes an investment entity, it shall account for an investment in a controlled entity at fair value through surplus or deficit in accordance with PBE IPSAS 41. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised in other comprehensive revenue and expense in respect of those controlled entities shall be treated as if the investment entity had disposed of those controlled entities at the date of change in status.**

16. **Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of an entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.**

17. **When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:**

    (a) **The new controlling entity obtains control of the original controlling entity either (i) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (ii) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;**

    (b) **The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and**

    (c) **The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;**

and the new controlling entity accounts for its investment in the original controlling entity in accordance with paragraph 12(a) in its separate financial statements, the new controlling entity shall measure cost at the carrying amount of its share of the net assets/equity items shown in the separate financial statements of the original controlling entity at the date of the reorganisation.

18. Similarly, an entity that is not a controlling entity might establish a new entity as its controlling entity in a manner that satisfies the criteria in paragraph 17. The requirements in paragraph 17 apply equally to such reorganisations. In such cases, references to "original controlling entity" and "original economic entity" are to the "original entity".

Disclosure

19. **An entity shall apply all applicable PBE Standards when providing disclosures in its separate financial statements, including the requirements in paragraphs 20–23.**

20. **When a controlling entity, in accordance with paragraph 5 of PBE IPSAS 35, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements:**

    (a) **The fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name of the entity whose consolidated financial statements that comply with PBE Standards have been produced for public use; and the address where those consolidated financial statements are obtainable.**

    *(b) **A list of significant investments in controlled entities, joint ventures and associates, including:**

    (i) **The name of those controlled entities, joint ventures and associates.**

    (ii) **The jurisdiction in which those controlled entities, joint ventures and associates operate (if it is different from that of the controlling entity).**

    (iii) **Its proportion of the ownership interest held in those entities and a description of how that ownership interest has been determined.**

    *(c) **A description of the method used to account for the controlled entities, joint ventures and associates listed under (b).**

RDR 20.1 **A Tier 2 controlling entity that elects not to prepare consolidated financial statements and instead prepares separate financial statements shall disclose the methods used to account for its investments in controlled entities, joint ventures and associates when the investment is significant.**

21. **When an investment entity that is a controlling entity (other than a controlling entity covered by paragraph 20) prepares, in accordance with paragraph 10, separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by PBE IPSAS 38 *Disclosure of Interests in Other Entities*.**

22. **If a controlling entity that is not itself an investment entity is required to apply the requirements of paragraph 58 of PBE IPSAS 35, it shall disclose its accounting policy choice for measuring its investment in the investment entity in its separate financial statements, and present the disclosures relating to investment entities required by PBE IPSAS 38.**

23. **When a controlling entity (other than a controlling entity covered by paragraphs 20–21), or an investor with joint control of or significant influence over an investee, prepares separate financial statements, the controlling entity or investor shall identify the financial statements prepared in accordance with PBE IPSAS 35, PBE IPSAS 36 or PBE IPSAS 37, to which they relate. The controlling entity or investor shall also disclose in its separate financial statements:**

    (a) **The fact that the statements are separate financial statements and the reasons why those statements are prepared, if not required by legislation or other authority.**

    *(b) **A list of significant controlled entities, joint ventures and associates, including:**

    (i) **The name of those controlled entities, joint ventures and associates.**

    (ii) **The jurisdiction in which those controlled entities, joint ventures and associates operate (if different from that of the controlling entity).**

(iii) **Its proportion of the ownership interest held in those entities and a description of how that ownership interest has been determined.**

*(c) **A description of the method used to account for the controlled entities, joint ventures and associates listed under (b).**

RDR 23.1 **A Tier 2 controlling entity or a Tier 2 investor with joint control of, or significant influence over, an investee, that prepares separate financial statements shall disclose the methods used to account for the investment when the investment is significant.**

RDR 23.2 **A Tier 2 entity is not required to disclose, in accordance with paragraph 23(a), the reasons why separate financial statements are prepared if those statements are not required by legislation or other authority.**

Transitional Provisions

24. **At the date of initial application, an investment entity that previously measured its investment in a controlled entity at cost shall instead measure that investment at fair value through surplus or deficit as if the requirements of this Standard had always been effective. The investment entity shall adjust retrospectively the annual period immediately preceding the date of initial application and shall adjust accumulated comprehensive revenue and expense at the beginning of the immediately preceding period for any difference between:**

(a) **The previous carrying amount of the investment; and**

(b) **The fair value of the investor's investment in the controlled entity.**

25. **At the date of initial application, an investment entity that previously measured its investment in a controlled entity at fair value through other comprehensive revenue and expense shall continue to measure that investment at fair value. The cumulative amount of any fair value adjustment previously recognised in other comprehensive revenue and expense shall be transferred to accumulated comprehensive revenue and expense at the beginning of the annual period immediately preceding the date of initial application.**

26. **At the date of initial application, an investment entity shall not make adjustments to the previous accounting for an interest in a controlled entity that it had previously elected to measure at fair value through surplus or deficit in accordance with PBE IPSAS 41, as permitted in paragraph 12.**

27. **An investment entity shall use the fair value amounts previously reported to investors or to management.**

28. **If measuring the investment in the controlled entity in accordance with paragraphs 24–27 is impracticable (as defined in PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*), an investment entity shall apply the requirements of this Standard at the beginning of the earliest period for which application of paragraphs 24–27 is practicable, which may be the current period. The investor shall adjust retrospectively the annual period immediately preceding the date of initial application, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of the controlled entity is earlier than the beginning of the immediately preceding period, the investor shall adjust net assets/equity at the beginning of the immediately preceding period for any difference between:**

(a) **The previous carrying amount of the investment; and**

(b) **The fair value of the investor's investment in the controlled entity.**

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to net assets/equity shall be recognised at the beginning of the current period.

29. If an investment entity has disposed of, or lost control of, an investment in a controlled entity before the date of initial application of this Standard, the investment entity is not required to make adjustments to the previous accounting for that investment.

30. **At the date of initial application, a controlling entity that is not itself an investment entity but which is required, in accordance with paragraph 58 of PBE IPSAS 35, to measure its investment in a controlled investment entity at fair value through surplus or deficit in accordance with**

PBE IPSAS 41, shall use the transitional provisions in paragraphs 24–29 in accounting for its investment in the controlled investment entity in its separate financial statements.

31. The transitional provisions for changes in the accounting, in an entity's separate financial statements, for its interest in a joint operation are set out in PBE IPSAS 37 *Joint Arrangements.*

Effective Date

32. [Not used]

32.1 **A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If a public benefit entity applies this Standard for a period beginning before 1 January 2019, it shall disclose that fact and apply PBE IPSAS 35, PBE IPSAS 36, PBE IPSAS 37 and PBE IPSAS 38 at the same time.**

32.2 **PBE IFRS 9 *Financial Instruments*, issued in January 2017, amended paragraphs 12, 13, 14, 15, 22, 26 and 30. An entity shall apply those amendments when it applies PBE IFRS 9.**[1]

32.3 ***2018 Omnibus Amendments to PBE Standards*, issued in November 2018, amended paragraphs 22 and 30. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments for a period beginning before 1 January 2019 it shall disclose that fact.**

32.4 **PBE IPSAS 41, issued in March 2019, amended paragraphs 12–15, 26, 30 and 32.2. An entity shall apply those amendments when it applies PBE IPSAS 41.**

33. [Not used]

Withdrawal and Replacement of PBE IPSAS 6 (PS) (September 2014) and PBE IPSAS 6 (NFP) (September 2014)

34. [Not used]

34.1 This Standard is issued concurrently with PBE IPSAS 35. Together, the two Standards supersede PBE IPSAS 6 (PS) *Consolidated and Separate Financial Statements* (September 2014) and PBE IPSAS 6 (NFP) *Consolidated and Separate Financial Statements* (September 2014). PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP) remain applicable until PBE IPSAS 34 and PBE IPSAS 35 are applied or become effective, whichever is earlier.

[1] PBE IFRS 9 was subsequently withdrawn by PBE IPSAS 41. The amendments in Appendix D of PBE IFRS 9 were not compiled.

Appendix A

Amendments to Other Standards

The amendments contained in this appendix when this Standard was issued in 2017 have been incorporated into the text of the relevant pronouncements.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 34.

BC1. The New Zealand Accounting Standards Board (NZASB) has modified IPSAS 34 *Separate Financial Statements* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considers that the requirements of IPSAS 34 are generally appropriate for application by public benefit entities. The NZASB noted that the requirements of IPSAS 34 are substantially the same as the previous requirements for separate financial statements in IPSAS 6, PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP).

BC2. In the interests of coherence within PBE Standards, the NZASB has modified IPSAS 34 to incorporate guidance that relates to other PBE Standards for which there is no equivalent IPSAS.

Accounting for Investments in a Controlled Investment Entity

BC3. Following the issue of NZASB 2016-1 PBE IPSAS 34 *Separate Financial Statements* the NZASB noted that the proposed requirements in relation to a controlling entity with controlled investment entities that is not itself an investment entity needed to be corrected. Paragraphs 14 and 30 of the exposure draft referred to consolidation of certain assets and liabilities and revenue and expenses of a controlled investment entity. As a controlling entity does not consolidate items in its separate financial statements these paragraphs needed to be corrected.

BC4. The NZASB decided to permit a controlling entity that is not itself an investment entity to measure its investments in a controlled investment entity in accordance with paragraph 12 of PBE IPSAS 34 in its separate financial statements.

BC5. The NZASB noted that the disclosures required by paragraph 22 were, in most cases, likely to be provided in accordance with other standards and considered deleting that paragraph. To allow for the possibility that some entities might fall into this category and not be caught by other disclosure requirements, the NZASB retained paragraph 22.

2018 Omnibus Amendments to PBE Standards

BC6. In November 2018 the IPSASB issued *Improvements to IPSAS, 2018* to correct some of the requirements in IPSAS 34 *Separate Financial Statements* in relation to a controlling entity with controlled investment entities which is not itself an investment entity. The NZASB had already addressed some of these issues when it first issued PBE IPSAS 34 (see paragraph BC3 above). In 2018 the NZASB aligned the requirements in PBE IPSAS 34 with the corrected requirements in IPSAS 34.

Comparison with IPSAS 34

PBE IPSAS 34 *Separate Financial Statements* is drawn from IPSAS 34 *Separate Financial Statements.*

The significant difference between PBE IPSAS 34 and IPSAS 34 is the requirement in PBE IPSAS 34 for investments in joint ventures and associates that are classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or for distribution) to be accounted for in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* where those investments are accounted for at cost or using the equity method in the separate financial statements.

History of Amendments

PBE IPSAS 34 *Separate Financial Statements* was issued in January 2017.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 34. The table is based on amendments issued as at 31 January 2021.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual financial statements … on or after …)**
PBE IPSAS 34 *Separate Financial Statements*	Jan 2017	Early application is permitted	1 Jan 2019
PBE IFRS 9 *Financial Instruments*	Jan 2017	Early application is permitted	1 Jan 2022[2]
2018 Omnibus Amendments to PBE Standards	Nov 2018	Early application is permitted	1 Jan 2019
PBE IPSAS 41 *Financial Instruments*	Mar 2019	Early application is permitted	1 Jan 2022

Table of Amended Paragraphs in PBE IPSAS 34		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 6	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 12	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 13	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 14	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 15	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 22	Amended	*2018 Omnibus Amendments to PBE Standards* [Nov 2018]
Paragraph 26	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 30	Amended	*2018 Omnibus Amendments to PBE Standards* [Nov 2018]
Paragraph 30	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 32.2	Added	PBE IFRS 9 [Jan 2017]
Paragraph 32.2	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 32.3	Added	*2018 Omnibus Amendments to PBE Standards* [Nov 2018]
Paragraph 32.4	Added	PBE IPSAS 41 [Mar 2019]

2 PBE IFRS 9 was subsequently withdrawn by PBE IPSAS 41. The amendments in Appendix D of PBE IFRS 9 were not compiled. *Effective Date of PBE IFRS 9*, issued in March 2019, deferred the effective date of PBE IFRS 9 from 1 January 2021 to 1 January 2022.