



NZ ACCOUNTING
STANDARDS
BOARD

New Zealand Equivalent to International Accounting Standard 27 Separate Financial Statements (NZ IAS 27)

Issued June 2011 and incorporates amendments up to and including 30 November 2012

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STANDARD 27
SEPARATE FINANCIAL STATEMENTS (NZ IAS 27)**

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New Zealand Equivalent to International Accounting Standard 27 *Separate Financial Statements* (NZ IAS 27) is set out in paragraphs 1–20 and the Appendix. NZ IAS 27 is based on International Accounting Standard 27 *Separate Financial Statements* (IAS 27) as amended by the International Accounting Standards Board (IASB) in 2011. All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 27 should be read in the context of its objective, the IASB’s Basis for Conclusions on IAS 27 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (NZ Framework). NZ 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.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

Introduction

- IN1 NZ IAS 27 *Separate Financial Statements* (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with NZ IFRS 9 *Financial Instruments*.
- IN2 The Standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Compliance with IAS 27 (as amended in 2011)

- IN3 Tier 1 for-profit entities that comply with NZ IAS 27 will simultaneously be in compliance with IAS 27 (as amended in 2011).

Reduced Disclosure Regime

- IN4 NZ IAS 27 includes RDR disclosure concessions and associated RDR paragraphs for entities that qualify for and elect to apply Tier 2 for-profit accounting standards in accordance with XRB A1 *Accounting Standards Framework*. Entities that elect to report in accordance with Tier 2 accounting standards are not required to comply with paragraphs in this Standard denoted with an asterisk (*). However, an entity is required to comply with any RDR paragraph associated with a disclosure concession that is adopted.

New Zealand Equivalent to International Accounting Standard 27

Separate Financial Statements (NZ IAS 27)

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

NZ 1.1 This Standard applies only to Tier 1 and Tier 2 for-profit entities.

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

2 This Standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local 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 International Financial Reporting 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 (ie 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 NZ IFRS 9 *Financial Instruments*.

5 The following terms are defined in Appendix A of NZ IFRS 10 *Consolidated Financial Statements*, Appendix A of NZ IFRS 11 *Joint Arrangements* and paragraph 3 of NZ IAS 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, other than in the circumstances set out in paragraph 8. Separate financial statements need not be appended to, or accompany, those statements.

- 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 An entity that is exempted in accordance with paragraph 4(a) of NZ IFRS 10 from consolidation or paragraph 7 of NZ IAS 28 (as amended in 2011) from applying the equity method may present separate financial statements as its only financial statements.

Preparation of separate financial statements

- 9 **Separate financial statements shall be prepared in accordance with all applicable NZ IFRSs, 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 NZ IFRS 9.**
- The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with NZ IFRS 5 *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 NZ IFRS 9 is not changed in such circumstances.**
- 11 If an entity elects, in accordance with paragraph 18 of NZ IAS 28 (as amended in 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with NZ IFRS 9, 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 IFRSs when providing disclosures in its separate financial statements, including the requirements in paragraphs 16 and 17.**
- *16 **When a parent, in accordance with paragraph 4(a) of NZ IFRS 10, 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 and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements that comply with New Zealand equivalents to International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable.**

- (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).
- 17 When a parent (other than a parent covered by paragraph 16) 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 NZ IFRS 10, NZ IFRS 11 or NZ IAS 28 (as amended in 2011) 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 and the reasons why those statements are prepared if not required by law.
 - * (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).
- RDR 17.1 A Tier 2 parent 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 17.2 A Tier 2 entity is not required to disclose, in accordance with paragraph 17(a), the reasons why separate financial statements are prepared if those statements are not required by law.

Effective date and transition

- 18 An entity shall apply this Standard for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply NZ IFRS 10, NZ IFRS 11, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IAS 28 (as amended in 2011) at the same time.
- NZ 18.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting paragraphs, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions when it applies this Standard.

References to NZ IFRS 9

- 19 If an entity applies this Standard but does not yet apply NZ IFRS 9, any reference to NZ IFRS 9 shall be read as a reference to NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

Withdrawal of NZ IAS 27 (2008)

- 20 This Standard is issued concurrently with NZ IFRS 10. Together, the two NZ IFRSs supersede NZ IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008).

Appendix Amendments to other pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2013. If an entity applies NZ IAS 27 (as amended in 2011) for an earlier period, these amendments shall be applied for that earlier period.

The amendments contained in this appendix when this NZ IFRS was issued in 2011 have been incorporated into the relevant pronouncements.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IAS 27 *Separate Financial Statements*

This table lists the pronouncements establishing and substantially amending NZ IAS 27 (as amended in 2011). The table is based on amendments approved as at 30 November 2012.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 27 <i>Separate Financial Statements</i> (as amended in 2011)	June 2011	Early application permitted	1 Jan 2013
<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> ¹	Nov 2012	Early application permitted	1 Jan 2013

Table of Amended Paragraphs in NZ IAS 27		
Paragraph affected	How affected	By ... [date]
Paragraph NZ 18.1	Inserted	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]

¹ This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.