

AASB 127 Consolidated and Separate Financial Statements vs. IFRS for SMEs Section 9 Consolidated and Separate Financial Statements

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

There are no significant differences in recognition and measurement requirements between the standards.

Disclosure proposals

It is proposed to exclude paragraphs 41(b), 41(e), 41(f), 42(b), 43(b) and Aus43.1 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 127 Consolidated and Separate Financial Statements	Text in IFRS for SMEs Section 9 Consolidated and Separate Financial Statements	Comment
Disclosure 41 The following disclosures shall be made in consolidated financial statements: (a) the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power; (b) the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control; (c) the end of the reporting period of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the parent's financial statements, and the reason for using a different date or period; (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances; (e) a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	Disclosures in consolidated financial statements 9.23 The following disclosures shall be made in consolidated financial statements: (a) the fact that the statements are consolidated financial statements. (b) the basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power. (c) any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements. (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.	Paragraphs 41(a), 41(c), and 41(d) and paragraphs 9.23(b), 9.23(c) and 9.23(d) of the <i>IFRS for SMEs</i> correspond. Paragraphs 41(a), 41(c), and 41(d) should be retained in the RDR. Paragraphs 41(b), 41(e) and 41(f) have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR. AASB 101 <i>Presentation of Financial Statements</i> paragraph 51(b) and paragraph 9.23(a) of the <i>IFRS for SMEs</i> correspond. There is no need to add paragraph 9.23(a) to the RDR.

Text in AASB 127 Consolidated and Separate Financial Statements	Text in IFRS for SMEs Section 9 Consolidated and Separate Financial Statements	Comment
on the equity attributable to owners of the parent; and (f) if control of a subsidiary is lost, the parent shall disclose the gain or loss, if any, recognised in accordance with paragraph 34, and: (i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the line item(s) in the statement of comprehensive income in which the gain or loss is recognised (if not presented separately in the statement of comprehensive income).		
42 When separate financial statements are prepared for a parent that, in accordance with paragraph 10, elects not to prepare consolidated financial statements, those separate financial statements shall disclose: (a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable;	Disclosures in separate financial statements 9.27 When a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity prepares separate financial statements, those separate financial statements shall disclose: (a) that the statements are separate financial statements, and (b) a description of the methods used to account for the investments in subsidiaries, jointly controlled entities and associates, and shall identify the consolidated financial statements or other primary financial statements to which they relate.	Paragraphs 42(a), 42(c), 43(a) and 43(c) correspond to paragraph 9.27 of the <i>IFRS for SMEs</i>. Paragraphs 42(a), 42(c), 43(a) and 43(c) should be retained in the RDR. Paragraphs 42(b), 43(b) and Aus43.1 have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.

Text in AASB 127 Consolidated and Separate Financial Statements	Text in IFRS for SMEs Section 9 Consolidated and Separate Financial Statements	Comment
(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and (c) a description of the method used to account for the investments listed under (b). 43 When a parent (other than a parent covered by paragraph 42), venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose: (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, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and (c) a description of the method used to account for the investments listed under (b); and shall identify the financial statements prepared in accordance with paragraph 9 of this Standard or AASB 128 and AASB 131 to which they relate. Aus43.1 In respect of not-for-profit public sector entities, where a group of entities is a reporting entity,		

Text in AASB 127 <i>Consolidated and Separate Financial Statements</i>	Text in <i>IFRS for SMEs</i> Section 9 <i>Consolidated and Separate Financial Statements</i>	Comment
but separate financial statements for the parent are not prepared, the notes to the consolidated financial statements shall disclose a list of significant subsidiaries, including: (a) the name; (b) country of incorporation or residence (where other than Australia); and (c) proportion of ownership interest and, if different, proportion of voting power held.		
	Disclosures in combined financial statements 9.30 The combined financial statements shall disclose the following: (a) the fact that the financial statements are combined financial statements. (b) the reason why combined financial statements are prepared. (c) the basis for determining which entities are included in the combined financial statements. (d) the basis of preparation of the combined financial statements. (e) the related party disclosures required by Section 33 <i>Related Party Disclosures</i>.	Paragraph 9.30 of <i>IFRS for SMEs</i> has no equivalent in full IFRSs as adopted in Australia and, consistent with paragraph IN4 of this Appendix, should not be added to the RDR.

3. AASB 127 *Consolidated and Separate Financial Statements*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 127 *Consolidated and Separate Financial Statements*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

41 The following disclosures shall be made in consolidated financial statements:

- (a) the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power;**
- (b) the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control;**
- (c) the end of the reporting period of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the parent's financial statements, and the reason for using a different date or period;**
- (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances;**
- (e) a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent; and**
- (f) if control of a subsidiary is lost, the parent shall disclose the gain or loss, if any, recognised in accordance with paragraph 34, and:**
 - (i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost; and**
 - (ii) the line item(s) in the statement of comprehensive income in which the gain or loss is recognised (if not presented separately in the statement of comprehensive income).**

42 When separate financial statements are prepared for a parent that, in accordance with paragraph 10, elects not to prepare consolidated financial statements, those separate financial statements shall disclose:

- (a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with 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, jointly controlled entities and associates, including the name, country of incorporation or residence,**

proportion of ownership interest and, if different, proportion of voting power held; and

- (c) a description of the method used to account for the investments listed under (b).

43 When a parent (other than a parent covered by paragraph 42), venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose:

- (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, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and

- (c) a description of the method used to account for the investments listed under (b);

and shall identify the financial statements prepared in accordance with paragraph 9 of this Standard or AASB 128 and AASB 131 to which they relate.

Aus43.1 In respect of not-for-profit public sector entities, where a group of entities is a reporting entity, but separate financial statements for the parent are not prepared, the notes to the consolidated financial statements shall disclose a list of significant subsidiaries, including:

- (a) the name;
- (b) country of incorporation or residence (where other than Australia); and
- (c) proportion of ownership interest and, if different, proportion of voting power held.