Compiled AASB Standard **AASB 127**

Separate Financial Statements

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2014. Early application is permitted. It incorporates relevant amendments made up to and including 14 August 2013.

Prepared on 30 June 2014 by the staff of the Australian Accounting Standards Board.

Australian Government

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Australian Accounting Standard AASB 127 *Separate Financial Statements* (as amended) is set out in paragraphs 1 – 19. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 127 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

COMPILATION DETAILS

Accounting Standard AASB 127 *Separate Financial Statements* as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2014. It takes into account amendments up to and including 14 August 2013 and was prepared on 30 June 2014 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 127 (August 2011) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	**Date made**	**Application date** ***(annual reporting periods … on or after …)***	**Application, saving or transitional provisions**
AASB 127	29 Aug 2011	*(beginning)* 1 Jan 2013	see (a) below
AASB 2012-7	10 Sep 2012	*(beginning)* 1 Jul 2013	see (b) below
AASB 2012-10	18 Dec 2012	*(beginning)* 1 Jan 2013	see (c) below
AASB 2013-5	14 Aug 2013	*(beginning)* 1 Jan 2014	see (d) below

(a) For-profit entities (but not not-for-profit entities) may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013, provided that certain related Standards are also applied to such periods. This early application provision was subsequently amended by AASB 2012-10.

(b) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* and the other Standards listed in paragraph 5 of this Standard (as relevant) are also applied to such periods.

(c) For-profit entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. Not-for-profit entities may elect to apply the amendments to AASB 127 in this Standard to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.

(d) For-profit entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2014. Not-for-profit entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014. If an entity elects to apply this Standard to such annual reporting periods, it shall also apply AASB 10 *Consolidated Financial Statements* and associated Standards to such periods.

Table of Amendments

Paragraph affected	How affected	By … [paragraph]
Aus1.2-Aus1.3	amended	AASB 2012-10 [54]
Aus1.6-Aus1.8 (and preceding heading)		AASB 2012-7 [11]
5-6	amended	AASB 2013-5 [23]
8A	added	AASB 2013-5 [24]
11A-11B	added	AASB 2013-5 [25]
16A	added	AASB 2013-5 [26]
17	amended amended	AASB 2012-10 [55] AASB 2013-5 [27]
RDR17.1	added	AASB 2012-7 [11]
18A-18I	added	AASB 2013-5 [28]

COMPARISON WITH IAS 27

AASB 127 *Separate Financial Statements* as amended incorporates IAS 27 *Separate Financial Statements* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 27) are identified with the prefix "Aus" or "RDR", followed by the number of the preceding IASB paragraph and decimal numbering.

For-profit entities that comply with AASB 127 as amended will simultaneously be in compliance with IAS 27 as amended.

Not-for-profit entities using the added "Aus" paragraphs in the Standard that specifically apply to not-for-profit entities may not be simultaneously complying with IAS 27.

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements will not be in compliance with IAS 27.

ACCOUNTING STANDARD AASB 127

The Australian Accounting Standards Board made Accounting Standard AASB 127 *Separate Financial Statements* under section 334 of the *Corporations Act 2001* on 29 August 2011.

This compiled version of AASB 127 applies to annual reporting periods beginning on or after 1 January 2014. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 14 August 2013 (see Compilation Details).

ACCOUNTING STANDARD AASB 127

SEPARATE FINANCIAL STATEMENTS

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.

Application

Aus1.1 This Standard applies to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;

(b) general purpose financial statements of each other reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements.

Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 January 2013, except that for not-for-profit entities it applies to annual reporting periods beginning on or after 1 January 2014.

[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Aus1.3 This Standard may be applied by:

(a) for-profit entities to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013; and

(b) not-for-profit entities to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.

If an entity applies this Standard to such an annual reporting period in accordance with paragraph (a) or (b), it shall disclose that fact and apply AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures* (August 2011) at the same time.

Aus1.4 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

Aus1.5 When applied or operative, this Standard, together with AASB 10, supersedes AASB 127 *Consolidated and Separate Financial Statements* (March 2008, as amended).

Reduced disclosure requirements

Aus1.6 The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:

(a) paragraphs 16, Aus16.1, 17(b) and 17(c);

(b) in paragraph 17, the text "(other than a parent covered by paragraph 16 or Aus16.1)"; and

(c) in paragraph 17(a), the text "and the reasons why those statements are prepared if not required by law".

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.

Aus1.7 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting

Standards – Reduced Disclosure Requirements are identified in this Standard by shading of the relevant text.

Aus1.8 The RDR paragraph in this Standard applies only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

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 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 Australian 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 (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 AASB 9 *Financial Instruments*.**

5 The following terms are defined in Appendix A of AASB 10 *Consolidated Financial Statements*, Appendix A of AASB 11 *Joint Arrangements* and paragraph 3 of AASB 128 *Investments in Associates and Joint Ventures*:

- associate
- control of an investee
- group

- investment entity
- 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 paragraphs 8–8A. 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 paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10 from consolidation or paragraphs 17 and Aus17.1 of AASB 128 (August 2011) from applying the equity method may present separate financial statements as its only financial statements.

8A An investment entity that is required, throughout the current reporting period and all comparative reporting periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with paragraph 31 of AASB 10 presents 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 Standards, 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 AASB 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 AASB 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 AASB 9 is not changed in such circumstances.

11 If an entity elects, in accordance with paragraph 18 of AASB 128 (August 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with AASB 9, it shall also account for those investments in the same way in its separate financial statements.

11A If a parent is required, in accordance with paragraph 31 of AASB 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with AASB 9, it shall also account for its investment in a subsidiary in the same way in its separate financial statements.

11B When a parent 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, in accordance with paragraph 10, either:

(i) account for an investment in a subsidiary at cost. The fair value of the subsidiary at the date of the change of status shall be used as the deemed cost at that date; or

(ii) continue to account for an investment in a subsidiary in accordance with AASB 9.

(b) when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with AASB 9. The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in profit or loss. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

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 Standards when providing disclosures in its separate financial statements, including the requirements in paragraphs 16–17.

16 When a parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 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 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).

Aus16.1 When a not-for-profit parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements the disclosures specified in paragraph 16, with the exception that the reference in paragraph 16(a) to 'International Financial Reporting Standards' is replaced by a reference to 'Australian Accounting Standards'.

16A When an investment entity that is a parent (other than a parent covered by paragraphs 16–Aus16.1) prepares, in accordance with paragraph 8A, 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 AASB 12.

17 When a parent (other than a parent covered by paragraphs 16–16A) 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 AASB 10, AASB 11 or AASB 128 (August 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).**

RDR17.1 **A parent or an investor with joint control of, or significant influence over, an investee, that prepares separate financial statements applying Australian Accounting Standards – Reduced Disclosure Requirements, shall disclose the methods used to account for the investment when the investment is significant.**

Effective date and transition

18 [Deleted by the AASB – see paragraphs Aus1.2 and Aus1.3]

18A AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities,* issued in August 2013, amended paragraphs 5, 6, and 17, and added paragraphs 8A, 11A–11B, 16A and 18B–18I. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2014. Early adoption is permitted. If an entity applies those amendments earlier, it shall disclose that fact and apply all amendments included in AASB 2013-5 at the same time.

18B If, at the date of initial application of AASB 2013-5 (which, for the purposes of this Standard, is the beginning of the annual reporting period for which those amendments are applied for the first time), a parent concludes that it is an investment entity, it shall apply paragraphs 18C–18I to its investment in a subsidiary.

18C At the date of initial application, an investment entity that previously measured its investment in a subsidiary at cost shall instead measure that investment at fair value through profit or loss as if the requirements of this Standard had always been effective. The investment entity shall adjust retrospectively the annual reporting period immediately preceding the date of initial application and shall adjust retained earnings 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 subsidiary.

18D At the date of initial application, an investment entity that previously measured its investment in a subsidiary at fair value through other comprehensive income shall continue to measure that investment at fair value. The cumulative amount of any fair value adjustment previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual reporting period immediately preceding the date of initial application.

18E At the date of initial application, an investment entity shall not make adjustments to the previous accounting for an interest in a subsidiary that it had previously elected to measure at fair value through profit or loss in accordance with AASB 9, as permitted in paragraph 10.

18F Before the date that AASB 13 *Fair Value Measurement* is adopted, an investment entity shall use the fair value amounts previously reported to investors or to management, if those amounts represent the amount for which the investment could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the date of the valuation.

18G If measuring the investment in the subsidiary in accordance with paragraphs 18C–18F is impracticable (as defined in AASB 108 *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 18C–18F is practicable, which may be the current period. The investor shall adjust retrospectively the annual reporting 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 subsidiary is earlier than the beginning of the immediately preceding period, the investor shall adjust 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 subsidiary.

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

18H If an investment entity has disposed of, or lost control of, an investment in a subsidiary before the date of initial application of AASB 2013-5, the investment entity is not required to make adjustments to the previous accounting for that investment.

18I Notwithstanding the references to the annual reporting period immediately preceding the date of initial application (the 'immediately preceding period') in paragraphs 18C–18G, an entity may also present adjusted comparative information for any earlier periods presented, but is not required to do so. If an entity does present adjusted comparative information for any earlier periods, all references to the 'immediately preceding period' in paragraphs 18C–18G shall be read as the 'earliest adjusted comparative period presented'. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been prepared on a different basis, and explain that basis.

References to AASB 9

19 If an entity applies this Standard but does not yet apply AASB 9, any reference to AASB 9 shall be read as a reference to AASB 139 *Financial Instruments: Recognition and Measurement*.

Withdrawal of IAS 27 (2008)

20 [Deleted by the AASB – see paragraph Aus1.5]

DELETED IAS 27 TEXT

Deleted IAS 27 text is not part of AASB 127.

Paragraph 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 IFRS 10, IFRS 11, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 (as amended in 2011) at the same time.

Paragraph 20

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