

INDIAN ACCOUNTING STANDARD 27

***SEPARATE FINANCIAL STATEMENTS***

CONTENTS

	<i>from paragraph</i>
OBJECTIVE	1
SCOPE	2
DEFINITIONS	4
PREPARATION OF SEPARATE FINANCIAL STATEMENTS	9
DISCLOSURE	15
APPENDICES	
Appendix 1- Comparison with IAS 27, Separate Financial Statements	

## Indian Accounting Standard (Ind AS) 27

# Separate Financial Statements<sup>#</sup>

(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)

## Objective

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- 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

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- 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.**
- 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

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- 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 109, *Financial Instruments*.

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<sup>#</sup> This Ind AS was notified vide G.S.R. 111(E) dated 16<sup>th</sup> February, 2015 and was amended vide Notification No. G.S.R. 419(E) dated 18<sup>th</sup> June, 2021.

*Ind AS 27, Separate Financial Statements*

- 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
  - 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. These may be termed as 'consolidated 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 Ind AS 110 from consolidation or paragraph 17 of Ind AS 28 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 period and all comparative periods presented, to apply the exception to consolidation for all of its subsidiaries in accordance with paragraph 31 of Ind AS 110 presents separate financial statements as its only financial statements.

## **Preparation of separate financial statements**

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**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 109.

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 109 is not changed in such circumstances.

**11** If an entity elects, in accordance with paragraph 18 of Ind AS 28, to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with Ind AS 109, 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 Ind AS 110, to measure its investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109, 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

*Ind AS 27, Separate Financial Statements*

- (ii) continue to account for an investment in a subsidiary in accordance with Ind AS 109.
- (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 Ind AS 109. 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

*Ind AS 27, Separate Financial Statements*

such cases, references to 'original parent' and 'original group' are to the 'original entity'.

## **Disclosure**

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- 15** **<sup>1</sup>An entity shall apply all applicable Ind ASs when providing disclosures in its separate financial statements, including the requirements in paragraphs 16-17.**
- 16** **When a parent, in accordance with paragraph 4(a) of Ind AS 110, 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 Ind ASs 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).**
- 16A** **When an investment entity that is a parent 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**

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<sup>1</sup> Editorial correction notified vide Notification No. G.S.R. 419(E) dated 18<sup>th</sup> June, 2021.

*Ind AS 27, Separate Financial Statements*

investment entities required by Ind AS 112, *Disclosure of Interests in Other Entities*.

- 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 Ind AS 110, Ind AS 111 or Ind AS 28 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).

## **Appendix 1**

*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 and the corresponding International Accounting Standard (IAS) 27, Separate Financial Statements, issued by the International Accounting Standards Board.*

### **Comparison with IAS 27, Separate Financial Statements**

1. Paragraph 17 (a) of IAS 27 requires to disclose the reason for preparing separate financial statements if not required by law. As the Companies Act mandates preparation of separate financial statements, paragraph 17 (a) has been modified to remove such requirement.
2. IAS 27 allows the entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in their Separate Financial Statements (SFS). Such option is not given in Ind AS 27, as the equity method is not a measurement basis like cost and fair value but is a manner of consolidation and therefore would lead to inconsistent accounting conceptually.