

IFRS AT A GLANCE

IAS 27 Consolidated and Separate Financial Statements



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Superseded by IFRS 10 *Consolidated Financial Statements* for periods beginning on or after 1 January 2013 and IAS 27 *Separate Financial Statements* for periods beginning on or after 1 January 2013

DEFINITION			
Subsidiary <ul style="list-style-type: none"> An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). 	Control <ul style="list-style-type: none"> The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities Substance over form approach. 	Separate financial statements <ul style="list-style-type: none"> Those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity in which the investments are accounted for on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of the investees. 	Consolidated financial statements <ul style="list-style-type: none"> The financial statements of a group Presented as those of a single economic entity.

CONSOLIDATION

Consolidated financial statements shall include all subsidiaries of the parent i.e. those entities controlled by the parent

CONTROL INDICATORS	CONSOLIDATION PROCEDURES	CONSIDERATIONS TO NOTE
<ul style="list-style-type: none"> Power over more than half of the voting rights Power to govern the financial and operating policies of an entity Power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body. 	<ul style="list-style-type: none"> Combine the financial statements of the parent and its subsidiaries line by line by adding together similar items of assets, liabilities, equity, income and expenses Eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary and recognise goodwill as appropriate (see IFRS 3 <i>Business Combinations</i>) Identify non-controlling interests (NCI) in the profit or loss of consolidated subsidiaries for the reporting period Identify NCI in the net assets of consolidated subsidiaries separately from the parent shareholders' equity NCI's interest in the net assets consist of: <ul style="list-style-type: none"> The amount of those NCI at the date of the original combination calculated in accordance with IFRS 3 The NCI's share of changes in equity since the date of the combination. Eliminate intra group balances, transactions, income and expenses in full. 	<ul style="list-style-type: none"> Potential voting rights that are exercisable at a reporting date (such as options to acquire additional shares) are taken into account to determine control, but consolidation is based on present ownership interest Financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements are required to be prepared as of the same reporting date Adjustments are required if the dates of the parent of and the subsidiary are different. The difference between the reporting dates cannot be more than three months (the length of the reporting period and the difference need to be the same from period to period) Consolidated financial statements are required to be prepared using uniform accounting policies for like transactions and other events in similar circumstances NCI is required to be presented in the consolidated Statement of Financial Position within equity, separately from the equity of the owners and parent.

EXEMPTION FROM PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
<p>All of the following criteria have to be met to exempt an entity from presenting consolidated financial statements:</p> <ul style="list-style-type: none"> The parent is a wholly owned subsidiary or the NCI have been informed (and do not object) about the decision The parent's debt or equity instruments are not publicly traded The parent did not file its financial statements with a securities commission or other regulator for the purposes of issuing its shares to the public The ultimate or intermediate parent of the parent produces consolidated financial statements that comply with IFRS.

LOSS OF CONTROL
<ul style="list-style-type: none"> A parent can lose control of a subsidiary through a sale or distribution, or through some other transaction or event in which it takes no part (e.g. bankruptcy) When control is lost, the parent derecognises all assets and liabilities at their carrying amounts and derecognises NCI Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost and is subsequently accounted for under the applicable IFRS The cumulative amount of exchange differences that was recognised in equity is reclassified to profit and loss (recycled) If the loss of control of the former subsidiary involves the distribution of equity interests to owners of the parent acting in their capacity as owners, that distribution is recognised at the date control is lost. <p>Acquisitions and disposals that do not result in a change of control:</p> <ul style="list-style-type: none"> These are accounted for as equity transactions, i.e. no profit/loss or change in goodwill is recognised.

SEPARATE FINANCIAL STATEMENTS
<p>Investments in subsidiaries, jointly controlled entities and associates are measured at either:</p> <ul style="list-style-type: none"> Cost less impairment losses At fair value in terms of IAS 39 - <i>Financial Instruments: Recognition and Measurement</i> Non-current asset Held for Sale if meet the definition of 'Held for sale' in IFRS 5 - <i>Non-current Assets Held for Sale and Discontinued Operations</i>.

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit [www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders](http://www.bdointernational.com/Services/Audit/IFRS/IFRS_Country_Leaders) where you can find full lists of regional and country contacts.

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