

International Accounting Standard 27

Consolidated and Separate Financial Statements

Scope

- 1 **This Standard shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent.**
- 2 This Standard does not deal with methods of accounting for business combinations and their effects on consolidation, including goodwill arising on a business combination (see IFRS 3 *Business Combinations*).
- 3 **This Standard shall also be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate financial statements.**

Definitions

- 4 **The following terms are used in this Standard with the meanings specified:**

Consolidated financial statements are the financial statements of a group presented as those of a single economic entity.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A group is a parent and all its subsidiaries.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

A parent is an entity that has one or more subsidiaries.

Separate financial statements are 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.

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

- 5 A parent or its subsidiary may be an investor in an associate or a venturer in a jointly controlled entity. In such cases, consolidated financial statements prepared and presented in accordance with this Standard are also prepared so as to comply with IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.
- 6 For an entity described in paragraph 5, separate financial statements are those prepared and presented in addition to the financial statements referred to in paragraph 5. Separate financial statements need not be appended to, or accompany, those statements.
- 7 The financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity are not separate financial statements.
- 8 A parent that is exempted in accordance with paragraph 10 from presenting consolidated financial statements may present separate financial statements as its only financial statements.

Presentation of consolidated financial statements

- 9 A parent, other than a parent described in paragraph 10, shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this Standard.
- 10 A parent need not present consolidated financial statements if and only if:
- (a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
 - (b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
 - (c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
 - (d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.
- 11 A parent that elects in accordance with paragraph 10 not to present consolidated financial statements, and presents only separate financial statements, complies with paragraphs 38–43.

Scope of consolidated financial statements

- 12 Consolidated financial statements shall include all subsidiaries of the parent.*
- 13 Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity when there is: †
- (a) power over more than half of the voting rights by virtue of an agreement with other investors;
 - (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
 - (c) 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; or
 - (d) 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.
- 14 An entity may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the entity voting power or reduce another party's voting power over the financial and operating policies of another entity (potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.
- 15 In assessing whether potential voting rights contribute to control, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential voting rights, except the intention of management and the financial ability to exercise or convert such rights.

* If on acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it shall be accounted for in accordance with that IFRS.

† See also SIC-12 *Consolidation—Special Purpose Entities*.

- 16 A subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.
- 17 A subsidiary is not excluded from consolidation because its business activities are dissimilar from those of the other entities within the group. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries. For example, the disclosures required by IFRS 8 *Operating Segments* help to explain the significance of different business activities within the group.

Consolidation procedures

- 18 In preparing consolidated financial statements, an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:
- (a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated (see IFRS 3, which describes the treatment of any resultant goodwill);
 - (b) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
 - (c) non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests in the net assets consist of:
 - (i) the amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and
 - (ii) the non-controlling interests' share of changes in equity since the date of the combination.
- 19 When potential voting rights exist, the proportions of profit or loss and changes in equity allocated to the parent and non-controlling interests are determined on the basis of present ownership interests and do not reflect the possible exercise or conversion of potential voting rights.
- 20 Intragroup balances, transactions, income and expenses shall be eliminated in full.**
- 21 Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. IAS 12 *Income Taxes* applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- 22 The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent unless it is impracticable to do so.**
- 23 When, in accordance with paragraph 22, the financial statements of a subsidiary used in the preparation of consolidated financial statements are prepared as of a date different from that of the parent's financial statements, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the parent's financial statements. In any case, the difference between the end of the reporting period of the subsidiary and that of the parent shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.**
- 24 Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances.**
- 25 If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

- 26 The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date as defined in IFRS 3. Income and expenses of the subsidiary shall be based on the values of the assets and liabilities recognised in the parent's consolidated financial statements at the acquisition date. For example, depreciation expense recognised in the consolidated statement of comprehensive income after the acquisition date shall be based on the fair values of the related depreciable assets recognised in the consolidated financial statements at the acquisition date. The income and expenses of a subsidiary are included in the consolidated financial statements until the date when the parent ceases to control the subsidiary.
- 27 **Non-controlling interests shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.**
- 28 Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- 29 If a subsidiary has outstanding cumulative preference shares that are classified as equity and are held by non-controlling interests, the parent computes its share of profit or loss after adjusting for the dividends on such shares, whether or not dividends have been declared.
- 30 **Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners).**
- 31 In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

Loss of control

- 32 A parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. This could occur, for example, when a subsidiary becomes subject to the control of a government, court, administrator or regulator. It also could occur as a result of a contractual agreement.
- 33 A parent might lose control of a subsidiary in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction. In determining whether to account for the arrangements as a single transaction, a parent shall consider all of the terms and conditions of the arrangements and their economic effects. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:
- (a) They are entered into at the same time or in contemplation of each other.
 - (b) They form a single transaction designed to achieve an overall commercial effect.
 - (c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement.
 - (d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when one disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market.
- 34 **If a parent loses control of a subsidiary, it:**
- (a) **derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;**
 - (b) **derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them);**
 - (c) **recognises:**
 - (i) **the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; and**

- (ii) **if the transaction that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution;**
 - (d) **recognises any investment retained in the former subsidiary at its fair value at the date when control is lost;**
 - (e) **reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs, the amounts identified in paragraph 35; and**
 - (f) **recognises any resulting difference as a gain or loss in profit or loss attributable to the parent.**
- 35 If a parent loses control of a subsidiary, the parent shall account for all amounts recognised in other comprehensive income in relation to that subsidiary on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the parent reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control of the subsidiary. For example, if a subsidiary has available-for-sale financial assets and the parent loses control of the subsidiary, the parent shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. Similarly, if a revaluation surplus previously recognised in other comprehensive income would be transferred directly to retained earnings on the disposal of the asset, the parent transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary.
- 36 **On the loss of control of a subsidiary, any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary shall be accounted for in accordance with other IFRSs from the date when control is lost.**
- 37 The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements

- 38 **When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly controlled entities and associates:**
- (a) **at cost, or**
 - (b) **in accordance with IAS 39.**
- The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with 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) in accordance with IFRS 5. The measurement of investments accounted for in accordance with IAS 39 is not changed in such circumstances**
- 38A **An entity shall recognise a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.**
- 38B 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 38(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.

- 38C 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 38B. The requirements in paragraph 38B apply equally to such reorganisations. In such cases, references to 'original parent' and 'original group' are to the 'original entity'
- 39 This Standard does not mandate which entities produce separate financial statements available for public use. Paragraphs 38 and 40–43 apply when an entity prepares separate financial statements that comply with International Financial Reporting Standards. The entity also produces consolidated financial statements available for public use as required by paragraph 9, unless the exemption provided in paragraph 10 is applicable.
- 40 **Investments in jointly controlled entities and associates that are accounted for in accordance with IAS 39 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.**

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 IAS 28 and IAS 31 to which they relate.

Effective date and transition

44 An entity shall apply this Standard for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies this Standard for a period beginning before 1 January 2005, it shall disclose that fact.

45 An entity shall apply the amendments to IAS 27 made by the International Accounting Standards Board in 2008 in paragraphs 4, 18, 19, 26–37 and 41(e) and (f) for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity shall not apply these amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised by the International Accounting Standards Board in 2008). If an entity applies the amendments before 1 July 2009, it shall disclose that fact. An entity shall apply the amendments retrospectively, with the following exceptions:

- (a) the amendment to paragraph 28 for attributing total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Therefore, an entity shall not restate any profit or loss attribution for reporting periods before the amendment is applied.
- (b) the requirements in paragraphs 30 and 31 for accounting for changes in ownership interests in a subsidiary after control is obtained. Therefore, the requirements in paragraphs 30 and 31 do not apply to changes that occurred before an entity applies the amendments.
- (c) the requirements in paragraphs 34–37 for the loss of control of a subsidiary. An entity shall not restate the carrying amount of an investment in a former subsidiary if control was lost before it applies those amendments. In addition, an entity shall not recalculate any gain or loss on the loss of control of a subsidiary that occurred before the amendments are applied.

45A Paragraph 38 was amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009, prospectively from the date at which it first applied IFRS 5. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

45B *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27), issued in May 2008, deleted the definition of the cost method from paragraph 4 and added paragraph 38A. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the changes for an earlier period, it shall disclose that fact and apply the related amendments to IAS 18, IAS 21 and IAS 36 at the same time.

45C *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27), issued in May 2008, added paragraphs 38B and 38C. An entity shall apply those paragraphs prospectively to reorganisations occurring in annual periods beginning on or after 1 January 2009. Earlier application is

IAS 27 Consolidated and Separate Financial Statements

permitted. In addition, an entity may elect to apply paragraphs 38B and 38C retrospectively to past reorganisations within the scope of those paragraphs. However, if an entity restates any reorganisation to comply with paragraph 38B or 38C, it shall restate all later reorganisations within the scope of those paragraphs. If an entity applies paragraph 38B or 38C for an earlier period, it shall disclose that fact.

Withdrawal of IAS 27 (2003)

46 This Standard supersedes IAS 27 *Consolidated and Separate Financial Statements* (as revised in 2003).

Appendix

Amendments to other IFRSs

The amendments in this appendix shall be applied for annual periods beginning on or after 1 July 2009. If an entity applies the amendments to IAS 27 for an earlier period, these amendments shall be applied for that earlier period. In amended paragraphs, deleted text is struck through and new text is underlined.

A1 In the following International Financial Reporting Standards applicable at 1 July 2009, references to ‘minority interest’ are amended to ‘non-controlling interest’ in the paragraphs identified:

IFRS	paragraph(s)
IFRS 1	B2(c)(i), B2(g)(i), B2(k)
IFRS 4	34(c)
IAS 1	54(q), 83(a)(i), 83(b)(i)
IAS 7	20(b)
IAS 14	16
IAS 21	41
IAS 32	AG29
IAS 33	A1

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

A2 IFRS 1 is amended as described below.

Paragraph 26 is amended as follows:

- 26 This IFRS prohibits the retrospective application of some aspects of other IFRSs relating to:
- ...
- (c) estimates (paragraphs 31–34);
 - (d) assets classified as held for sale and discontinued operations (paragraphs 34A and 34B); and
 - (e) some aspects of accounting for non-controlling interests (paragraph 34C).

After paragraph 34B a new heading and paragraph 34C are added as follows:

Non-controlling interests

34C A first-time adopter shall apply the following requirements of IAS 27 (as amended by the International Accounting Standards Board in 2008) prospectively from the date of transition to IFRSs:

- (a) the requirement in paragraph 28 that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- (b) the requirements in paragraphs 30 and 31 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
- (c) the requirements in paragraphs 34–37 for accounting for a loss of control over a subsidiary, and the related requirements of paragraph 8A of IFRS 5. [Change introduced by Annual Improvements]

However, if a first-time adopter elects to apply IFRS 3 (as revised by the International Accounting Standards Board in 2008) retrospectively to past business combinations, it also shall apply IAS 27 (as amended by the International Accounting Standards Board in 2008) in accordance with paragraph B1 of this IFRS.

Paragraph 47J is added as follows:

47J IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraphs 26 and 34C. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

A3 IFRS 5 is amended as described below.

Paragraph 33 is amended as follows:

33 An entity shall disclose:

- (a) ...
- (d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.

Paragraph 44B is added as follows:

44B IAS 27 (as amended by the International Accounting Standards Board in 2008) added paragraph 33(d). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

IAS 1 Presentation of Financial Statements

A4 Paragraph 106 of IAS 1 (as revised in 2007) is amended as follows:

- 106** An entity shall present a statement of changes in equity showing in the statement:
- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
 - (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
 - (c) [deleted] and
 - (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) each item of other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Paragraph 139A is added as follows:

- 139A** IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

IAS 7 Statement of Cash Flows

A5 IAS 7 is amended as described below.

The heading above paragraph 39 and paragraphs 39–42 are amended as follows:

Changes in ownership interests in subsidiaries and other businesses

- 39** The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities.
- 40** An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following:
- (a) the total consideration paid or received;
 - (b) the portion of the consideration consisting of cash and cash equivalents;
 - (c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and
 - (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

- 41 The separate presentation of the cash flow effects of obtaining or losing control of subsidiaries or other businesses as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from the cash flows arising from the other operating, investing and financing activities. The cash flow effects of losing control are not deducted from those of obtaining control.
- 42 The aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses is reported in the statement of cash flows net of cash and cash equivalents acquired or disposed of as part of such transactions, events or changes in circumstances.

Paragraphs 42A and 42B are added as follows:

- 42A Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities.
- 42B Changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions (see IAS 27 *Consolidated and Separate Financial Statements* (as amended by the International Accounting Standards Board in 2008)). Accordingly, the resulting cash flows are classified in the same way as other transactions with owners described in paragraph 17.

Paragraph 54 is added as follows:

- 54 IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraphs 39–42 and added paragraphs 42A and 42B. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period. The amendments shall be applied retrospectively.**

IAS 21 The Effects of Changes in Foreign Exchange Rates

- A6 IAS 21 is amended as described below.

The heading before paragraph 48 is amended and paragraphs 48A–48D are added as follows:

Disposal or partial disposal of a foreign operation

- 48 ...
- 48A In addition to the disposal of an entity's entire interest in a foreign operation, the following are accounted for as disposals even if the entity retains an interest in the former subsidiary, associate or jointly controlled entity:
- (a) the loss of control of a subsidiary that includes a foreign operation;
 - (b) the loss of significant influence over an associate that includes a foreign operation;
and
 - (c) the loss of joint control over a jointly controlled entity that includes a foreign operation.
- 48B On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss.

- 48C **On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.**
- 48D A partial disposal of an entity's interest in a foreign operation is any reduction in an entity's ownership interest in a foreign operation, except those reductions in paragraph 48A that are accounted for as disposals.

Paragraph 60B is added as follows:

- 60B IAS 27 (as amended by the International Accounting Standards Board in 2008) added paragraphs 48A–48D. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.**

IAS 28 Investments in Associates

- A7 IAS 28 is amended as described below.

Paragraphs 18 and 19 are amended as follows:

- 18 An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31. On the loss of significant influence, the investor shall measure at fair value any investment the investor retains in the former associate. The investor shall recognise in profit or loss any difference between:**
- (a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and**
 - (b) the carrying amount of the investment at the date when significant influence is lost.**
- 19 When an investment ceases to be an associate and is accounted for in accordance with IAS 39, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.**

Paragraph 19A is added as follows:

- 19A If an investor loses significant influence over an associate, the investor shall account for all amounts recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has available-for-sale financial assets and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in an associate is reduced, but the investment continues to be

an associate, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

Paragraph 41B is added as follows:

- 41B** IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraphs 18 and 19 and added paragraph 19A. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IAS 31 *Interests in Joint Ventures*

A8 IAS 31 is amended as described below.

Paragraph 45 is amended as follows:

- 45** When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with IAS 39 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From the date when a jointly controlled entity becomes a subsidiary of an investor, the investor shall account for its interest in accordance with IAS 27 and IFRS 3 *Business Combinations* (as revised by the International Accounting Standards Board in 2008). From the date when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance with IAS 28. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity. The investor shall recognise in profit or loss any difference between:
- (a) the fair value of any retained investment and any proceeds from disposing of the part interest in the jointly controlled entity; and
 - (b) the carrying amount of the investment at the date when joint control is lost.

Paragraphs 45A and 45B are added as follows:

- 45A** When an investment ceases to be a jointly controlled entity and is accounted for in accordance with IAS 39, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.
- 45B** If an investor loses joint control of an entity, the investor shall account for all amounts recognised in other comprehensive income in relation to that entity on the same basis as would be required if the jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the investor loses joint control of the entity. For example, if a jointly controlled entity has available-for-sale financial assets and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in a jointly controlled entity is reduced, but the investment continues to be a jointly controlled entity, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

Paragraph 58A is added as follows:

- 58A** IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraph 45 and added paragraphs 45A and 45B. An entity shall apply those

amendments for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

IAS 39 Financial Instruments: Recognition and Measurement

A9 IAS 39 is amended as described below.

The last sentence of paragraph 102 is amended as follows:

102 ...The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1 (revised 2007)) in accordance with paragraphs 48–49 of IAS 21 on the disposal or partial disposal of the foreign operation.

Paragraph 103E is added as follows:

103E IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraph 102. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

SIC-7 Introduction of the Euro

A10 SIC-7 is amended as described below.

In the ‘**References**’ section, ‘IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008)’ is added.

Paragraph 4 is amended as follows:

4 This means that, in particular:

- (a) ...
- (b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and ...

Under the heading ‘**Effective Date**’ a new paragraph is added after the paragraph describing the effective date of the IAS 1 amendments as follows:

IAS 27 (as amended by the International Accounting Standards Board in 2008) amended paragraph 4(b). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.