

IAS 27 Consolidated and Separate Financial Statements (September 2011)

Group reorganisations in separate financial statements

The Interpretations Committee received a request asking for clarification of whether paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) apply either directly or by analogy to reorganisations of groups that result in the new intermediate parent having more than one direct subsidiary. The request addresses the accounting of the new intermediate parent for its investments in subsidiaries when it accounts for these investments in its separate financial statements at cost in accordance with paragraph 38(a) of IAS 27 (amended 2008) or paragraph 10(a) of IAS 27 (revised 2011).

The Committee noted that the normal basis for determining the cost of an investment in a subsidiary under paragraph 38(a) of IAS 27 (amended 2008) or paragraph 10(a) of IAS 27 (revised 2011) has to be applied to reorganisations that result in the new intermediate parent having more than one direct subsidiary. Paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) apply only when the assets and liabilities of the new group and the original group (or original entity) are the same before and after the reorganisation.

The Committee observed that this condition is not met in reorganisations that result in the new intermediate parent having more than one direct subsidiary and that therefore these paragraphs in IAS 27 do not apply to such reorganisations, such as the reorganisations presented in the submission. Furthermore, the Committee noted that the Board explained in paragraph BC66Q of IAS 27 (amended 2008) and paragraph BC27 of IAS 27 (revised 2011) that paragraphs 38B and 38C of IAS 27 (amended 2008) and paragraphs 13 and 14 of IAS 27 (revised 2011), respectively, do not apply to other types of reorganisations. In addition, the Committee noted that the guidance in paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) cannot be applied to reorganisations that result in the new intermediate parent having more than one direct subsidiary by analogy, because this guidance is an exception to the normal basis for determining the cost of an investment in a subsidiary under paragraph 38(a) of IAS 27 (amended 2008) or paragraph 10(a) of IAS 27 (revised 2011).

As a result, the Committee noted that there is already sufficient guidance in IAS 27 (amended 2008) and IAS 27 (revised 2011). Consequently, the Committee decided not to add this issue to its agenda.