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Effective for annual periods
beginning on or after 1 January 2013

Hong Kong Accounting Standard 27 (2011)

Separate Financial Statements



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Introduction

- IN1 HKAS 27 *Separate Financial Statements* contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with HKFRS 9 *Financial Instruments*.
- IN2 The Standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Hong Kong Accounting Standard 27

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.

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 Hong Kong Financial Reporting 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 HKFRS 9 *Financial Instruments*.

- 5 The following terms are defined in Appendix A of HKFRS 10 *Consolidated Financial Statements*, Appendix A of HKFRS 11 *Joint Arrangements* and paragraph 3 of HKAS 28 *Investments in Associates and Joint Ventures*:
 - associate
 - control of an investee
 - group
 - 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 paragraph 8. 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 paragraph 4(a) of HKFRS 10 from consolidation or paragraph 17 of HKAS 28 (as amended in 2011) from applying the equity method may present 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 HKFRSs, 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 HKFRS 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 HKFRS 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 HKFRS 9 is not changed in such circumstances.

- 11 If an entity elects, in accordance with paragraph 18 of HKAS 28 (as amended in 2011), to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with HKFRS 9, it shall also account for those investments in the same way in its separate financial statements.
- 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 HKFRSs when providing disclosures in its separate financial statements, including the requirements in paragraphs 16 and 17.**
- 16 **When a parent, in accordance with paragraph 4(a) of HKFRS 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 Hong Kong Financial Reporting Standards or 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).**
- 17 **When a parent (other than a parent covered by paragraph 16) 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 HKFRS 10, HKFRS 11 or HKAS 28 (as amended in 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).

The parent or investor shall also identify the financial statements prepared in accordance with HKFRS 10, HKFRS 11 or HKAS 28 (as amended in 2011) to which they relate.

Effective date and transition

- 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 HKFRS 10, HKFRS 11, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 (as amended in 2011) at the same time.

References to HKFRS 9

- 19 If an entity applies this Standard but does not yet apply HKFRS 9, any reference to HKFRS 9 shall be read as a reference to HKAS 39 *Financial Instruments: Recognition and Measurement*.

Withdrawal of HKAS 27 (Revised)

- 20 This Standard is issued concurrently with HKFRS 10. Together, the two HKFRSs supersede HKAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008).

Appendix

Comparison with International Financial Reporting Standards

This comparison appendix, which was prepared in June 2011 and deals only with significant differences in the standards extant, is produced for information only and does not form part of the standards in HKAS 27.

The International Accounting Standard comparable with HKAS 27 is IAS 27 *Separate Financial Statements*.

There are no major textual differences between HKAS 27 and IAS 27.

Basis for Conclusions on IAS 27 *Separate Financial Statements*

This Basis for Conclusions accompanies, but is not part of, IAS 27.

HKAS 27 is based on IAS 27 *Separate Financial Statements*. In approving HKAS 27, the Council of the Hong Kong Institute of Certified Public Accountants considered and agreed with the IASB's Basis for Conclusions on IAS 27. Accordingly, there are no significant differences between HKAS 27 and IAS 27. The IASB's Basis for Conclusions is reproduced below. The paragraph numbers of IAS 27 referred to below generally correspond with those in HKAS 27.

Introduction

- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in reaching its conclusions on issuing IAS 27 *Consolidated and Separate Financial Statements* in 2003, and amending IAS 27 in 2008 and again in 2011. Individual Board members gave greater weight to some factors than to others. Unless otherwise noted, references below to IAS 27 are to previous versions of the Standard.
- BC2 The amendment of IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 *Consolidated Financial Statements*, addresses the principle of control and requirements relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the Standard's amended title, *Separate Financial Statements*.
- BC3 In approving the publication of IFRS 10 in 2011, the Board also approved consequential amendments to IAS 27 that removed from the Standard all requirements relating to consolidated financial statements.
- BC4 At the same time, the Board relocated to IAS 27 requirements from IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* regarding separate financial statements. Those requirements are in paragraphs 6–8 of the Standard. Given the extent of the material that has been removed or relocated, the Board decided, for clarity, to renumber the paragraphs in the amended IAS 27. The definitions and wording in the Standard were also updated to be consistent with the requirements in IFRS 10, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures*.
- BC5 When issued in 2003, IAS 27 was accompanied by a Basis for Conclusions summarising the considerations of the Board, as constituted at the time, in reaching its conclusions. The Basis for Conclusions was subsequently updated to reflect amendments to the Standard.
- BC6 This Basis for Conclusions now includes only the Board's considerations on separate financial statements. Cross-references have been updated accordingly and minor necessary editorial changes have been made. The paragraphs discussing consolidated financial statements have been relocated to the Basis for Conclusions on IFRS 10 as appropriate.

Consolidation exemption available for non-public entities

- BC7 The Board decided that a parent that meets the criteria in paragraph 4(a) of IFRS 10 for exemption from the requirement to prepare consolidated financial statements should, in its separate financial statements, account for those subsidiaries in the same way as other parents, joint venturers with interests in joint ventures or investors in associates account for investments in their separate financial statements. The Board draws a distinction between accounting for such investments as equity investments and accounting for the economic entity that the parent controls. In relation to the former, the Board decided that each category of investment should be accounted for consistently.
- BC8 The Board decided that the same approach to accounting for investments in separate financial statements should apply irrespective of the circumstances for which they are prepared. Thus, a parent that presents consolidated financial statements, and a parent that does not because it is exempted, should present the same form of separate financial statements.

Measurement of investments in subsidiaries, joint ventures and associates in separate financial statements (2003 revision and 2008 amendments)

- BC9 IAS 27 (as revised by the Board's predecessor body in 2000) permitted entities to measure investments in subsidiaries in any one of three ways in the parent's separate financial statements. These were at cost, using the equity method, or as available-for-sale^{*} financial assets in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.[†] IAS 28 *Investments in Associates* permitted the same choices for investments in associates in separate financial statements, and IAS 31 *Interests in Joint Ventures* stated that IAS 31 did not indicate a preference for any particular treatment for accounting for interests in joint ventures in a joint venturer's separate financial statements. However, in 2003 the Board decided to require the use of cost or IAS 39 for all investments included in separate financial statements and to remove the equity method as one of the measurement options.
- BC10 Although the equity method would provide users with some profit or loss information similar to that obtained from consolidation, the Board noted that such information is reflected in the investor's consolidated or individual financial statements and does not need to be provided to the users of its separate financial statements. For separate financial statements, the focus is upon the performance of the assets as investments. The Board concluded that separate financial statements prepared using either the fair value method in accordance with IAS 39[‡] or the cost method would be relevant. Using the fair value method in accordance with IAS 39 would provide a measure of the economic value of the investments. Using the cost method can result in relevant information, depending on the purpose of preparing the separate financial statements. For example, they may be needed only by particular parties to determine the dividend income from subsidiaries.

^{*} IFRS 9 *Financial Instruments*, issued in November 2009 and amended in October 2010, eliminated the category of available-for-sale financial assets.

[†] In November 2009 and October 2010 the IASB amended some of the requirements of IAS 39 and relocated them to IFRS 9 *Financial Instruments*. IFRS 9 applies to all items within the scope of IAS 39.

[‡] In May 2011 the Board issued IFRS 13 *Fair Value Measurement*, which contains requirements for measuring fair value.

- BC11 As part of its annual improvements project begun in 2007, the Board identified an apparent inconsistency with IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*. The inconsistency related to the accounting by a parent in its separate financial statements when investments it accounts for in accordance with IAS 39 are classified as held for sale in accordance with IFRS 5. Paragraph 10 requires an entity that prepares separate financial statements to account for such investments that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 if they are measured at cost. However, financial assets that an entity accounts for in accordance with IAS 39 are excluded from IFRS 5's measurement requirements.
- BC12 Paragraph BC13 of the Basis for Conclusions on IFRS 5 explains that the Board decided that non-current assets should be excluded from the measurement scope of IFRS 5 only 'if (i) they are already carried at fair value with changes in fair value recognised in profit or loss or (ii) there would be difficulties in determining their fair value less costs to sell.'^{*} The Board acknowledged in the Basis for Conclusions on IFRS 5 that not all financial assets within the scope of IAS 39 are recognised at fair value with changes in fair value recognised in profit or loss, but it did not want to make any further changes to the accounting for financial assets at that time.
- BC13 Therefore, the Board amended paragraph 10 by *Improvements to IFRSs* issued in May 2008 to align the accounting in separate financial statements for those investments that are accounted for in accordance with IAS 39 with the measurement exclusion that IFRS 5 provides for other assets that are accounted for in accordance with IAS 39 before classification as held for sale. Thus, an entity should continue to account for such investments in accordance with IAS 39 when they meet the held for sale criteria in IFRS 5.

Dividend received from a subsidiary, a joint venture or an associate

- BC14 Before *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* was issued in May 2008, IAS 27 described a 'cost method'. This required an entity to recognise distributions as income only if they came from post-acquisition retained earnings. Distributions received in excess of such retained earnings were regarded as a recovery of investment and were recognised as a reduction in the cost of the investment. To apply that method retrospectively upon first-time adoption of IFRSs in its separate financial statements, an investor would need to know the subsidiary's pre-acquisition retained earnings in accordance with IFRSs.
- BC15 Restating pre-acquisition retained earnings would be a task tantamount to restating the business combination (for which IFRS 1 *First-time Adoption of International Financial Reporting Standards* provides an exemption in Appendix C). It might involve subjective use of hindsight, which would diminish the relevance and reliability of the information. In some cases, the restatement would be time-consuming and difficult. In other cases, it would be impossible (because it would involve making judgements about the fair values of the assets and liabilities of a subsidiary at the acquisition date).
- BC16 Therefore, in *Cost of an Investment in a Subsidiary*, an exposure draft of proposed amendments to IFRS 1 (published in January 2007), the Board proposed to give first-time adopters an exemption from restating the retained earnings of the subsidiary at the date of acquisition for the purpose of applying the cost method.

* In May 2011 the Board issued IFRS 13 Fair Value Measurement, which contains requirements for measuring fair value.

- BC17 In considering the responses to that exposure draft, the Board observed that the principle underpinning the cost method is that a return of an investment should be deducted from the carrying amount of the investment. However, the wording in the previous version of IAS 27 created a problem in some jurisdictions because it made specific reference to retained earnings as the means of making that assessment. The Board decided that the best way to resolve this issue was to delete the definition of the cost method.
- BC18 In removing the definition of the cost method, the Board concluded that an investor should recognise a dividend from a subsidiary, a joint venture or an associate as income in its separate financial statements. Consequently, the requirement to separate the retained earnings of an entity into pre-acquisition and post-acquisition components as a method for assessing whether a dividend is a recovery of its associated investment has been removed from IFRSs.
- BC19 To reduce the risk that removing the definition of the cost method would lead to investments in subsidiaries, joint ventures and associates being overstated in the separate financial statements of the investor, the Board proposed that the related investment should be tested for impairment in accordance with IAS 36 *Impairment of Assets*.
- BC20 The Board published its revised proposals in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, an exposure draft of proposed amendments to IFRS 1 and IAS 27, in December 2007. Respondents generally supported the proposed amendments to IAS 27, except for the proposal to require impairment testing of the related investment when an investor recognises a dividend. In the light of the comments received, the Board revised its proposal and identified specific indicators of impairment. This was done to narrow the circumstances in which impairment testing of the related investment would be required when an investor recognises a dividend (see paragraph 12(h) of IAS 36). The Board included the amendments in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* issued in May 2008.

Measurement of cost in the separate financial statements of a new parent

- BC21 In 2007 the Board received enquiries about the application of paragraph 10(a) when a parent reorganises the structure of its group by establishing a new entity as its parent. The new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent.
- BC22 In this type of reorganisation, the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation. In addition, the owners of the original parent have the same relative and absolute interests in the net assets of the new group immediately after the reorganisation as they had in the net assets of the original group before the reorganisation. Finally, this type of reorganisation involves an existing entity and its shareholders agreeing to create a new parent between them. In contrast, many transactions or events that result in a parent-subsidiary relationship are initiated by a parent over an entity that will be positioned below it in the structure of the group.

- BC23 Therefore, the Board decided that in applying paragraph 10(a) *in the limited circumstances in which a parent establishes a new parent in this particular manner*, the new parent should measure the cost of its investment in the original parent 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. In December 2007 the Board published an exposure draft proposing to amend IAS 27 to add a paragraph with that requirement.
- BC24 In response to comments received from respondents to that exposure draft, the Board modified the drafting of the amendment (paragraphs 13 and 14) to clarify that it applies to the following types of reorganisations when they satisfy the criteria specified in the amendment:
- (a) reorganisations in which the new parent does not acquire all the equity instruments of the original parent. For example, a new parent might issue equity instruments in exchange for ordinary shares of the original parent, but not acquire the preference shares of the original parent. In addition, a new parent might obtain control of the original parent, but not acquire all the ordinary shares of the original parent.
 - (b) the establishment of an intermediate parent within a group, as well as the establishment of a new ultimate parent of a group.
 - (c) reorganisations in which an entity that is not a parent establishes a new entity as its parent.
- BC25 In addition, the Board clarified that the amendment focuses on the measurement of one asset—the new parent’s investment in the original parent in the new parent’s separate financial statements. The amendment does not apply to the measurement of any other assets or liabilities in the separate financial statements of either the original parent or the new parent or in the consolidated financial statements.
- BC26 The Board included the amendment in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* issued in May 2008.
- BC27 The Board did not consider the accounting for other types of reorganisations or for common control transactions more broadly. Accordingly, paragraphs 13 and 14 apply only when the criteria in those paragraphs are satisfied. Therefore, the Board expects that entities would continue to account for transactions that do not satisfy the criteria in paragraphs 13 and 14 in accordance with their accounting policies for such transactions. The Board plans to consider the definition of common control and the accounting for business combinations under common control in a future project on common control transactions.

Disclosure (2011 amendments)

- BC28 When IAS 27 was amended in 2011, the Board clarified the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent that prepares consolidated financial statements that comply with IFRSs. IAS 27 (as amended in 2008) had previously required the disclosure of the country of incorporation or residence of such entities. The clarification of the disclosure requirement is more consistent with those requirements in other IFRSs (eg IFRS 12 and IAS 1 *Presentation of Financial Statements*) that also require disclosure of the principal place of business and country of incorporation.

Effective date (2011 amendments)

- BC29 The Board decided to align the effective date for the Standard with the effective date for IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended in 2011). When making this decision, the Board noted that the five IFRSs all deal with the assessment of, and related accounting and disclosure requirements about, a reporting entity's special relationships with other entities (ie when the reporting entity has control or joint control of, or significant influence over, another entity). As a result, the Board concluded that applying IAS 27 without also applying the other four IFRSs could cause unwarranted confusion.
- BC30 The Board usually sets an effective date of between twelve and eighteen months after issuing an IFRS. When deciding the effective date for the five IFRSs, the Board considered the following factors:
- (a) the time that many countries require for translation and for introducing the mandatory requirements into law.
 - (b) the consolidation project was related to the global financial crisis that started in 2007 and was accelerated by the Board in response to urgent requests from the leaders of the G20, the Financial Stability Board, users of financial statements, regulators and others to improve the accounting and disclosure of an entity's 'off balance sheet' activities.
 - (c) the comments received from respondents to the Request for Views *Effective Date and Transition Methods* that was published in October 2010 regarding implementation costs, effective date and transition requirements of the IFRSs to be issued in 2011. Most respondents did not identify the consolidation and joint arrangements IFRSs as having a high impact in terms of the time and resources that their implementation would require. In addition, only a few respondents commented that the effective dates of those IFRSs should be aligned with those of the other IFRSs to be issued in 2011.
- BC31 With these factors in mind, the Board decided to require entities to apply the five IFRSs for annual periods beginning on or after 1 January 2013.
- BC32 Most respondents to the Request for Views supported early application of the IFRSs to be issued in 2011. Respondents stressed that early application was especially important for first-time adopters in 2011 and 2012. The Board was persuaded by these arguments and decided to permit early application of IAS 27 but only if an entity applies it in conjunction with the other IFRSs (ie IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended in 2011)) to avoid a lack of comparability among financial statements, and for the reasons noted in paragraph BC29 that triggered the Board's decision to set the same effective date for all five IFRSs. Even though an entity should apply the five IFRSs at the same time, the Board noted that an entity should not be prevented from providing any information required by IFRS 12 early if by doing so users gained a better understanding of the entity's relationships with other entities.

Dissent of Mary E Barth and Philippe Danjou from *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27) issued in May 2008

Cross-references have been updated.

- DO1 Professor Barth and Mr Danjou voted against the publication of *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*). The reasons for their dissent are set out below.
- DO2 These Board members disagree with the **requirement** in paragraphs 13 and 14 of IAS 27 that when a reorganisation satisfies the criteria specified in those paragraphs and the resulting new parent accounts for its investment in the original parent at cost in accordance with paragraph 10(a) of IAS 27, the new parent must measure the 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.
- DO3 These Board members acknowledge that a new parent could choose to apply paragraph 10(b) of IAS 27 and account for its investment in the original parent in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. However, the new parent then would be required to account for the investment in accordance with IAS 39 in subsequent periods and to account for all other investments in the same category in accordance with IAS 39.*
- DO4 These Board members also acknowledge, as outlined in paragraph BC23 of the Basis for Conclusions on IAS 27, that this type of reorganisation is different from other types of reorganisations in that the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation, as are the interests of the owners of the original parent in the net assets of those groups. Therefore, using the previous carrying amount to measure the cost of the new parent's investment in the original parent might be appropriate on the basis that the separate financial statements of the new parent would reflect its position as part of a pre-existing group.
- DO5 However, these Board members believe that it is inappropriate to preclude a new parent from measuring the cost of its investment in the original parent at the fair value of the shares that it issues as part of the reorganisation. Separate financial statements are prepared to reflect the parent as a separate legal entity (ie not considering that the entity might be part of a group). Although such a reorganisation does not change the assets and liabilities of the group and therefore should have no accounting effect at the consolidated level, from the perspective of the new parent as a separate legal entity, its position has changed—it has issued shares and acquired an investment that it did not have previously. Also, in many jurisdictions, commercial law or corporate governance regulations require entities to measure new shares that they issue at the fair value of the consideration received for the shares.

* In November 2009 and October 2010 the IASB amended some of the requirements of IAS 39 and relocated them to IFRS 9 *Financial Instruments*. IFRS 9 applies to all items within the scope of IAS 39.

- DO6 These Board members believe that the appropriate measurement basis for the new parent's cost of its investment in the original parent depends on the Board's view of separate financial statements. The Board is or will be discussing related issues in the reporting entity phase of its Conceptual Framework project and in its project on common control transactions. Accordingly, these Board members believe that the Board should have permitted a new parent to measure the cost of its investment in the original parent either at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent or at the fair value of the equity instruments that it issues until the Board discusses the related issues in its projects on reporting entity and common control transactions.

Table of Concordance

This table shows how the contents of HKAS 27 *Consolidated and Separate Financial Statements* (the 'superseded HKAS 27') and HKAS 27 *Separate Financial Statements* (the 'amended HKAS 27') correspond. Some requirements in the superseded version of HKAS 27 were incorporated into HKFRS 10 and HKFRS 12; this table also shows how those paragraphs correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the requirements may differ.

Superseded HKAS 27 paragraph	Amended HKAS 27 paragraph	HKFRS 10 paragraph	HKFRS 12 paragraph
1		1	
2		3	
3	2		
4	4, 5	Appendix A	
5			
6–8	6–8		
9		1, 2	
10		4(a)	
11			
12		Appendix A	
13		7	
14		B47	
15		B48, B49	
16, 17			
18		B86	
19		B89	
20, 21		B86(c)	
22, 23		B92, B93	
24		19	
25, 26		B87, B88	
27		22	
28, 29		B94, B95	
30		23	
31		B96	
32		B83	
33–35		B97–B99	

SEPARATE FINANCIAL STATEMENTS

36		25(b)	
37		25(b)	
38	10		
38A–38C	12–14		
39	3		
40	11		
41			10–19
42, 43	16, 17		
44–45E	18		
46	20		
None	1, 9, 15, 19		

The main change made in June 2011 was that HKFRS 10 *Consolidated Financial Statements* replaced the consolidation requirements in HKAS 27. Only accounting and disclosure requirements for the preparation of separate financial statements remained in HKAS 27; the Standard was therefore renamed *Separate Financial Statements*.