PBE IPSAS 34: SEPARATE FINANCIAL STATEMENTS

Version 1: 2017

Effective Periods Beginning
1 January 2019

SCOPE AND OBJECTIVE

PBE IPSAS 34 applies to all Tier 1 and Tier 2 public benefit entities that prepare and present financial statements that have investments in controlled entities, joint ventures and associates when it elects, or is required by regulations, to present separate financial statements.

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

DEFINITION

Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either **at cost**, in accordance with PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* or **using the equity method** as described in PBE IPSAS 36 *Investments in Associates and Joint Ventures*.

The financial statements of an entity that does not have a controlled entity, associate or joint venturer's interest in a joint venture are not separate financial statements.

ACCOUNTING TREATMENT

When an entity prepares separate financial statements, it accounts for similar investments in controlled entities, joint ventures and Associates **either**:

(a) At cost;
(b) In accordance with PBE IPSAS 29 (fair value); or
(c) Using the equity method as described in PBE IPSAS 36.

The entity **applies the same accounting** for each category of investments.

If an entity elects to, or is required to, measure its investments in associates or joint ventures at fair value through surplus or deficit it also accounts for those investments in the same way in its separate financial statements.

TREATMENT OF DIVIDENDS

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements when the entity's right to receive the dividend or similar distribution is established.

The dividend or similar distribution is recognised in surplus or deficit **unless** the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

TRANSITIONAL PROVISIONS

An investment entity that previously measured its investment in a controlled entity at cost instead measures that investment at fair value through surplus or deficit as if the requirements of this Standard had always been effective.

The investment entity adjusts retrospectively the annual period immediately preceding the date of initial application and adjusts accumulated comprehensive revenue and expense at the beginning of the immediately preceding period for any difference between:

- The previous carrying amount of the investment; and
- The fair value of the investor's investment in the controlled entity.

An investment entity that previously measured its investment in a controlled entity at fair value through other comprehensive revenue and expense continues to measure that investment at fair value.

The cumulative amount of any fair value adjustment previously recognised in other comprehensive revenue and expense is transferred to accumulated comprehensive revenue and expense at the beginning of the annual period immediately preceding the date of initial application.

An investment entity uses the fair value amounts previously reported to investors or to management.

REORGANISATIONS

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either:
  - by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or
  - by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at **the carrying amount of its share of the net assets/equity** items shown in the separate financial statements of the original controlling entity at the date of the reorganisation.

INVESTMENT ENTITIES

When a controlling entity **ceases** to be an investment entity, or **becomes** an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When an entity **ceases** to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with paragraph 12 (i.e. either at cost, at fair value in accordance with PBE IPSAS 29, or using the equity method).

The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration .

- When an entity **becomes** an investment entity, it accounts for an investment in a controlled entity at fair value through surplus or deficit in accordance with PBE IPSAS 29. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status of the investor is recognised as a gain or loss in surplus or deficit.

The cumulative amount of any gain or loss previously recognised in other comprehensive revenue and expense in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

DISCLOSURE

There are a number of disclosure requirements for Separate Financial Statements, please refer to the Standard for more information.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR reporters are granted certain disclosure exemptions as marked by an *