TOPIC 18

INDAS-27

SEPARATE FINANCIAL STATEMENTS

The detailed summary of this standard is as follows:

1. This standard deals with ACCOUNTING FOR INVESTMENTS in Subsidiary Co., Associate Co. and Joint venture Co in the individual financial statements of Investor (i.e. Parent Co.)

2. Separate financial statements are presented in addition to:
   a. Consolidated Financial Statements (prepared in case of a subsidiary or subsidiaries); or
   b. Financial Statements in which investments in associates and joint ventures are accounted for using equity method as per IndAS 28.

3. Entity may present separate financial statements as its **only** financial statements if it is:
   a. Exempt from consolidation; or
   b. Exempt from applying equity method; or
   c. An **investment entity** and apply exception to consolidation for all of its subsidiaries.

4. Investor (i.e. Parent Co.) shall account for its investments in Subsidiary, Associate and Joint Venture either at:
   -Cost or
   -as per Ind AS 109 Financial Instruments i.e. Fair Value (FVTPL or FVTOCI)
   (i.e. we have choice to value our investments in individual financial statements at Cost or at Fair Value)

Category wise Valuation of Investments under IndAS 27

- The entity shall apply the same accounting for each category of investment.
- An entity shall classify investment in subsidiaries, associates or joint ventures into different categories:

Investments in subsidiaries

Subsidiaries A - (Cost) Subsidiaries B - (Cost)

Investments in associates

Associates A - (Fair Value) Associate B - (Fair Value)

Investments in joint ventures

JV A - (Fair Value) JV B - (Fair Value)

- For the purpose of Ind AS 27 "category of investments" means board category i.e. (a) Investments in subsidiary, (b) Investments in associates and (c) Investments in Joint ventures.
- **It is possible to apply "cost" approach in respect of one category and "fair value" approach for another category.**
- **However, it is not possible to apply "cost" approach to one subsidiary and "fair value" approach to another subsidiary.**

Are these Investments subject to Impairment as per Ind AS 36?

If measured at Cost – Yes.

If measured at Fair Value – No.

When a Parent cease to be Investment Entity or becomes Investment Entity?

When an Entity becomes an Investment Entity	When an Entity ceases to be an Investment Entity
Account at FVTPL as per Ind AS 109 **Note:** any difference between Carrying Amount vs. Fair Value is Gain/Loss – Taken to Profit & Loss **Note:** Any difference balance in OCI will be recycled to Profit & Loss	**Option I** Cost **Note:** Fair Value on the date of charge of status is taken as deemed cost **Option II** Continue as per Ind AS 109

Q194.

On 1.4.17, Jai Ltd. purchased 15000 equity shares of Vijay Ltd. at a cost of Rs. 26/-. Total o/s shares in Vijay Ltd. are 60,000. On 31.03.18, fair value of shares of Vijay Ltd. 30/- and on 31.03.19, fair value is 23/-. What is the accounting treatment in the books of Jai Ltd. What would be your answer if shares purchased in Y Ltd. are 5000 no. only.

Solution:

No. of Shares Purchased by Jai Ltd.	15000
Total o/s shares of Vijay Ltd.	60,000
% of Holding	15000/60000*100 = 25% i.e. Vijay Ltd. becomes Associate Co.
Option – 1 Measure the Investments at Cost In this case no gain or loss shall be recognized.	15000 x 26/- = 3,90,000/-
Option – 2 Measure the Investments at Fair Value	15000 x 30/- = 4,50,000/- as on 31.03.18 15000 x 23/- = 3,45,000/- as on 31.03.19
If option 2 applies – Fair Value gain or loss shall be transfer either to P&L or OCI	

If only 5000 shares are purchased by Jai Ltd. then percentage of holding will be 8.33% i.e. now Vijay Ltd. is not a Subsidiary/Associate/JV of Jai Ltd. IndAS 27 shall not be applicable and Jai Ltd. shall measure the Investments at FV as per IndAS 109 only.

Student Notes:-

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