# PBE IPSAS 35: CONSOLIDATED FINANICAL STATEMENTS

Version 1: 2017

**Effective Periods Beginning**
1 January 2019

## SCOPE AND OBJECTIVE

The Standard applies to all Tier 1 and Tier 2 Public Benefit Entities that prepare and present consolidated financial statements.

The Standard:

- Requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidation;
- Sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- Sets out the accounting requirements for the preparation of consolidated financial statements; and
- Defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

## DISCLOSURE

For disclosure requirements, refer to PBE IPSAS 38 *Disclosure of Interests in Other Entities*. NZ IFRS RDR reporters are granted certain disclosure exemptions as marked by an *****.

This Standard applies to all entities, except that a controlling entity need not present consolidated financial statements if it meets all the following conditions:
Tier 1 and Tier 2 entities:

- It is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements;
- Its 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);
- It 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
- Tier 1 entities only: Its ultimate or any intermediate controlling entity produces financial statements that are available for public use and comply with PBE Standards, in which controlled entities are consolidated or are measured at fair value through surplus or deficit in accordance with this Standard.

## KEY DEFINITIONS

**Control**: An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

**Power:** consists of existing rights that give the current ability to direct the relevant activities of another entity.

**Relevant activities: R**elevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

## ACCOUNTING REQUIREMENTS

- A controlling entity prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.
- Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and ceases when the entity loses control of the other entity.
- The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as at the same reporting date.
- A controlling entity presents non-controlling interests in the consolidated statement of financial position within net assets/equity, separately from the net assets/equity of the owners of the controlling entity.
- An entity attributes the surplus or deficit and each component of other comprehensive revenue and expense to the owners of the controlling entity and to the non-controlling interests. The entity also attributes the total amount recognised in the statement of comprehensive revenue and expense to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## TRANSITIONAL PROVISIONS

- An entity applies this Standard retrospectively, in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*, except for when this Standard is first applied an entity need only present the quantitative information required by paragraph 33(f) of PBE IPSAS 3 for the annual period immediately preceding the date of initial application of this Standard.
- An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.
- Specific transitional provision apply to investment entities. Please refer to the Standard for more detail.

## LOSS OF CONTROL

If a controlling entity loses control of a controlled entity:

- Derecognise assets and liabilities of the former controlled entity from the consolidated statement of financial position;
- Recognise any investment retained in the former controlled entity at its fair value when control is lost and subsequently account for it and for any amounts owed by or to the former controlled entity in accordance with relevant PBE Standards.
- Recognise the gain or loss associated with the loss of control attributable to the former controlling interest.

## INVESTMENT ENTITIES

- An investment entity does not consolidate its controlled entities or apply PBE IFRS 3 when it obtains control of another entity.
- An investment entity measures an investment in a controlled entity at fair value through surplus or deficit in accordance with PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*.

## NON-CONTROLLING INTERESTS

- Present non-controlling interests in the consolidated statement of financial position within net assets/equity, separately from the net assets/equity of the owners of the controlling entity.
- Attribute the surplus or deficit and each component of other comprehensive revenue and expense to the owners of the controlling entity and to the non-controlling interests.
- Attribute the total amount recognised in the statement of comprehensive revenue and expense to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.