|  |  |  |  |
| --- | --- | --- | --- |
| FRD 113 |  |  | Investments in Subsidiaries, Joint Ventures and Associates in Separate Financial Statements (April 2022) |
|  |  |  |  |
| Purpose |  | 1.1 | To prescribe requirements on how to account for investments in subsidiaries, joint ventures and associates if separate financial statements are presented. |
| Application |  | **2.1** | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act 1994*. Application by State owned corporations is encouraged. |
| Operative date |  | **3.1** | Reporting periods commencing 1 July 2014. |
|  |  | **3.2** | FRD 113A *Investments in Subsidiaries, Jointly Controlled Entities and Associates* is renamed to FRD 113 *Investments in Subsidiaries, Jointly Controlled Entities and Associates* effective 1 April 2022. |
| Requirements |  | **4.1** | A parent entity is required to present consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements*, unless the entity has prior written approval from the Assistant Treasurer for an exemption. The request for exemption will be considered on an exceptional basis and the request must be accompanied by a business case presented to the Department of Treasury and Finance (DTF) prior to seeking Ministerial approval. If approved, the parent entity will present separate financial statements instead of consolidated financial statements. |
|  |  | **4.2** | An entity must also seek prior written approval from the Assistant Treasurer if it presents separate financial statements in circumstances described in paragraph 6.4 of this FRD. An entity is encouraged to consult with DTF before seeking Ministerial approval and should include reasons for presenting separate financial statements in its request for Ministerial approval. |
|  |  | **4.3** | If separate financial statements are presented, investments in subsidiaries, joint ventures and associates shall be accounted for at cost. |
|  |  | **4.4** | If an entity elects to use a measurement basis other than the cost method in accordance with AASB 127 *Separate Financial Statements*, the entity must seek prior written approval from the Assistant Treasurer. |
| Definitions |  | 5.1 | **Cost** – the amount of cash or cash equivalents paid and the fair value of the other consideration given to acquire an asset at the time of its acquisition. |
|  |  | 5.2 | Refer to Appendix A of AASB 10 for the following definitions:  Consolidated financial statements;  Parent; and  Subsidiary |
|  |  | 5.3 | Refer to Appendix A of AASB 11 Joint Arrangements for the following definition:  Joint venture |
|  |  | 5.4 | Refer to paragraph 4 of AASB 127 for the following definition:  Separate financial statements |
|  |  | 5.5 | Refer to paragraph 3 of AASB 128 Investments in Associates and Joint Ventures for the following definitions:  Associate; and  Equity method |
| Guidance |  | 6.1 | AASB 127 does not mandate separate financial statements to be presented. It applies when an entity elects to present separate financial statements or is required to do so. |
|  |  | 6.2 | This FRD does not require entities to produce separate financial statements. However, an entity will present separate financial statements if it has been granted an exemption from presenting consolidated financial statements or if it falls under circumstances described in paragraph 6.4 of this FRD. |
|  |  | 6.3 | This FRD requires an entity to seek Ministerial approval for an exemption from presenting consolidated financial statements. Paragraph 4 or Aus4.1 of AASB 10 sets out the minimum criteria that must be met for a parent entity to apply this exemption. Nevertheless, an exemption should be considered on an exceptional basis. This FRD requires an entity to obtain approval from the Assistant Treasurer with a business case provided to DTF should the entity plan to seek an exemption from presenting consolidated financial statements. This is based on the presumption that presenting consolidated financial statements and reporting as one economic entity provides more meaningful and comprehensive information for users of financial statements. |
|  |  | 6.4 | Separate financial statements may also be presented under the following scenarios (subject to the approval required by this FRD):   * + 1. where a parent entity presents consolidated financial statements in accordance with AASB 10 and the entity elects to present additional separate financial statements or is required to do so; or     2. where an investor entity has no subsidiaries but has associates or joint ventures that are accounted for using the equity method under AASB 128, the entity may present additional separate financial statements if it elects to or is required to do so. Separate financial statements are presented if the investments in associates or joint ventures are accounted for using a different basis provided in AASB 127 other than the equity method. |
|  |  | 6.5 | Under both scenarios described in paragraph 6.4 above, prior written approval is required from the Assistant Treasurer. |
|  |  | 6.6 | Accounting in separate financial statements  AASB 127 provides choices in the methodology of accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements. However, this FRD requires investments in subsidiaries, associates and joint ventures to be accounted for at cost in the separate financial statements. The choice has been limited to the cost method as it is considered as the most consistent and efficient method of reporting across Victorian Public Sector entities. |
|  |  | 6.7 | If an entity elects to use a different basis provided in AASB 127 other than the cost method to account for those investments, prior written approval is required from the Assistant Treasurer. |
|  |  | 6.8 | Subsequent to the initial recognition, investments in subsidiaries, associates and joint ventures are subject to impairment assessment in accordance with AASB 136 *Impairment of Assets*. |
|  |  | 6.9 | If an investment is classified as held for sale or included in a disposal group that is classified as held for sale, it shall be accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. |
| Relevant pronouncements |  | 7.1 | AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*  AASB 10 *Consolidated Financial Statements*[[1]](#footnote-1)  AASB 11 *Joint Arrangements*1  AASB 127 *Separate Financial Statements*1  AASB 128 *Investments in Associates and Joint Ventures*1  AASB 136 *Impairment of Assets* |
| Background |  | 8.1 | As entities still have the option to present separate financial statements in accordance with AASB 127, this FRD prescribes the circumstances in which separate financial statements may be presented and the approval process required. In addition, this FRD mandates cost as the accounting method for investments in subsidiaries, joint ventures or associates when an entity presents separate financial statements. If an entity elects to use a different basis provided in AASB 127 other than the cost method, prior written approval must be sought from the Assistant Treasurer. |
|  |  | 8.2 | FRD 113 *Investments in Subsidiaries, Jointly Controlled Entities and Associates* was issued in February 2005 and prescribed the requirements to account for investments in subsidiaries, jointly controlled entities and associates in both consolidated and separate financial statements. It was revised in:  May 2015 to:  Change the name the FRD to FRD 113 *Investments in Subsidiaries, Joint Ventures and Associates in Separate Financial Statements;* and  Remove the requirement to use the equity method to account for joint ventures following removal of the proportionate consolidation method from AASB 11 *Joint Arrangements,* only permitting the equity method to account for investments in joint ventures in the consolidated financial statements.  April 2022 to update references to the Minister for Finance with the Assistant Treasurer. |

1. These AASBs are operative for the not-for-profit sector for annual reporting periods beginning on or after 1 January 2014. [↑](#footnote-ref-1)