Commission Regulation (EU) 2015/2441 of 18 December 2015 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 27 (Text with EEA relevance)

COMMISSION REGULATION (EU) 2015/2441

of 18 December 2015

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(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 12 August 2014, the International Accounting Standards Board published amendments to International Accounting Standard (IAS) 27 *Separate Financial Statements* entitled *Equity Method in Separate Financial Statements*. The objective of the Amendments is to permit entities to use the equity method, as described in IAS 28 *Investments in Associates and Joint Ventures*, to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

(3) Amendments to IAS 27 imply by way of consequence amendments to International Financial Reporting Standard (IFRS) 1 and IAS 28 in order to ensure consistency between international accounting standards.

(4) The amendments to IAS 27 contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the Union. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to International Accounting Standard (IAS) *39 Financial Instruments: Recognition and Measurement.*

(5) The European Financial Reporting Advisory Group confirms that the amendments to IAS 27 meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(6) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(7) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

1 The Annex to Regulation (EC) No 1126/2008 is amended as follows:

a International Financial Reporting Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards* is amended as set out in the Annex to this Regulation;

b International Accounting Standard (IAS) 27 *Separate Financial Statements* is amended as set out in the Annex to this Regulation;

c International Accounting Standard 28 *Investments in Associates and Joint Ventures* is amended as set out in the Annex to this Regulation.

2 Any reference to IFRS 9 as laid down in the Annex to this Regulation shall be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2016.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 December 2015.

For the Commission

The President

Jean-Claude JUNCKER

ANNEX

Equity Method in Separate Financial Statements(Amendments to IAS 27)

Amendments to IAS 27 ***Separate Financial Statements***

Paragraphs 4–7, 10, 11B and 12 are amended and paragraph 18J is added.
DEFINITIONS

4. The following terms are used in this Standard with the meanings specified:

…

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 subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9** ***Financial Instruments*****, or using the equity method as described in IAS 28** ***Investments in Associates and Joint Ventures*****.**

5. The following terms are defined in Appendix A of IFRS 10 *Consolidated Financial Statements*, Appendix A of IFRS 11 *Joint Arrangements* and paragraph 3 of IAS 28:

— associate

— equity method

— …

6. Separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 to be accounted for using the equity method, other than in the circumstances set out in paragraphs 8–8A.

7. 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.

…
PREPARATION OF SEPARATE FINANCIAL STATEMENTS

…

10. When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

(a) **at cost;**

(b) **in accordance with IFRS 9; or**

(c) **using the equity method as described in IAS 28.**

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost or using the equity method shall be accounted for in accordance with IFRS 5 ***Non-current Assets Held for Sale and Discontinued Operations*** **when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution). The measurement of investments accounted for in accordance with IFRS 9 is not changed in such circumstances.**

…

11B When a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred, as follows:

(a) when an entity ceases to be an investment entity, the entity shall account for an investment in a subsidiary in accordance with paragraph 10. The date of the change of status shall be the deemed acquisition date. The fair value of the subsidiary at the deemed acquisition date shall represent the transferred deemed consideration when accounting for the investment in accordance with paragraph 10.

(i) [deleted]

(ii) [deleted]

(b) when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9. The difference between the previous carrying amount of the subsidiary and its fair value at the date of the change of status of the investor shall be recognised as a gain or loss in profit or loss. The cumulative amount of any gain or loss previously recognised in other comprehensive income in respect of those subsidiaries shall be treated as if the investment entity had disposed of those subsidiaries at the date of change in status.

12. Dividends from a subsidiary, a joint venture or an associate are recognised in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.

…

EFFECTIVE DATE AND TRANSITION

…

18J ***Equity Method in Separate Financial Statements*** **(Amendments to IAS 27), issued in August 2014, amended paragraphs 4–7, 10, 11B and 12. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016 retrospectively in accordance with IAS 8** ***Accounting Policies, Changes in Accounting Estimates and Errors*****. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.**

Consequential amendments to other Standards

IFRS 1 ***First-time Adoption of International Financial Reporting Standards***

Paragraph 39Z is added.

EFFECTIVE DATE

…

39Z *Equity Method in Separate Financial Statements* (Amendments to IAS 27), issued in August 2014, amended paragraph D14 and added paragraph D15A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

In Appendix D, paragraph D14 is amended and paragraph D15A is added.

Investments in subsidiaries, joint ventures and associates

D14 When an entity prepares separate financial statements, IAS 27 requires it to account for its investments in subsidiaries, joint ventures and associates either:

(a) at cost;

(b) in accordance with IFRS 9; or

(c) using the equity method as described in IAS 28.

…

D15A If a first-time adopter accounts for such an investment using the equity method procedures as described in IAS 28:

(a) the first-time adopter applies the exemption for past business combinations (Appendix C) to the acquisition of the investment.

(b) if the entity becomes a first-time adopter for its separate financial statements earlier than for its consolidated financial statements, and

(i) later than its parent, the entity shall apply paragraph D16 in its separate financial statements.

(ii) later than its subsidiary, the entity shall apply paragraph D17 in its separate financial statements.

IAS 28 ***Investments in Associates and Joint Ventures***

Paragraph 25 is amended and paragraph 45B is added

Changes in ownership interest

25. If an entity's ownership interest in an associate or a joint venture is reduced, but the investment continues to be classified either as an associate or a joint venture respectively, the entity shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

…

EFFECTIVE DATE AND TRANSITION

…

45B *Equity Method in Separate Financial Statements* (Amendments to IAS 27), issued in August 2014, amended paragraph 25. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.

(**1**) OJ L 243, 11.9.2002, p. 1.

(**2**) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).