

PHILIPPINE INTERPRETATIONS COMMITTEE (PIC) QUESTIONS AND ANSWERS (Q&As)

Q&A No. 2006-02

PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements

Background

Paragraph 10 of PAS 27, Consolidation and Separate Financial Statements, provides four conditions when a parent need not present consolidated financial statements. Paragraph 10(d) of the Standard states:

"the ultimate or any intermediate parent of the parent produces consolidated financial statements **available for public use that comply with International Financial Reporting Standards (IFRS) or Philippine Financial Reporting Standards (PFRS).**" (emphasis added)

Issue 1

When are consolidated financial statements considered "available for public use"?

Consensus

The term "consolidated financial statements available for public use" refers to general purpose financial statements¹ which the public may avail of. This includes consolidated financial statements of the ultimate or immediate parent that are:

- posted in the website of the parent company or of its ultimate or any intermediate parent, or
- filed with the Philippine SEC (which become available to the public once filed) or other bodies that make filed financial statements available to the public (e.g., the Philippine Stock Exchange makes available financial statements of brokers and dealers in securities).

Issue 2: Are consolidated financial statements of the ultimate or any intermediate parent prepared in conformity with a financial reporting framework, other than IFRS or PFRS acceptable for purposes of the exemption from the preparation of consolidated financial statements?

Consensus

For Philippine financial reporting purposes, other financial reporting standards that are converged or virtually converged with IFRS such as those of Australia, Singapore, Hong Kong, or countries in the European Union², or are conceptually similar to IFRS, such as those of the United States, United Kingdom, or Canada, are deemed acceptable in applying the provisions of PAS 27.10d on the exemption from the preparation of consolidated financial statements.

¹ PAS 1, *Presentation of Financial Statements*, paragraph 3 defines general purpose financial statements as those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular needs. They include those that are presented separately or within another public document such as an annual report or a prospectus.

² Other countries' financial reporting standards may become acceptable for purposes of the exemption from consolidation as these other countries converge with IFRS.

Effective Date

The consensus in these Q&As are effective from December 18, 2006, the date of approval by the FRSC.

Date approved by PIC: November 7, 2006

PIC Members

David L. Balangue, Chairman

Wilfredo A. Baltazar

Ramon G. Opulencia

Ma. Elenita B. Cabrera

Nenita Robles

Ernesto T. Diaz

Ruby R. Seballe

Dalisay B. Duque

Editha O. Tuason

Ma. Concepcion Lupisan

Jose T. Valencia

Roberto G. Manabat

Normita L. Villaruz

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