IASB documents published to accompany

IAS 27

Separate Financial Statements

The text of the unaccompanied standard, IAS 27, is contained in Part A of this edition. Its effective date when issued was 1 January 2013. The text of the Accompanying Guidance on IAS 27 is contained in Part B of this edition. This part presents the following documents:

Basis for Conclusions on IAS 27 *Separate Financial Statements*

This Basis for Conclusions accompanies, but is not part of, IAS 27.

Introduction

BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in reaching its conclusions on issuing IAS 27 *Consolidated and Separate Financial Statements* in 2003, and amending IAS 27 in 2008 and again in 2011. Individual Board members gave greater weight to some factors than to others. Unless otherwise noted, references below to IAS 27 are to previous versions of the Standard.

BC2 The amendment of IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 *Consolidated Financial Statements*, addresses the principle of control and requirements relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the Standard's amended title, *Separate Financial Statements*.

BC3 In approving the publication of IFRS 10 in 2011, the Board also approved consequential amendments to IAS 27 that removed from the Standard all requirements relating to consolidated financial statements.

BC4 At the same time, the Board relocated to IAS 27 requirements from IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* regarding separate financial statements. Those requirements are in paragraphs 6–8 of the Standard. Given the extent of the material that has been removed or relocated, the Board decided, for clarity, to renumber the paragraphs in the amended IAS 27. The definitions and wording in the Standard were also updated to be consistent with the requirements in IFRS 10, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures*.

BC5 When issued in 2003, IAS 27 was accompanied by a Basis for Conclusions summarising the considerations of the Board, as constituted at the time, in reaching its conclusions. The Basis for Conclusions was subsequently updated to reflect amendments to the Standard.

BC6 This Basis for Conclusions now includes only the Board's considerations on separate financial statements. Cross-references have been updated accordingly and minor necessary editorial changes have been made. The paragraphs discussing consolidated financial statements have been relocated to the Basis for Conclusions on IFRS 10 as appropriate.

Consolidation exemption available for non-public entities

BC7 The Board decided that a parent that meets the criteria in paragraph 4(a) of IFRS 10 for exemption from the requirement to prepare consolidated financial statements should, in its separate financial statements, account for those subsidiaries in the same way as other parents, joint venturers with interests in joint ventures or investors in associates account for investments in their separate financial statements. The Board draws a distinction between accounting for such investments as equity investments and accounting for the economic entity that the parent controls. In relation to the former, the Board decided that each category of investment should be accounted for consistently.

BC8 The Board decided that the same approach to accounting for investments in separate financial statements should apply irrespective of the circumstances for which they are prepared. Thus, a parent that presents consolidated financial statements, and a parent that does not because it is exempted, should present the same form of separate financial statements.

Investment entities

BC8A *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, introduced an exception to the principle in IFRS 10 that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*,[1] if IFRS 9 has not yet been adopted) instead of consolidating those subsidiaries. Consequently, the Board decided to amend IAS 27 to require an investment entity to also measure its investments in subsidiaries at fair value through profit or loss in its separate financial statements. The Board also made corresponding amendments to the disclosure requirements for an investment entity's separate financial statements, noting that if an investment entity prepares separate financial statements as its only financial statements, it is still appropriate for the investment entity to make the disclosures otherwise required in IFRS 12 about its interests in subsidiaries.

1 IFRS 9 *Financial Instruments* replaced IAS 39. IFRS 9 applies to all items that were previously within the scope of IAS 39.

Measurement of investments in subsidiaries, joint ventures and associates in separate financial statements

2003 revision

BC9 IAS 27 (as revised by the Board's predecessor body in 2000) permitted entities to measure investments in subsidiaries in any one of three ways in the parent's separate financial statements. These were at cost, using the equity method, or as available-for-sale[2] financial assets in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.[3] IAS 28 *Investments in Associates* permitted the same choices for investments in associates in separate financial statements, and IAS 31 *Interests in Joint Ventures* stated that IAS 31 did not indicate a preference for any particular treatment for accounting for interests in joint ventures in a joint venturer's separate financial statements. However, in 2003 the Board decided to require the use of cost or IAS 39 for all investments included in separate financial statements and to remove the equity method as one of the measurement options.

BC10 Although the equity method would provide users with some profit or loss information similar to that obtained from consolidation, the Board noted that such information is reflected in the investor's consolidated or individual financial statements and does not need to be provided to the users of its separate financial statements. For separate financial statements, the focus is upon the performance of the assets as investments. The Board concluded that separate financial statements prepared using either the fair value method in accordance with IAS 39[4] or the cost method would be relevant. Using the fair value method in accordance with IAS 39 would provide a measure of the economic value of the investments. Using the cost method can result in relevant information, depending on the purpose of preparing the separate financial statements. For example, they may be needed only by particular parties to determine the dividend income from subsidiaries.

Equity method in separate financial statements (amendments issued in 2014)

BC10A In their responses to the Board's 2011 Agenda Consultation, some respondents said that:

(a) the laws of some countries require listed companies to present separate financial statements prepared in accordance with local regulations, and those local regulations require the use of the equity method to account for investments in subsidiaries, joint ventures and associates; and

2 IFRS 9 *Financial Instruments* eliminated the category of available-for-sale financial assets.

3 IFRS 9 *Financial Instruments* replaced IAS 39. IFRS 9 applies to all items that were previously within the scope of IAS 39.

4 In May 2011 the Board issued IFRS 13 *Fair Value Measurement*, which contains requirements for measuring fair value.

(b) in most cases, the use of the equity method would be the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with local regulations.

BC10B Those respondents strongly supported the inclusion of the equity method as one of the options for measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity. In May 2012, the Board decided to consider restoring the option to use the equity method in separate financial statements through a narrow-scope project. Consequently, the Board issued an Exposure Draft in December 2013, the proposals in which would facilitate convergence of local GAAP in those jurisdictions with IFRS for separate financial statements, and that would help to reduce compliance costs for some entities without the loss of information.

Definition of separate financial statements

BC10C Some respondents to the Exposure Draft commented that the proposed amendments to paragraphs 4 and 6 of IAS 27 create an inconsistency in the definition of 'separate financial statements', especially for an investor that has investments in associates or joint ventures and no investments in subsidiaries. The financial statements of such an investor in which the investments in joint ventures and associates are accounted for using the equity method would be the investor's primary financial statements as well as its separate financial statements. Consequently, they assert that there could be confusion about the applicability of the disclosure requirements in IAS 27 and IFRS 12. IFRS 12 does not apply to an entity's separate financial statements.

BC10D The Board noted that the financial statements of an investor that has no investments in subsidiaries, and has investments in associates or joint ventures that are required by IAS 28 to be accounted for using the equity method, are not separate financial statements. Consequently, in those financial statements, such an investor is required to comply with the disclosure requirements in IFRS 12. As a logical consequence, such an investor is less likely to prepare separate financial statements in which investments in associates or joint ventures are accounted for using the equity method. If such an investor presents separate financial statements, the Board expects that the investor is likely to account for its investments in associates or joint ventures either at cost or in accordance with IFRS 9.

BC10E The Board also noted that an investor that is exempted in accordance with paragraph 17 of IAS 28 from applying the equity method to its investments in joint ventures and associates may elect to present separate financial statements in which the investor elects to account for those investments using the equity method. In those separate financial statements, the investor is not required to present the information required by IFRS 12 for its investments in joint ventures and associates (see paragraph 6(b) of IFRS 12).

Application of the equity method

BC10F IAS 28 contains guidance on the application of the equity method. IAS 28 notes that many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10 (see paragraph 26 of IAS 28).

BC10G In general, the application of the equity method to investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity is expected to result in the same net assets and profit or loss attributable to the owners as in the entity's consolidated financial statements. However, there could be situations in which applying the equity method in separate financial statements to investments in subsidiaries would give a different result compared to the consolidated financial statements. Some of those situations are:

(a) *impairment testing requirements in IAS 28.* For an investment in a subsidiary accounted for in separate financial statements using the equity method, goodwill that forms part of the carrying amount of the investment in the subsidiary is not tested for impairment separately. Instead, the entire carrying amount of the investment in the subsidiary is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset. However, in the consolidated financial statements of the entity, because goodwill is recognised separately, it is tested for impairment by applying the requirements in IAS 36 for testing goodwill for impairment.

(b) *subsidiary that has a net liability position.* IAS 28 requires an investor to discontinue recognising its share of further losses when its cumulative share of losses of the investee equals or exceeds its interest in the investee, unless the investor has incurred legal or constructive obligations or made payments on behalf of the investee, in which case a liability is recognised, whereas there is no such requirement in relation to the consolidated financial statements.

(c) *capitalisation of borrowing costs incurred by a parent in relation to the assets of a subsidiary.* IAS 23 *Borrowing Costs* notes that, in some circumstances, it may be appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs. When a parent borrows funds and its subsidiary uses them for the purpose of obtaining a qualifying asset, in the consolidated financial statements of the parent the borrowing costs incurred by the parent are considered to be directly attributable to the acquisition of the subsidiary's qualifying asset. However, this would not be appropriate in the separate financial statements of the parent if the parent's investment in the subsidiary is a financial asset, which is not a qualifying asset.

Some respondents to the Exposure Draft asked the Board to consider providing additional guidance to align the carrying amount of a subsidiary in the parent's separate financial statements with the net assets of the subsidiary that are attributable to the parent in the parent's consolidated financial statements. The Board concluded that creating any additional guidance within IAS 28 to eliminate such differences was outside the scope of this project. The Board was concerned that the development of such guidance would not be possible without adequate research and analysis, which would delay the amendments. Consequently, the Board decided not to consider these requests.

BC10H Some respondents to the Exposure Draft commented that IAS 28 should be amended to provide guidance on the application of the equity method to a subsidiary in the separate financial statements of the parent. The Board concluded that amending IAS 28 to provide such guidance was outside the scope of the project, and a parent that has elected to apply the equity method to account for its subsidiaries in its separate financial statements should follow the methodology in IAS 28 as applicable to an associate or a joint venture.

2008 amendments

BC11 As part of its annual improvements project begun in 2007, the Board identified an apparent inconsistency with IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*. The inconsistency related to the accounting by a parent in its separate financial statements when investments it accounts for in accordance with IAS 39 are classified as held for sale in accordance with IFRS 5. Paragraph 10 requires an entity that prepares separate financial statements to account for such investments that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 if they are measured at cost. However, financial assets that an entity accounts for in accordance with IAS 39 are excluded from IFRS 5's measurement requirements.

BC12 Paragraph BC13 of the Basis for Conclusions on IFRS 5 explains that the Board decided that non-current assets should be excluded from the measurement scope of IFRS 5 only 'if (i) they are already carried at fair value with changes in fair value recognised in profit or loss or (ii) there would be difficulties in determining their fair value less costs to sell.'[5] The Board acknowledged in the Basis for Conclusions on IFRS 5 that not all financial assets within the scope of IAS 39 are recognised at fair value with changes in fair value recognised in profit or loss, but it did not want to make any further changes to the accounting for financial assets at that time.

BC13 Therefore, the Board amended paragraph 10 by *Improvements to IFRSs* issued in May 2008 to align the accounting in separate financial statements for those investments that are accounted for in accordance with IAS 39 with the measurement exclusion that IFRS 5 provides for other assets that are accounted for in accordance with IAS 39 before classification as held for sale. Thus, an entity should continue to account for such investments in accordance with IAS 39 when they meet the held for sale criteria in IFRS 5.

5 In May 2011 the Board issued IFRS 13 *Fair Value Measurement*, which contains requirements for measuring fair value.

Dividend received from a subsidiary, a joint venture or an associate

BC14 Before *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* was issued in May 2008, IAS 27 described a 'cost method'. This required an entity to recognise distributions as income only if they came from post-acquisition retained earnings. Distributions received in excess of such retained earnings were regarded as a recovery of investment and were recognised as a reduction in the cost of the investment. To apply that method retrospectively upon first-time adoption of IFRSs in its separate financial statements, an investor would need to know the subsidiary's pre-acquisition retained earnings in accordance with IFRSs.

BC15 Restating pre-acquisition retained earnings would be a task tantamount to restating the business combination (for which IFRS 1 *First-time Adoption of International Financial Reporting Standards* provides an exemption in Appendix C). It might involve subjective use of hindsight, which would diminish the relevance and reliability of the information. In some cases, the restatement would be time-consuming and difficult. In other cases, it would be impossible (because it would involve making judgements about the fair values of the assets and liabilities of a subsidiary at the acquisition date).

BC16 Therefore, in *Cost of an Investment in a Subsidiary*, an exposure draft of proposed amendments to IFRS 1 (published in January 2007), the Board proposed to give first-time adopters an exemption from restating the retained earnings of the subsidiary at the date of acquisition for the purpose of applying the cost method.

BC17 In considering the responses to that exposure draft, the Board observed that the principle underpinning the cost method is that a return of an investment should be deducted from the carrying amount of the investment. However, the wording in the previous version of IAS 27 created a problem in some jurisdictions because it made specific reference to retained earnings as the means of making that assessment. The Board decided that the best way to resolve this issue was to delete the definition of the cost method.

BC18 In removing the definition of the cost method, the Board concluded that an investor should recognise a dividend from a subsidiary, a joint venture or an associate as income in its separate financial statements. Consequently, the requirement to separate the retained earnings of an entity into pre-acquisition and post-acquisition components as a method for assessing whether a dividend is a recovery of its associated investment has been removed from IFRSs.

BC19 To reduce the risk that removing the definition of the cost method would lead to investments in subsidiaries, joint ventures and associates being overstated in the separate financial statements of the investor, the Board proposed that the related investment should be tested for impairment in accordance with IAS 36.

BC20 The Board published its revised proposals in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, an exposure draft of proposed amendments to IFRS 1 and IAS 27, in December 2007. Respondents generally supported the proposed amendments to IAS 27, except for the proposal to require impairment testing of the related investment when an investor recognises a dividend. In the light of the comments received, the Board revised its proposal and identified specific indicators of impairment. This was done to narrow the circumstances in which impairment testing of the related investment would be required when an investor recognises a dividend (see paragraph 12(h) of IAS 36). The Board included the amendments in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* issued in May 2008.

Measurement of cost in the separate financial statements of a new parent

BC21 In 2007 the Board received enquiries about the application of paragraph 10(a) when a parent reorganises the structure of its group by establishing a new entity as its parent. The new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent.

BC22 In this type of reorganisation, the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation. In addition, the owners of the original parent have the same relative and absolute interests in the net assets of the new group immediately after the reorganisation as they had in the net assets of the original group before the reorganisation. Finally, this type of reorganisation involves an existing entity and its shareholders agreeing to create a new parent between them. In contrast, many transactions or events that result in a parent-subsidiary relationship are initiated by a parent over an entity that will be positioned below it in the structure of the group.

BC23 Therefore, the Board decided that in applying paragraph 10(a) *in the limited circumstances in which a parent establishes a new parent in this particular manner*, the new parent should measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. In December 2007 the Board published an exposure draft proposing to amend IAS 27 to add a paragraph with that requirement.

BC24 In response to comments received from respondents to that exposure draft, the Board modified the drafting of the amendment (paragraphs 13 and 14) to clarify that it applies to the following types of reorganisations when they satisfy the criteria specified in the amendment:

(a) reorganisations in which the new parent does not acquire all the equity instruments of the original parent. For example, a new parent might issue equity instruments in exchange for ordinary shares of the original parent, but not acquire the preference shares of the original parent. In addition, a new parent might obtain control of the original parent, but not acquire all the ordinary shares of the original parent.

(b) the establishment of an intermediate parent within a group, as well as the establishment of a new ultimate parent of a group.

(c) reorganisations in which an entity that is not a parent establishes a new entity as its parent.

BC25 In addition, the Board clarified that the amendment focuses on the measurement of one asset—the new parent's investment in the original parent in the new parent's separate financial statements. The amendment does not apply to the measurement of any other assets or liabilities in the separate financial statements of either the original parent or the new parent or in the consolidated financial statements.

BC26 The Board included the amendment in *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* issued in May 2008.

BC27 The Board did not consider the accounting for other types of reorganisations or for common control transactions more broadly. Accordingly, paragraphs 13 and 14 apply only when the criteria in those paragraphs are satisfied. Therefore, the Board expects that entities would continue to account for transactions that do not satisfy the criteria in paragraphs 13 and 14 in accordance with their accounting policies for such transactions. The Board plans to consider the definition of common control and the accounting for business combinations under common control in a future project on common control transactions.

Disclosure (2011 amendments)

BC28 When IAS 27 was amended in 2011, the Board clarified the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent that prepares consolidated financial statements that comply with IFRSs. IAS 27 (as amended in 2008) had previously required the disclosure of the country of incorporation or residence of such entities. The clarification of the disclosure requirement is more consistent with those requirements in other IFRSs (eg IFRS 12 and IAS 1 *Presentation of Financial Statements*) that also require disclosure of the principal place of business and country of incorporation.

Effective date (2011 amendments)

BC29 The Board decided to align the effective date for the Standard with the effective date for IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended in 2011). When making this decision, the Board noted that the five IFRSs all deal with the assessment of, and related accounting and disclosure requirements about, a reporting entity's special relationships with other entities (ie when the reporting entity has control or joint control of, or significant influence over, another entity). As a result, the Board concluded that applying IAS 27 without also applying the other four IFRSs could cause unwarranted confusion.

BC30 The Board usually sets an effective date of between twelve and eighteen months after issuing an IFRS. When deciding the effective date for the five IFRSs, the Board considered the following factors:

(a) the time that many countries require for translation and for introducing the mandatory requirements into law.

(b) the consolidation project was related to the global financial crisis that started in 2007 and was accelerated by the Board in response to urgent requests from the leaders of the G20, the Financial Stability Board, users of financial statements, regulators and others to improve the accounting and disclosure of an entity's 'off balance sheet' activities.

(c) the comments received from respondents to the Request for Views *Effective Date and Transition Methods* that was published in October 2010 regarding implementation costs, effective date and transition requirements of the IFRSs to be issued in 2011. Most respondents did not identify the consolidation and joint arrangements IFRSs as having a high impact in terms of the time and resources that their implementation would require. In addition, only a few respondents commented that the effective dates of those IFRSs should be aligned with those of the other IFRSs to be issued in 2011.

BC31 With these factors in mind, the Board decided to require entities to apply the five IFRSs for annual periods beginning on or after 1 January 2013.

BC32 Most respondents to the Request for Views supported early application of the IFRSs to be issued in 2011. Respondents stressed that early application was especially important for first-time adopters in 2011 and 2012. The Board was persuaded by these arguments and decided to permit early application of IAS 27 but only if an entity applies it in conjunction with the other IFRSs (ie IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended in 2011)) to avoid a lack of comparability among financial statements, and for the reasons noted in paragraph BC29 that triggered the Board's decision to set the same effective date for all five IFRSs. Even though an entity should apply the five IFRSs at the same time, the Board noted that an entity should not be prevented from providing any information required by IFRS 12 early if by doing so users gained a better understanding of the entity's relationships with other entities.

Transition requirements (2014 amendments)

BC33 Some respondents to the Exposure Draft suggested that the Board should consider providing some form of relief to make the transition to accounting for investments in subsidiaries, joint ventures and associates using the equity method easier. However, the Board noted that an entity should be able to use the information that is used for consolidation of the subsidiary in its consolidated financial statements for applying the equity method to the investment in the subsidiary in its separate financial statements. Investments in associates and joint ventures (after applying the transition provisions of IFRS 11) are accounted for using the equity method in the consolidated financial statements, which means that an entity need not perform any additional procedures and can use the same information in its separate financial statements. The Board also noted that many entities would be able to draw on the information in the financial statements of its ultimate, or any intermediate, parent in order to calculate the carrying amount of its investment in a subsidiary, joint venture and associate on the initial application of these amendments. Furthermore, the application of the equity method in separate financial statements is optional and not mandatory. Consequently, the Board concluded that additional transition relief was not needed and that an entity that elects to use the equity method should be required to apply the amendments retrospectively in accordance with IAS 8.

Dissenting Opinion

Dissent of Mary E Barth and Philippe Danjou from *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 and IAS 27) issued in May 2008

Cross-references have been updated.

DO1 Professor Barth and Mr Danjou voted against the publication of *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*). The reasons for their dissent are set out below.

DO2 These Board members disagree with the **requirement** in paragraphs 13 and 14 of IAS 27 that when a reorganisation satisfies the criteria specified in those paragraphs and the resulting new parent accounts for its investment in the original parent at cost in accordance with paragraph 10(a) of IAS 27, the new parent must measure the cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

DO3 These Board members acknowledge that a new parent could choose to apply paragraph 10(b) of IAS 27 and account for its investment in the original parent in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.[6] However, the new parent then would be required to account for the investment in accordance with IAS 39 in subsequent periods and to account for all other investments in the same category in accordance with IAS 39.

DO4 These Board members also acknowledge, as outlined in paragraph BC23 of the Basis for Conclusions on IAS 27, that this type of reorganisation is different from other types of reorganisations in that the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation, as are the interests of the owners of the original parent in the net assets of those groups. Therefore, using the previous carrying amount to measure the cost of the new parent's investment in the original parent might be appropriate on the basis that the separate financial statements of the new parent would reflect its position as part of a pre-existing group.

DO5 However, these Board members believe that it is inappropriate to preclude a new parent from measuring the cost of its investment in the original parent at the fair value of the shares that it issues as part of the reorganisation. Separate financial statements are prepared to reflect the parent as a separate legal entity (ie not considering that the entity might be part of a group). Although such a reorganisation does not change the assets and liabilities of the group and therefore should have no accounting effect at the consolidated level, from the perspective of the new parent as a separate legal entity, its position has

6 IFRS 9 *Financial Instruments* replaced IAS 39. IFRS 9 applies to all items that previously were within the scope of IAS 39.

changed—it has issued shares and acquired an investment that it did not have previously. Also, in many jurisdictions, commercial law or corporate governance regulations require entities to measure new shares that they issue at the fair value of the consideration received for the shares.

DO6 These Board members believe that the appropriate measurement basis for the new parent's cost of its investment in the original parent depends on the Board's view of separate financial statements. The Board is or will be discussing related issues in the reporting entity phase of its *Conceptual Framework* project and in its project on common control transactions. Accordingly, these Board members believe that the Board should have permitted a new parent to measure the cost of its investment in the original parent either at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent or at the fair value of the equity instruments that it issues until the Board discusses the related issues in its projects on reporting entity and common control transactions.

