

FASB Interpretation No. 13

Note: This Interpretation has been completely superseded

[FIN13 Status Page](#)

Consolidation of a Parent and Its Subsidiaries Having Different Balance Sheet Dates

an interpretation of FASB Statement No. 12

September 1976



Financial Accounting Standards Board
of the Financial Accounting Foundation
401 MERRITT 7, P.O. BOX 5116, NORWALK, CONNECTICUT 06856-5116

Copyright © 1976 by Financial Accounting Standards Board. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Standards Board.

FIN 13: Consolidation of a Parent and Its Subsidiaries Having Different Balance Sheet Dates

an interpretation of FASB Statement No. 12

INTRODUCTION

1. Paragraphs 8, 9, and 15 of *FASB Statement No. 12*, "Accounting for Certain Marketable Securities," set forth the requirements of the portfolio basis for comparing cost and market value. The portfolio basis requires that marketable equity securities owned by enterprises that are consolidated and that do not follow specialized accounting practices with respect to marketable equity securities, or that are consolidated and follow the same specialized accounting practices with respect to marketable equity securities, shall be aggregated into separate portfolios according to the current or noncurrent classifications of the securities. The aggregate cost and aggregate market value of the portfolios are compared to determine carrying amount.

2. Paragraph 13 of *FASB Statement No. 12*, which applies to enterprises in industries not having specialized accounting practices with respect to marketable securities, states:

An enterprise's financial statements shall not be adjusted for realized gains or losses or for changes in market prices with respect to marketable equity securities when such gains or losses or changes occur after *the date of the financial statements* but prior to their issuance, except for situations covered by paragraph 21. However, significant net realized and net unrealized gains and losses arising after *the date of the financial statements*, but prior to their issuance, applicable to marketable equity securities owned at the date of the most recent balance sheet shall be disclosed. (Emphasis added.)

Paragraph 17 of *FASB Statement No. 12*, which applies to enterprises in industries having specialized accounting practices with respect to marketable securities, is in substance identical to paragraph 13 of the Statement.

3. The financial statements of a subsidiary sometimes are consolidated with the financial statements of its parent even though the financial statements of the subsidiary are as of a date

different from the financial statements of the parent. The use of different dates is permitted by paragraph 4 of *ARB No. 51*, "Consolidated Financial Statements," which states:

A difference in fiscal periods of a parent and a subsidiary does not of itself justify the exclusion of the subsidiary from consolidation. It ordinarily is feasible for the subsidiary to prepare, for consolidation purposes, statements for a period which corresponds with or closely approaches the fiscal period of the parent. However, where the difference is not more than about three months, it usually is acceptable to use, for consolidation purposes, the subsidiary's statements for its fiscal period; when this is done, recognition should be given by disclosure or otherwise to the effect of intervening events which materially affect the financial position or results of operations.

4. The Board has been requested to clarify application of the portfolio basis specified in *FASB Statement No. 12* when the financial statements of a subsidiary are as of a date different from that of its parent and are consolidated with the financial statements of its parent. Further, the Board has been asked to explain the meaning of "the date of the financial statements" in paragraphs 13 and 17 of *FASB Statement No. 12* when the financial statements of a subsidiary or investee are as of a date different from that of its parent or investor and are consolidated with or accounted for by the equity method in the financial statements of its parent or investor.

INTERPRETATION

5. To compute the amount of any valuation allowance(s) required by *FASB Statement No. 12* in the consolidated financial statements, aggregate cost and aggregate market value of the portfolio(s) shall be determined for each subsidiary that is consolidated as of the date of each subsidiary's balance sheet, and those aggregates shall be combined with aggregate cost and aggregate market value of the parent's portfolio(s) determined as of the parent's balance sheet date. For example, assume that consolidated financial statements dated December 31, 1976 and issued on March 1, 1977 include the financial statements of the parent as of December 31, 1976 and of the subsidiary as of October 31, 1976. The cost of the marketable equity securities owned by the subsidiary at October 31, 1976 is added to the cost of the marketable equity securities owned by the parent at December 31, 1976. The market values at October 31, 1976 of the securities owned by the subsidiary and the market values at December 31, 1976 of the securities owned by the parent are aggregated in the same manner. The aggregate cost and aggregate market value of the portfolios are compared to determine the carrying amount in the consolidated financial statements.

6. For purposes of applying paragraphs 13 and 17 of *FASB Statement No. 12*, "the date of the financial statements" shall be for each subsidiary or investee the date of the financial statements that are consolidated with or accounted for by the equity method in the financial statements of its

parent or investor. The last sentence in each of those paragraphs requires disclosure of significant net realized gains or losses and of significant net unrealized gains or losses arising after the date of the financial statements. Using the assumptions in the example in paragraph 5 above, aggregate amounts are computed as follows for possible disclosure: the net *realized* gains or losses arising after October 31, 1976 and prior to March 1, 1977 applicable to the marketable equity securities in the portfolio of the subsidiary at October 31, 1976 are aggregated with the net *realized* gains or losses arising after December 31, 1976 and prior to March 1, 1977 applicable to the marketable equity securities in the portfolio of the parent at December 31, 1976. Likewise, net *unrealized* gains or losses arising in the portfolio of the subsidiary after October 31, 1976 and prior to March 1, 1977 applicable to the marketable equity securities in the portfolio of the subsidiary at October 31, 1976 are aggregated with the net *unrealized* gains or losses arising after December 31, 1976 and prior to March 1, 1977 applicable to the marketable equity securities in the portfolio of the parent at December 31, 1976. If significant, each of the aggregate amounts shall be disclosed.

7. If the financial statements of a subsidiary are consolidated with the financial statements of its parent and the financial statements of the subsidiary are as of a date different from the financial statements of the parent, paragraph 4 of *ARB No. 51* requires that "recognition should be given by disclosure or otherwise to the effect of intervening events which materially affect the financial position or results of operations." In the case of the subsidiary in the example in paragraph 5 above, that requirement pertains to the period from October 31, 1976 to December 31, 1976. Accordingly, in addition to the disclosure required by paragraph 6 above, the net realized gains or losses and the net unrealized gains or losses arising after October 31, 1976 and prior to December 31, 1976 applicable to the marketable equity securities of the subsidiary shall be disclosed if they "materially affect the financial position or results of operations." Further, as required by paragraphs 13 and 17 of *FASB Statement No. 12*,¹ the subsidiary's financial statements shall not be adjusted for realized gains or losses or for changes in market prices with respect to its marketable equity securities occurring after October 31, 1976 and prior to December 31, 1976, unless the decline in market value below cost of an individual marketable equity security is determined to be other than temporary and, accordingly, shall be accounted for as a realized loss.

EFFECTIVE DATE AND TRANSITION

8. The provisions of this Interpretation shall be effective for financial statements for annual and interim periods ending after October 15, 1976. Earlier application is encouraged in financial statements for annual and interim periods ending before October 16, 1976 that have not been previously issued. This Interpretation shall not be applied retroactively for previously issued annual or interim financial statements.

This Interpretation was adopted by the unanimous vote of the six members of the Financial Accounting Standards Board following submission to the members of the Financial Accounting Standards Advisory Council.

Marshall S. Armstrong, *Chairman*
Oscar S. Gellein
Donald J. Kirk
Arthur L. Litke
Robert E. Mays
Robert T. Sprouse

Footnotes

FIN13, Footnote 1--See also *FASB Interpretation No. 11*, "Changes in Market Value after the Balance Sheet Date: an interpretation of FASB Statement No. 12."