

## TPA 1400.32 - Parent-Only Financial Statements and Relationship to GAAP

Inquiry – ARB 51, *Consolidated Financial Statements*, and FASB Statement No. 94, *Consolidation of All Majority-Owned Subsidiaries*, address parent company financial statements. If consolidation is required under generally accepted accounting principles (GAAP), are there any circumstances in which an entity may prepare parent company-only financial statements without preparing related consolidated financial statements and say that the parent company-only financial statements are in accordance with GAAP?

Reply – No. Paragraph 1 of ARB 51 notes the presumption in GAAP that consolidated financial statements are more meaningful than parent company-only financial statements. Paragraph 3 of ARB 51 states that all majority-owned subsidiaries shall be consolidated, with few exceptions. Paragraph 24 of ARB 51 adds that parent company financial statements may be needed in addition to consolidated financial statements, but it does not suggest that parent company financial statements may be prepared in place of consolidated financial statements.

For example, if, as a condition of a legal or regulatory agreement, an entity is required to submit “restricted” or “special use” parent-only financial statements without related consolidated financial statements, the restricted or special use parent-only financial statements are not in accordance with GAAP.