asian-oceanian standard-setters group

31 January 2022

Mr. Andreas Barckow
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Mr. Barckow,

AOSSG Comments on IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 27-member standard-setters from the Asian-Oceanian region: Australia, Bangladesh, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG IFRS for SMEs Working Group.

AOSSG members generally indicated support of the new Standard, including one AOSSG member whose support is premised on the condition that the proposed Standard, when finalised, remains an optional Standard. Another AOSSG member noted that the situation in their jurisdiction is different from the background and reasons for the project as stated in ED/2021/7, and their support of the draft Standard is based on the IASB's direction of simplifying the disclosure for subsidiaries without public accountability.

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While some AOSSG members have no objection to the scope of the draft Standard, others recommend extending the scope to all entities without public accountability. These AOSSG members believe that the narrow scope of the draft Standard may, in general, reduce the comparability of financial statements of entities without public accountability. In addition, some AOSSG members have suggested the IASB should provide further clarification on the term *'public accountability'*, including the meaning of public market, because a consistent understanding of the meaning *public accountability* is important as it determines the scope of the new Standard.

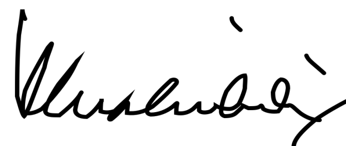
That said, one AOSSG member believes that the IASB should not determine who must, should, or could apply the draft Standard but instead, the IASB to indicate the intended scope of entities when developing the draft Standard so that the regulatory authority in each jurisdiction can use it as a starting point and be provided with the flexibility to tailor the scope of the draft Standard according to their specific needs.

Some AOSSG members also enquire on the interconnectivity between the draft Standard and ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach*. There are concerns on whether the different approaches in the draft Standard and ED/2021/3 will potentially create conflict and a larger gap in the disclosures between the parent entity and its subsidiaries, and hence, has enquired the 'real benefits' that the draft Standard will provide. Therefore, these AOSSG members suggest the IASB to clarify the interaction between these projects in respect of the approach to developing the proposed disclosure requirements.

The views of the AOSSG members in relation to the specific questions in the Exposure Draft are provided in the **Appendix**.

The AOSSG hopes that our comments will be helpful for the IASB's future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,



Mr. Nishan Fernando
Chair of the AOSSG

Datuk Mohd Nasir Ahmad
Leader of the AOSSG IFRS for SMEs Working Group

Appendix

Question 1— Objective
Paragraph 1 of the draft Standard proposes that the objective of the draft Standard *Subsidiaries without Public Accountability: Disclosures* is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Standards. Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

Response

AOSSG members generally agree with the objective of the draft Standard. Among the AOSSG member jurisdictions, it is common for all entities within a group to file their respective set of company level financial statements, apart from the parent entity's consolidated financial statements.

(a) One AOSSG member emphasises that its support for the proposals is premised on the condition that the draft Standard shall remain optional for eligible subsidiaries. This is because of the apparent benefits for a subsidiary to provide comprehensive IFRS disclosures as required by the IFRS Standards ('*full IFRS disclosures*') in a subsidiary company's financial statements for the reasons as stated below.

  (i) In the case whereby a parent entity is merely an investment holding with all of its operations carried out at the subsidiaries, the risks would accordingly reside at the respective subsidiaries and hence, it is essential for the specific subsidiary to provide *full IFRS disclosures* for a better understanding of the specific subsidiary operations and risks.

  (ii) Although material information is expected to be disclosed in the consolidated financial statements, nonetheless, that information only provides a holistic understanding of the group's operations and risks as a whole group, without the visibility of risks involved in specific subsidiaries.

  (iii) Some preparers of financial statements at the parent level are of the view that *full IFRS disclosures* in the subsidiary company's financial statements provide a form of good management control at the parent level, i.e., it is able to provide visibility of the numbers being reported by the subsidiaries.

  (iv) Having the subsidiary company's financial statements to provide *full IFRS disclosures* would be helpful particularly for smaller groups that

may not have group reporting package and would rely on the subsidiary company's financial statements to compile the financial information for the purpose of consolidated financial statements.

(b) Another AOSSG member notes that the draft Standard and *IFRS for SMEs* Standard are targeting at entities without public accountability and that the IASB is deliberating feedback on the second comprehensive review of *IFRS for SMEs* Standard. This AOSSG member considers that the draft Standard and *IFRS for SMEs* Standard would become quite similar if the requirements in *IFRS for SMEs* Standard would align with those in the IFRS Standards. For this reason, this AOSSG member recommends the IASB to clarify how this draft Standard interacts with the second comprehensive review of the *IFRS for SMEs* Standard and to provide educational materials to help stakeholders understand the effects of the draft Standard.

About the aim of the draft Standard to reduce cost for preparers,

(c) a few AOSSG members are of the view that although the draft Standard could potentially result in reducing costs of financial reporting at the subsidiary level, nonetheless, additional cost would still need to be incurred for group reporting as the subsidiaries need to provide a supplementary reporting information for the purpose of preparation of the *full IFRS disclosures* in the consolidated financial statements. As such, even if these subsidiaries would produce lesser disclosure when applying the draft Standard, the preparation costs have been incurred when they provide information to the parent (sunk cost). This raises question about the intended benefit of the draft Standard that aims to reduce the preparation cost of financial statements.

(d) other AOSSG members note that the benefit of the draft Standard might be limited considering the interaction with their local laws.

   (i) one AOSSG member observes that the proposed Standard may bring limited benefit. In its jurisdiction, corporate law (Companies Act 2017) requires all subsidiaries of a listed parent entity to apply IFRS Standards in the preparation of the statutory financial statements. This approach avoids the need for the preparation of two sets of financial statements by subsidiaries of listed parent entities since the eligible subsidiaries are already preparing financial statements as per the requirements of *full* IFRS Standards disclosure requirements. Moreover, these IFRS-based disclosures presented in the financial statements of eligible subsidiaries are significant for the purpose of preparation of consolidated financial statements of the parent entity. Therefore, the objective of the draft Standard has a limited relief in the context of that member jurisdiction.

   (ii) similarly, another AOSSG member adds that in the context of its jurisdiction, the benefit of the draft Standard will only come into play

only if their Ministry of Corporate Affairs reflects these changes into their Companies Act (Schedule III), which requires extensive disclosure requirements.

Question 2— Scope
Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22 of the Basis for Conclusions explain the Board's reasons for that proposal. Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

Response

AOSSG members generally agree with the proposed scope of the draft Standard although a few AOSSG members suggest for the scope to be extended and one AOSSG member is of the view that IASB should not determine the applicability of the draft Standard but instead, the IASB to indicate the intended scope of entities when developing the draft Standard so that the regulatory authority in each jurisdiction can use it as a starting point and be provided with the flexibility to tailor the scope of the draft Standard according to their specific needs.

Those who agree with the scope of the draft Standard suggest further clarification to be provided on the following matters:

(a) One AOSSG member suggests that the description of '*public accountability*' needs to be further clarified, that is, it includes an issuer (which is a subsidiary of a parent entity that prepares IFRS consolidated financial statements) that raised funds from other alternative venues and digital market initiatives that fall within the scope of '*public market*'.

The draft Standard uses the description of '*public accountability*' from the *IFRS for SMEs* Standard that was issued more than a decade ago in 2009 during which the alternative venues apart from public market for fund raising such as, equity crowdfunding ("ECF"), peer to peer financing ("P2P") and initial exchange offerings of digital assets ("IEO") was not prevalent.

(b) Two AOSSG members suggest further explanation to be provided on the term '*available for public use*'.

(i) one highlights that a person can obtain copies of financial statements of any company from the corporate regulator on payment of a prescribed fee. In this scenario, the stakeholders may consider such financial statements as available for public use. Therefore, a discussion on this

aspect should be considered by the IASB to ensure a common and consistent understanding of the proposed Standard.

(ii) another observes that although the concept '*available for public use'* is used in IFRS 10 *Consolidated Financial Statements,* however, both the IFRS 10 and the draft Standard do not provide any guidance on what the term means. Even though the term has been used for a long time and practice has evolved, this AOSSG member considers that the proposals in the draft Standard are likely to put pressure on the definition of 'available for public use'. If the IASB were to retain the criteria in paragraph 6(c) of the draft Standard, this AOSSG member suggests that the IASB considers providing clear guidance on the term because the meaning of the term will affect the scope of the draft Standard.

Some other AOSSG members recommend extending the scope of the draft Standard to all entities without public accountability, while one AOSSG member suggests extending the scope to include other entities i.e., medium-sized or small-sized entities, for the reason that such entities could later move to IFRS framework. The narrow scope of the draft Standard may, in general, reduce the comparability of financial statements of entities without public accountability, as entities that are not subsidiaries would have to report under an alternative framework. Hence, extending the scope to all entities without public accountability may encourage worldwide adoption of the draft Standard. These AOSSG members provide the following reasons to support their view about extending the scope of the draft Standard:

(a) The main benefits of the worldwide adoption would be:

- simplification of the reporting framework as fewer frameworks would be used;
- reduced costs of financial reporting for all entities without public accountability;
- increased understandability of the reporting requirements as well as the financial statements due to simplified framework; and
- increased consistency when transitioning to full IFRS reporting.

Since it is within the remit of individual standard-setters to decide on the framework applicable within their jurisdictions (i.e., the national standard setters could extend the scope in their jurisdiction), therefore, it could potentially extend the scope of the final Standard to all local entities without public accountability. However, by making the final Standard available to all entities without public accountability in a particular jurisdiction, the national standard-setter would potentially negate the reasons for the narrow scope stated by IASB in paragraph BC16. In addition, this AOSSG member thinks that such an approach could confuse stakeholders and give a false impression that user needs or financial reporting practices in that jurisdiction are

significantly different from those in other jurisdictions. Some stakeholders in this AOSSG member jurisdiction also indicated that the ability to claim compliance with IFRS Standards might help entities without public accountability reduce the costs of capital.

Therefore, this AOSSG member recommends that the IASB undertakes further outreach to understand the importance of IFRS compliance for entities without public accountability to help ensure that entities without public accountability, which are not subsidiaries, are not disadvantaged either due to the need to comply with a higher level of disclosure or higher costs of capital.

(b) In developing the draft Standard, the IASB has either retained the disclosure requirements in the *IFRS for SMEs* Standard or used the principles it used when developing them. *IFRS for SMEs* Standard was designed for SMEs regardless of whether they are a subsidiary. One AOSSG member notes that *IFRS for SMEs* Standard has been applied for more than 10 years and no significant concerns have been observed regarding its disclosure requirements. Therefore, this AOSSG member does not think that the scope of the draft Standard should be restricted to subsidiaries. The draft Standard states that the reason for limiting eligibility to subsidiaries with parents issuing publicly available financial information is that information exempted from being disclosed at the subsidiary level can be identified in the consolidated financial statements of its intermediate parent or ultimate parent (paragraph 6(c) of the draft Standard). However, this AOSSG member is of the view that information concerning a “particular” subsidiary will be disclosed in the parent’s consolidated financial statements only if that information is material at the group level. Furthermore, that information is often disclosed on an aggregate basis without it being attributed to any specific subsidiary. Hence, the requirement in paragraph 6(c) may not guarantee that information about the subsidiary could be identified in the parent’s consolidated financial statements. Since the proposed eligibility criteria do not guarantee disclosure of the eligible subsidiary’s information to the public, this AOSSG member doubts the value of retaining such a restriction. This AOSSG member also shares the view expressed by Ms. Françoise Flores, former IASB member, in paragraphs AV4 and AV5 of the Exposure Draft that widening the scope of the draft Standard to include all SMEs would help to set a better direction for the evolution of the *IFRS for SMEs* Standard. This would also facilitate stakeholders’ understanding of the differences of the scope and requirements between the Standards.

(c) For cost-benefit reasons, entities that do not have public accountability in this AOSSG member jurisdiction apply the recognition and measurement requirements of IFRS as adopted in the jurisdiction but are permitted to make fewer disclosures. This is because the recognition and measurement requirements in the IFRS as adopted are considered to be more appropriate for these entities than the requirements in the *IFRS for SMEs* Standard. These entities comprise entities that are not subsidiaries, as well as entities that are

subsidiaries of a parent entity that prepares financial statements that comply with IFRS Standards and are available for public use. This AOSSG member recommends the IASB to reconsider the scope of the proposals and for the scope to be extended to include all entities without public accountability that apply the recognition and measurement requirements in national standards that are equivalent to IFRS Standards. This would enable the proposed Standard to be adopted in jurisdictions that have not adopted the *IFRS for SMEs* Standard, but which have reduced disclosure requirements for entities that do not have public accountability.

One AOSSG member believes that the IASB should not determine the applicability of the draft Standard and leave it to each jurisdiction's authority so as to provide the jurisdiction with the flexibility to tailor the scope of the draft Standard according to their specific needs, including in cases where the regulatory authority decides to adopt a scope that is different from that proposed by the IASB. In this AOSSG member jurisdiction, in addition to statutory financial statements prepared in accordance with accounting standards prescribed by laws and regulations (often referred to as primary GAAP), it is fairly common for an entity to voluntarily prepare an additional set of financial statements prepared in accordance with a different set of accounting standards (often referred to as secondary GAAP). When a publicly accountable subsidiary, or an affiliate, voluntarily prepares financial statements with reduced disclosure requirements in accordance with the draft Standard, such financial statements would not be in compliance with IFRS Standards simply because the reporting entity does not meet the scope of the draft Standard, even when the information content is in full compliance with the draft Standard's disclosure requirements. This AOSSG member believes that, as long as it is clearly stated that the disclosures were prepared in accordance with the draft Standard, information that is voluntarily prepared by any type of entity should be considered to be in compliance with IFRS Standards. Accordingly, this AOSSG member does not think the IASB should prescribe the scope of the draft Standard but nonetheless, if the IASB indicates the intended scope of entities when developing the draft Standard, the regulatory authority in each jurisdiction can use it as a starting point.

Question 3— Approach to developing the proposed disclosure requirements
Paragraphs BC23–BC39 of the Basis for Conclusions explain the Board's reasons for its approach to developing the proposed disclosure requirements. Do you agree with that approach? Why or why not? If not, what approach would you suggest and why?

Response

AOSSG members generally agree with the approach to developing the proposed disclosure requirements, with specific comments as stated below. Another AOSSG member although did not disagree with the approach, observes that a 'top-down'

approach, i.e., using IFRS Standards as the starting point and providing disclosures exemptions under each IFRS Standard would be more preferable as it helps eligible subsidiaries understand and apply the draft Standard more effectively and efficiently. This is because most eligible subsidiaries may already be using *full* IFRS Standards for reporting to their parents.

On the specific comments, two AOSSG members raised concerns on the IASB's approach of not adding to the draft Standard disclosure requirements that arose from differences in timing (i.e., timing of when new or amended disclosure requirements are introduced to IFRS Standards and *IFRS for SMEs* Standard, as explained in paragraph BC31).

(a) One AOSSG member emphasises the need for the IASB to incorporate the cost-benefit considerations in developing the reduced disclosures when recognition and measurement requirements differ between the *IFRS for SMEs* Standard and IFRS Standards, apart from those principles considered by the IASB as explained in paragraphs BC33 and BC34.

(b) Another AOSSG member finds that the approach as stated in paragraph BC31 is inconsistent with the overall approach in developing the draft Standard. Although the IASB explains (paragraphs BC31, BC46 and BC51) that these exceptions will benefit users of financial statements applying the draft Standard and that these exceptions are supported by the principles used to develop the disclosure requirements in *IFRS for SMEs* Standard (paragraph BC51), this AOSSG member notes that it is inconsistent to address only some of the disclosure requirements that have been recently improved in developing the draft Standard. Therefore, this AOSSG member believes that the principle should be to include all disclosure requirements arising from timing differences in the draft Standard and to apply the principles used to develop the disclosure requirements in *IFRS for SMEs* Standard to tailor the disclosure requirements, for the following reasons:

    (i) Unlike *IFRS for SMEs* Standard, the draft Standard is not a separate Standard but forms part of IFRS Standards. Accordingly, the draft Standard and IFRS Standards should be consistent, and thus the draft Standard should incorporate all disclosure requirements arising from differences in timing.

    (ii) If disclosure requirements arising from differences in timing are not included in the draft Standard, financial statement users will not benefit from improvements in IFRS Standards until *IFRS for SMEs* Standard is updated.

On maintenance of the draft Standard, this AOSSG member supports the IASB's approach as stated in paragraph BC91, i.e., the draft Standard should be considered for amendment whenever an exposure draft of a new or

amended IFRS Standard is published, rather than when *IFRS for SMEs* Standard is updated.

Question 4— Exceptions to the approach

Paragraphs BC40–BC52 of the Basis for Conclusions explain the Board's reasons for the exceptions to its approach to developing the proposed disclosure requirements.
Exceptions (other than paragraph 130 of the draft Standard) relate to:

- disclosure objectives (paragraph BC41);
- investment entities (paragraphs BC42–BC45);
- changes in liabilities from financing activities (paragraph BC46);
- exploration for and evaluation of mineral resources (paragraphs BC47–BC49);
- defined benefit obligations (paragraph BC50);
- improvements to disclosure requirements in IFRS Standards (paragraph BC51); and
- additional disclosure requirements in the *IFRS for SMEs* Standard (paragraph BC52).

a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made?

b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*.

   (i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

   (ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

Response

(a) AOSSG members generally agree with the exceptions. Nonetheless, one AOSSG member believes that the exceptions as explained in paragraph BC40 seem incomplete.

Interconnectivity between this draft Standard and other Exposure Drafts

Some AOSSG members enquire on the interconnectivity between the draft Standard and ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach*. They observe that:

(i) Paragraph BC41 of the draft Standard states that the IASB proposed to exclude disclosure objectives from the draft Standard because the inclusion might result in entities being compelled to provide the same disclosures as if they had not applied the draft Standard, which would be contrary to the project objective. However, there are concerns on whether the different approaches between ED/2021/3 and the draft Standard will potentially create conflict and a larger gap in the disclosures between the parent entity and its subsidiaries, and hence, has enquired the 'real benefits' that the draft Standard will provide.

(ii) Both projects – this draft Standard and ED/2021/3 – aim to address disclosures problems. Accordingly, it was suggested that the IASB clarifies the interaction between the two projects in respect of the approach to developing the proposed disclosure requirements, in particular, whether the approach of setting overall and specific disclosure objectives would be adopted in the draft Standard, and whether 'non-mandatory' disclosure requirements as proposed in the ED/2021/3 would be excluded from this draft Standard going forward.

Another AOSSG member also raised whether the *IFRS for SMEs* Standard would be amended to be consistent with IFRS Standards when IFRS Standards are amended as a result of the project of "Disclosure Initiative—Targeted Standards-level Review of Disclosures" and hence, the IASB should clarify whether and if so, how, it intends to reconcile the different approaches.

Exceptions to the approach to developing the proposed disclosure requirements

Based on the presumption that there are no recognition and measurement differences between *IFRS for SMEs* Standard and IFRS Standards, one AOSSG member notes that disclosures that are not considered necessary for SMEs users should not be included in the draft Standard. In respect to the specific areas as listed in Question 4, this AOSSG member observes the following:

(i) *Investment entity disclosures* – few entities without public accountability would likely be investment entities; therefore, disclosures required in paragraphs 70–74 of the draft Standard may not be necessary.

(ii) *Changes in liabilities from financing activities* – if the feedback from SMEs' financial statements users indicates the importance of this disclosure (as explained in paragraph BC46 of the draft Standard), then this disclosure should be added to *IFRS for SMEs* Standard to maintain consistency of disclosures.

(iii) *Additional disclosure requirements relating to defined benefits* – while paragraph BC50 of the draft Standard explains that the disclosures are considered useful, it is not clear why users' needs of the financial statements of entities in scope should be different from those of users of SMEs financial statements. As the entities in the scope are expected to be similar in nature to SMEs, the same principle should apply to maintain consistency. Accordingly, this AOSSG member recommends removing this disclosure requirement.

(iv) *Disclosures required due to improvements to IFRS Standards* (for example disclosure requirements from IFRS 7 *Financial Instruments: Disclosures*, IFRS 13 *Fair Value Measurement*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IAS 1 *Presentation of Financial Statements*) – considering the nature of the entities in scope, the IASB should reconsider whether all disclosures proposed in the draft Standard are necessary. If these disclosures are retained in the final Standard, this member recommends adding these disclosures to *IFRS for SMEs* Standard to maintain consistency of disclosures, as SMEs users' needs are likely to be similar.

(vi) *Subsequently removed disclosures* (for example, disclosures about employee benefits required in paragraphs 157 and 158 of the draft Standard) – the IASB does not support additional disclosures based on requirements that were previously included in IFRS Standards when the *IFRS for SMEs* Standard was developed but have since been removed from IFRS Standards. The IASB previously concluded that users of financial statements did not require these disclosures. Therefore, this AOSSG member recommends that such disclosures not be included in any final Standard for the same reason as stated above.

(b) One AOSSG member shares that the information reported by an eligible subsidiary in its financial statements will mostly be similar to the information it reports to its parent which would facilitate its parent in preparing consolidated financial statements. The consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Question 5— Disclosure requirements about transition to other IFRS Standards
Any disclosure requirements specified in an IFRS Standard or an amendment to an IFRS Standard about the entity's transition to that Standard or amended Standard would remain applicable to an entity that applies the Standard. Paragraphs BC57–BC59 of the Basis for Conclusions explain the Board's reasons for this proposal. Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?

Response

AOSSG members generally agree with the proposal. However, one AOSSG member thinks that transition provisions from new or amended IFRS Standards should be included when, and only when, the disclosures:

- provide relief to simplify the transition to IFRS Standards; or
- are considered necessary for the users of entities without public accountability financial statements.

For example, it is unclear why presentation of an additional statement of financial position as required in paragraph 114 of the draft Standard is included.

Question 6—Disclosure requirements about insurance contracts
The draft Standard does not propose to reduce the disclosure requirements of IFRS 17 *Insurance Contracts*. Hence an entity that applies the Standard and applies IFRS 17 is required to apply the disclosure requirements in IFRS 17. Paragraphs BC61–BC64 of the Basis for Conclusions explain the Board's reasons for not proposing any reduction to the disclosure requirements in IFRS 17. (a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements. (b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 *and* are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable.

Response

(a) AOSSG members generally agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17 given that the disclosure requirements provide relevant information to users of financial statements. Nonetheless, one AOSSG member recommends the IASB to continue assessing the effectiveness of the disclosure requirements in IFRS 17 and proposing reduced disclosure requirements after entities have applied IFRS 17 for some time once users are familiar with the new accounting model for insurance contracts and its effect on an entity's financial statements.

However, another AOSSG member finds the explanation provided in paragraph BC64 was not persuasive and hence, that AOSSG member considers the application of the full disclosure under IFRS 17 in the draft Standard may result in undue costs and efforts and therefore, bring no or little benefit to users of financial statements.

(b) AOSSG members find that generally it is not common for entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard.

Question 7— Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*
Paragraphs 23–30 of the draft Standard propose reduced disclosure requirements that apply to an entity that is preparing its first IFRS financial statements and has elected to apply the Standard when preparing those financial statements. If a first-time adopter of IFRS Standards elected to apply the draft Standard, the entity would: • apply IFRS 1, except for the disclosure requirements in IFRS 1 listed in paragraph A1(a) of Appendix A of the draft Standard; and • apply the disclosure requirements in paragraphs 23–30 of the draft Standard. This approach is consistent with the Board's proposals on how the draft Standard would interact with other IFRS Standards. However, IFRS 1 differs from other IFRS Standards—IFRS 1 applies only when an entity first adopts IFRS Standards and sets out how a first-time adopter of IFRS Standards should make that transition. (a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

Paragraphs 12–14 of the draft Standard set out the relationship between the draft Standard and IFRS 1. (b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

Response

(a) AOSSG members agree with including disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1.

In addition, one AOSSG member suggests that paragraph BC82 should be incorporated into the Standard instead. It is important to clarify in the draft Standard that an entity applying the Standard need not apply the requirements in IAS 8 on changes in accounting policies when it elects to apply the draft Standard or revokes that election.

(b) AOSSG members agree with the proposals.

Question 8— The proposed disclosure requirements
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7: (a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why? (b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why? (c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Response

(a) AOSSG members generally agree with the proposals.

In addition,

(i) two AOSSG members are of the view that paragraph 145 of the draft Standard on IAS 12 *Income Taxes* appears to be a disclosure objective and therefore, is not consistent with the IASB's exception to its approach to developing the proposed disclosure requirements, i.e., to

exclude disclosure objectives from the draft Standard, as stated in the Basis for Conclusions paragraph BC41.

(ii) one AOSSG member suggests further clarification is needed on the disclosure of the parent-subsidiary relationships under IAS 24 *Related Party Disclosures* in paragraph 165(b) of the draft Standard, that is, whether the disclosure of the name of the parent entity should be specific to either referring to the ultimate or intermediate parent. This is because it is not uncommon for a subsidiary to have multiple parent entities.

(b) One AOSSG member recommends IASB to further reduce the disclosure requirement in order to reflect the needs of users of financial statements of entities without public accountability. The list below (non-exhaustive) represents examples of disclosures that the IASB could consider removing from the draft Standard:

IFRS Standards	**Paragraphs as per the draft Standard**
IFRS 3 *Business Combinations*	36(f) and (i) 38(a) and (b)
IFRS 5 *Non-current Assets Held for Sale*	40
IFRS 12 *Disclosure of Interests in Other Entities*	70–74
IAS 1 *Presentation of Financial Statements*	114 and 126
IAS 7 *Statement of Cash Flows*	132
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	134(a), (b), (f)(ii), (h) 136, 137 and 139
IAS 16 *Property, Plant and Equipment*	150(c)
IAS 38 *Intangible Assets*	202(c)(iii)
IAS 19 *Employee Benefits*	157 and 158
IAS 27 *Separate Financial Statements*	175(c), 176-180
IAS 32 *Financial Instruments: Presentation*	182 and 183

In addition to the above examples, this AOSSG member also recommends reducing the disclosure requirements relating to IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement* as they may be seen as too complex for subsidiaries without public accountability.

(c) One AOSSG member believes that disclosures about liquidity and measurement uncertainty would be useful to users; for example, liquidity risk disclosure as required in paragraphs 39 and B11 of IFRS 7, and hence should be required under the draft Standard in accordance with the drafting principles explained in paragraph BC34.

Question 9— Structure of the draft Standard
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. These disclosure requirements are organised by IFRS Standard and would apply instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A. Disclosure requirements that are not listed in Appendix A that remain applicable are generally indicated in the draft Standard by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the draft Standard. Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

Response

AOSSG members generally agree with the structure of the draft Standard, but several AOSSG members expressed concerns on the use of the footnote to indicate the disclosure requirements that remain applicable

(i) in view that footnote may be seen as unimportant and would easily be missed; and

(ii) it will be challenging to apply as it may be confusing and time-consuming for preparers to identify all relevant disclosure requirements.

Some of these AOSSG members strongly recommend that the disclosure requirements which remain applicable are incorporated as a new paragraph of the relevant IFRS Standard. This will avoid preparers to refer to both the draft Standard and IFRS Standards for the applicable disclosure requirements.

In addition, one AOSSG member recommends that it is more helpful and user-friendly if the disclosure requirements that do not apply as listed in Appendix A are incorporated into the draft Standard and are set out immediately after / below the relevant IFRS Standard heading. This is in addition to retaining Appendix A as a single reference point.

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Question 10— Other comments
Do you have any other comments on the proposals in the draft Standard or other matters in the Exposure Draft, including the analysis of the effects (paragraphs BC92–BC101 of the Basis for Conclusions)?

Response

One AOSSG member is of the view that the decision-making process is not comprehensively documented in the Basis for Conclusions (BC) of the draft Standard. In particular, the Basis for Conclusions should include reasons for including those disclosure requirements not contained in *IFRS for SMEs* Standard and explain why they were considered necessary for the draft Standard. This AOSSG member recommends expanding the Basis for Conclusions of the draft Standard to explain the basis for all disclosure requirements in more detail.