

**AASB Exposure Draft**

**ED 314**  
September 2021

# **Subsidiaries without Public Accountability: Disclosures**

Comments to the AASB by 1 November 2021



**Australian Government**

---

**Australian Accounting  
Standards Board**

## **How to Comment on this AASB Exposure Draft**

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 1 November 2021. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 31 January 2022.

### **Formal Submissions**

Submissions should be lodged online via the “Current Projects – Open for Comment” page of the AASB website as a PDF document and, if possible, a Word document (for internal use only).

### **Other Feedback**

Other feedback is welcomed and may be provided via the following methods:

E-mail:     standard@asb.gov.au  
Phone:     (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

## **COPYRIGHT**

© Commonwealth of Australia 2021

This document contains IFRS Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The National Director, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the IFRS Foundation at [www.ifrs.org](http://www.ifrs.org).

ISSN 1030-5882

## AASB REQUEST FOR COMMENTS

The Australian Accounting Standards Board's (AASB's) policy is to incorporate International Financial Reporting Standards (IFRS Standards) into Tier 1 reporting requirements to maintain IFRS compliance for private sector entities with public accountability. Entities reporting under Tier 2 reporting requirements prepare general purpose financial statements using AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Therefore, the AASB might decide not to incorporate any final IFRS Standard based on the proposals in this Exposure Draft in Australian Accounting Standards as the entities in scope do not have public accountability. IFRS compliance is not required for such entities.

The AASB is inviting comments on:

- (a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and
- (b) the 'AASB Specific Matters for Comment' listed below.

### Australian context for these proposals

The proposals in this Exposure Draft would permit eligible subsidiaries to apply reduced disclosure requirements in conjunction with the recognition, measurement and presentation requirements in IFRS Standards. The IASB proposes that a subsidiary would be eligible to apply the draft Standard if, at the end of its reporting period, the subsidiary:

- does not have public accountability; and
- has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards.

Currently in Australia, in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards*, general purpose financial statements of for-profit private sector entities that do not have public accountability are required to comply with Tier 2 reporting requirements as a minimum, unless they apply Tier 1 reporting requirements.

In March 2020, the AASB issued the Australian-specific Standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, which sets out a new, separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053.

When preparing AASB 1060, the AASB considered the IASB's project on Subsidiaries that are SMEs, which the IASB moved to its standard-setting work plan in January 2020. However, the AASB noted the IASB's project would not be completed in time for the removal of special purpose financial statements (SPFS) from 1 July 2021 for some entities (see AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*), since a revised disclosure framework also needed to be in place under Australian Accounting Standards. Although the AASB could not wait for the IASB to complete its project, the AASB noted that AASB 1060 might ultimately be replaced with the Standard developed by the IASB.

As a result, the AASB will consider a comparison between AASB 1060 and the proposals in the Exposure Draft, as well as any feedback received from stakeholders, in considering whether it is appropriate to amend or replace AASB 1060.

Both AASB 1060 and the proposals in this Exposure Draft were developed based on the disclosure requirements of the *IFRS for SMEs* Standard. The Exposure Draft proposes the

same approach as in AASB 1060, i.e. entities would be required to apply all the recognition and measurement requirements in IFRS Standards and the disclosure requirements in the (proposed) Standard. It should be noted, however, that AASB 1060 applies to all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053, whereas the proposals in this Exposure Draft apply only to eligible subsidiaries, as described above.

Both AASB 1060 and these proposals have applied the same principles adopted by the IASB in developing the disclosure requirements for the *IFRS for SMEs* Standard. However, in addition, the AASB also decided to add disclosure requirements to AASB 1060 to address matters of public policy or reflect Australian-specific issues.

## **AASB Specific Matters for Comment**

The AASB would particularly value comments on the following:

1. whether a resulting IFRS Standard should be issued by the AASB as an additional reduced-disclosure Standard for eligible subsidiaries or for all Tier 2 entities, or to replace AASB 1060 for all Tier 2 entities;
2. if AASB 1060 is retained by the AASB, whether amendments to AASB 1060 are warranted and, if so, the amendments that you would suggest;
3. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - (a) not-for-profit entities; and
  - (b) public sector entities, including GAAP/GFS implications;
4. whether the proposals would create any auditing or assurance challenges;
5. whether, overall, the proposals would result in financial statements that would be useful to users;
6. whether the proposals are in the best interests of the Australian economy; and
7. unless already provided in response to specific matters for comment 1 – 6 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.