

---

## Accounting Standards Advisory Forum meeting

Date	<b>September 2022</b>
Project	<b>Disclosure Initiative—<i>Subsidiaries without Public Accountability: Disclosures</i></b>
Topic	<b>Scope: Available for public use</b>
Contacts	<b>Jan Carlo Pereras</b> ( <a href="mailto:cpereras@ifrs.org">cpereras@ifrs.org</a> ) <b>Rahul Palan</b> ( <a href="mailto:rpalan@ifrs.org">rpalan@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

---

## Purpose of this paper

1. This paper asks Accounting Standards Advisory Forum (ASAF) members for their views on whether the staff should recommend that the International Accounting Standards Board (IASB) remove the requirement for the parent's consolidated financial statements to be 'available for public use' from the scope of the draft IFRS Accounting Standard (draft Standard) set out in Exposure Draft [Subsidiaries without Public Accountability: Disclosures](#) (Exposure Draft).

## Questions for ASAF members

2. ASAF members are asked:
  - (a) Do you have any comments on the staff analysis of the feedback on use of 'available for public use' in the draft Standard (paragraphs 9–13)?
  - (b) What are your views on removing the requirement for a parent's consolidated financial statements to be 'available for public use' from the scope of the draft Standard, as discussed in paragraphs 14–17?

## Structure of the paper

3. The paper is structured as follows:
  - (a) introduction (paragraphs 4–6);
  - (b) feedback (paragraphs 7–8);
  - (c) staff analysis:
    - (i) use of 'available for public use' in other IFRS Accounting Standards (paragraphs 9–10);
    - (ii) clarifying the requirement 'available for public use' (paragraphs 11–13); and
    - (iii) removing the requirement 'available for public use' (paragraphs 14–17).

## Introduction

4. At its May 2022 meeting, the IASB tentatively decided to confirm the scope of the draft Standard as proposed in the Exposure Draft<sup>1</sup>. Paragraph 6 of the draft Standard states (emphasis added):

An entity is permitted to apply this draft Standard in its consolidated, separate or individual financial statements if and only if, at the end of its reporting period, it:

- (a) is a subsidiary;
- (b) does not have public accountability; and
- (c) has an ultimate or intermediate parent that produces consolidated financial statements **available for public use** that comply with IFRS Standards.

5. The IASB added the project Disclosure Initiative—*Subsidiaries without Public Accountability: Disclosures* to its 2017–2021 Work Plan based on feedback to the Request for Views: 2015 *Agenda Consultation*. Respondents to the Request for Views asked that the IASB permit subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements (see the objective of the project in paragraph BC8 of the Basis for Conclusions on the Exposure Draft).
6. Paragraph BC20 of the Basis for Conclusions on the Exposure Draft states that the qualifying criterion in paragraph 6(c) of the draft Standard is based on the requirements in paragraph 4(a)(iv) of IFRS 10 *Consolidated Financial Statements*.

## Feedback

7. At its April 2022 meeting, the IASB discussed the feedback on the Exposure Draft<sup>2</sup>. Agenda papers 31A and 31B of that meeting noted that some comment letters and some participants in outreach events requested guidance on when financial statements are considered 'available for public use'.
8. Some respondents noted that the term 'available for public use' is already used in IFRS Accounting Standards. These respondents said that the term is fundamental to the scope criteria and suggested that additional clarification be provided. Respondents asked for clarification on whether financial statements are available for public use in specific situations in their jurisdictions. For example, where the filing of the parent's financial statements is required with a governing regulatory body, but:
- (a) the public cannot access such financial statements;
  - (b) access is permitted at the regulator's discretion for only certain users, such as banks or financial institutions for credit evaluation; or
  - (c) access is permitted to the public on request or on payment of a prescribed fee.

<sup>1</sup> See [Agenda Paper 31A Proposed scope of the draft Standard](#)

<sup>2</sup> See [Agenda Paper 31A Feedback from comment letters](#) and [Agenda Paper 31B Feedback from outreach events](#).

---

## Staff analysis

### ***Use of 'available for public use' in other IFRS Accounting Standards***

9. The terms 'public use' and 'available for public use' are not defined in IFRS Accounting Standards. However, these terms are used in IFRS Accounting Standards as follows:
- (a) as part of the exemption from preparing consolidated financial statements in IFRS 10. Similarly, it is used as part of the exemption from applying the equity method in IAS 28 *Investments in Associates and Joint Ventures*;
  - (b) as part of disclosure requirements of IAS 27 *Separate Financial Statements*, requiring a parent entity that applies the exemption from consolidated financial statements in IFRS 10 to disclose this fact in its separate financial statements, alongside information about the parent entity that produces consolidated financial statements and the address where to obtain them; and
  - (c) IAS 24 *Related Party Disclosures*, an entity is required to disclose the name of its next most senior parent that produces consolidated financial statements that are 'available for public use', if the entity's parent or ultimate controlling party do not.
10. The IASB recently concluded that the requirements of IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* are working as intended, in its post-implementation review of these Standards<sup>3</sup>. Particularly, the IASB decided no further action was required to address the feedback on the consolidation exemption in paragraph 4 of IFRS 10<sup>4</sup>.

### ***Clarifying the requirement 'available for public use'***

11. The staff could recommend that the IASB responds to the feedback on the draft Standard by developing guidance to clarify the requirement 'available for public use'. However, the staff would first need to undertake research to identify current practice, across jurisdictions, where the term 'available for public use' is used in IFRS Accounting Standards, and then assess what kind of guidance might be helpful.
12. Even after such research, providing guidance could have unintended consequences on the current application of the term. For example, clarifying the term 'available for public use' could create tension or conflict with existing regulations or practices. Therefore, in providing guidance the IASB would need to carefully balance the cost of disrupting current practice with the benefit of more consistent application of that term in financial reporting.
13. Also, it could be argued that providing guidance would be inconsistent with the IASB's decision in its post-implementation review of IFRS 10 (see paragraph 10).

---

<sup>3</sup> See [Project Report and Feedback Statement](#)

<sup>4</sup> See [Agenda Paper 7 Responding to the feedback](#)

---

**Removing the requirement ‘available for public use’**

14. Unlike paragraph 4 of IFRS 10, paragraph 9.3 of the *IFRS for SMEs Accounting Standard* does not require the ultimate or intermediate parent's consolidated financial statements to be 'available for public use' when exempting subsidiaries (applying the *IFRS for SMEs Accounting Standard*) from preparing consolidated financial statements. Paragraph 9.3 states:
- A parent need not present consolidated financial statements if both of the following conditions are met:
- (a) the parent is itself a subsidiary; and
  - (b) its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRS or with this Standard.
15. Paragraph 4 of IFRS 10 provides an exemption for when a subsidiary is not required to prepare consolidated financial statements. The exemption in paragraph 4(iv) of IFRS 10 has been used in paragraph 6 of the draft Standard to define its scope. It could be argued that as the draft Standard provides a significant reduction in disclosure requirements, it is important that a user of financial statements has access to the ultimate or intermediate parent's consolidated financial statements (ie those financial statements are available for public use). However, the IASB did not develop the disclosure requirements in the draft Standard using this assumption.
16. Instead, the IASB recognised that subsidiaries that do not have public accountability are eligible to apply the *IFRS for SMEs Accounting Standard*. Therefore, as noted in paragraph BC4 of the Basis for Conclusions on the Exposure Draft, because of the IASB's approach to developing the draft Standard (using the *IFRS for SMEs Accounting Standard* as the starting point - See Agenda Paper 2 Cover paper), the IASB could be satisfied the disclosure requirements of the *IFRS for SMEs Accounting Standard* are sufficient in meeting the needs of users of these subsidiaries' financial statements in the absence of recognition and measurement differences. Consistent with this approach and considering the information needs of those users, the staff think that the IASB could have used paragraph 9.3 of the *IFRS for SMEs Accounting Standard* (instead of paragraph 4 of IFRS 10) in paragraph 6 of the draft Standard, which does not require the ultimate or intermediate parent's consolidated financial statements to be available for public use.
17. Replacing paragraph 6(c) of the draft Standard with paragraph 9.3 of the *IFRS for SMEs Accounting Standard*, by removing the requirement for the ultimate or intermediate parent's financial statements to be 'available for public use' from the scope of the draft Standard may allow more subsidiaries to be

eligible to apply the Standard and thereby to benefit from the use of reduced disclosures, while keeping the draft Standard consistent with the project objective referred to in paragraph 5 above.

**Questions for ASAF members**

1. Do you have any comments on the staff analysis of the feedback on use of 'available for public use' in the draft Standard set out in paragraphs 9–13?
2. What are your views on removing the requirement for a parent's consolidated financial statements to be 'available for public use' from the scope of the draft Standard as discussed in paragraphs 14–17?