WIRC/ICAI/7462/2021 **9th December 2021**

CA. Parminder Kaur
Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Dear Sir,

Please find attached comments on Exposure Draft of Exposure Draft of Subsidiaries without Public Accountability: Disclosures, for your doing the needful.

Kindly acknowledge the receipt of the same.

Thanking You,

Yours truly,

CA. Manish Gadia
Chairman – WIRC of ICAI

Comments on Exposure Draft on Subsidiaries without Public Accountability: Disclosures

Question 1

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:

We agree with the proposed objective of specifying reduced disclosure requirements for the financial statements of subsidiaries that are in the scope of the Exposure Draft.

Question 2

Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22 of the Basis for Conclusions explain the IASB'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:

It is suggested **to define the criteria for the entities to which this exemption will be applicable instead of the term 'public accountability'**.

Rationale behind suggestion:

Under IFRS, the description of public accountability, contained in paragraphs 7 and 8 of the draft Standard, is from paragraphs 1.3 and 1.4 of the IFRS for SMEs Standard.

Under Ind AS, there is a notification issued by MCA that provides the criteria of applicability of Ind AS and for all other entities Accounting Standards is applicable. The term 'public accountability' is not used for applicability of Accounting Standards.

Therefore, it is suggested that the exemption from disclosures to subsidiaries shall be given to which AS would have been applicable, had they are not required to be consolidated. For example, entities having networth of lower than Rs. 250 crore.

Question 3
Paragraphs BC23–BC39 of the Basis for Conclusions explain the IASB'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:
We agree with the proposed approach.

Question 4
Paragraphs BC40–BC52 of the Basis for Conclusions explain the IASB'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:
Regarding this question, the IASB should consider the correlation between its Exposure Draft on reduced disclosures for subsidiaries with the Exposure Draft on *Disclosure Requirements in IFRS Standards - A Pilot Approach* (where the emphasis is on defining the disclosure objectives and not on the list of disclosures).

Question 5

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 IASB'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:
We agree with the proposed approach.

Question 6

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 IASB'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:
We acknowledge that the IASB's arguments included in paragraph BC64 of the Basis for Conclusions for not proposing the reduced disclosure requirements for insurance contracts. However, we also consider that they are not compelling and the application of full set of disclosure requirements for IFRS 17 might result in undue costs and efforts and bring no or little benefit to the users of financial statements.

Question 7

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 IASB'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:

We agree with the IASB's approach that when applying IFRS Standards for the first time and simultaneously electing to apply the reduced-disclosure IFRS Standard, a subsidiary should apply the disclosure requirements proposed in the ED.

We may also mention that, it may be useful to clarify more prominently that the reduced-disclosure IFRS is not considered as a change in an accounting policy in accordance with IAS 8.

Question 8

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:
We would like to highlight that the assessment of users' needs in terms of disclosures (i.e. whether the IASB's proposed disclosures are sufficient and beneficial to users) is quiet difficult and subjective.
Nonetheless, we would like to suggest that the IASB should add other disclosures also which are relevant for users of financial statements and would NOT increase significantly the costs for preparers. Also, IASB should take initiative to remove use of boilerplate information.

Question 9
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:
We support the IASB's approach and highlight the importance of having an independent and stand-alone reduced-disclosure IFRS Standard that focuses on the disclosure needs of subsidiaries without public accountability.

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: No other comments

****