

# Subsidiaries, Section 1591 — Background Information and Basis for Conclusions

## Foreword

In September 2014, the Accounting Standards Board (AcSB) released SUBSIDIARIES, Section 1591 in Part II of the CPA Canada Handbook – Accounting. The AcSB has approved for publication the contents of this document setting out its rationale for this standard.

Background information and Basis for Conclusions documents are sources of generally accepted accounting principles, as described in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100 in Part II of the Handbook. These documents are intended to help readers understand how the AcSB reached its conclusions, but they do not include explanations of requirements or guidance on the application of the relevant Section or Accounting Guideline.

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## INTRODUCTION

- 1 This document summarizes considerations that were deemed significant by the members of the AcSB in reaching their conclusions in developing SUBSIDIARIES, Section 1591 in Part II of the Handbook. Section 1591 replaces SUBSIDIARIES, Section 1590, and ACCOUNTING GUIDELINE AcG-15, Consolidation of Variable Interest Entities. This document sets out the reasons the AcSB undertook the project to develop this material, the process of research and deliberation, the key decisions made, and the principal reasons for adopting the positions taken and rejecting others. Individual AcSB members gave greater weight to some factors than others.
- 2 Nothing in this document is to be taken as overriding the requirements of the Handbook. However, the discussion may help readers understand how the AcSB reached its conclusions in developing the Section and the AcSB's intent with respect to its interpretation and application.

### **BACKGROUND**

- 3 When the standards in Part II were developed, AcG-15 was identified as causing significant difficulty for private enterprises. AcG-15 was based on parts of U.S. GAAP that were recognized as needing improvement and that were replaced by the U.S. subsequent to the adoption of AcG-15 with U.S. Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities* and the Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)*. In addition, the International Accounting Standards Board (IASB) had recently revised its consolidation standard to replace the guidance previously in International Financial Reporting Standards (IFRSs) on broadly the same issue addressed by AcG-15. Therefore, the AcSB committed to taking on a project to replace the AcG-15 guidance once the IASB's work was completed, so that the AcSB could benefit from both the work of the IASB and the FASB.
- 4 The AcSB's objective was to develop a simpler approach in practice to identify and account for enterprises controlled through means other than equity interests. The AcSB considered the consequences of adopting new guidance relative to the objective of financial statements and the benefit versus cost constraint, as described in FINANCIAL STATEMENT CONCEPTS, Section 1000. The purpose of financial reporting is to "communicate information that is useful to investors, creditors and other users in making their resource allocation decisions and/or assessing management stewardship."
- 5 The AcSB thinks that the new standard will result in a simpler, more consistent application of the general consolidation requirements and, therefore, benefit users of financial statements by providing relevant information about the assets and liabilities an enterprise controls, and more comparable consolidated financial statements.
- 6 The AcSB, after consulting with the Private Enterprise Advisory Committee, reviewed IFRS 10 *Consolidated Financial Statements* to determine how appropriate it would be for Canadian private enterprises. Given that the AcSB was not aware of any other significant concerns with former Section 1590 in practice, the AcSB was concerned that substantive modifications would be needed to make IFRS 10 *Consolidated Financial Statements* appropriate for Canadian private enterprises. For example, the AcSB did not want to change the definition of control and thought that the accounting policy choice to account for subsidiaries using the cost or equity method should be retained. The AcSB understands that the accounting policy option is widely used in practice and that the cost/benefit rationale for providing those options remains unchanged. Therefore, the AcSB focused on retaining the guidance on how to determine control of another enterprise through equity interests and focused on addressing concerns when control is obtained through other means.
- 7 The AcSB also conducted additional outreach to determine the issues stakeholders are facing with AcG-15 in practice. Several stakeholders suggested that the AcSB consider adding an accounting policy choice to allow enterprises to consolidate subsidiaries based on voting interests and excluding variable interest-type arrangements. Those stakeholders thought that an additional policy choice would simplify and, thus, improve financial reporting. The AcSB did not agree with providing such a policy choice because such a set of financial statements would be incomplete as enterprises would only be consolidating part of the total population of controlled entities. The use of multiple bases of presentation of consolidated financial statements would also be confusing to users of financial statements because they would have to identify the differences between each reporting entity's selected policy choices.

### **DEVELOPMENT OF SECTION 1591**

- 8 Section 1591 was developed by modifying Section 1590 to incorporate additional guidance on accounting for subsidiaries controlled through rights other than equity interests and necessary consequential changes. The additional guidance was developed based on adapting guidance from IFRS 10 *Consolidated Financial Statements*. Other aspects of Section 1590, including the control definition, the accounting policy to account for subsidiaries using the cost or equity method, and guidance on entities controlled through voting interests, were carried forward unchanged.
- 9 Throughout the development of the standard, the AcSB followed its due process. This process included:
  - (a) ongoing input from its Advisory Committee;
  - (b) consultations with associates of the Advisory Committee (a diverse group of preparers and practitioners that work in the private enterprise sector);
  - (c) request for stakeholders to provide examples of subsidiaries controlled through contract;
  - (d) issuance in August 2013 of the Exposure Draft, "Consolidations," proposing to replace former Section 1590 with new Section 1591 and withdrawing AcG-15;

- (e) analysis and consideration of feedback received through written responses to the Exposure Draft (7 comment letters);
  - (f) discussions with associates of the Advisory Committee through additional outreach; and
  - (g) follow-up discussions with respondents to obtain additional feedback.
- 10 The issues considered by the AcSB in developing the Exposure Draft and the conclusions on the more significant issues raised by stakeholders of private enterprises are discussed below. This discussion includes the anticipated effects on stakeholders that were considered by the AcSB in developing the standard.
- 11 Respondents to the Exposure Draft comprised of one preparer, a technical working group on private enterprise standards and public accounting firms. The AcSB reminds stakeholders that as part of its due process related to Part II of the Handbook, it makes available a public file of materials relating to completed projects, which includes response letters received, unless confidentiality is requested.
- 12 Respondents supported the withdrawal of AcG-15 as they noted it was problematic to apply in practice. However, the majority of respondents thought that additional application guidance was required in order to make the Exposure Draft proposals operational in practice. This led to additional outreach to the associates of the Advisory Committee to understand the views of more practitioners, including those in small and medium-sized practices.

#### **APPLICABILITY TO NOT-FOR-PROFIT ORGANIZATIONS**

- 13 While developing the revised standard on subsidiaries for Part II, the AcSB wanted to ensure that not-for-profit organizations applying accounting standards for not-for-profit organizations set out in Part III of the Handbook were not affected by the changes. The AcSB and the Public Sector Accounting Board (PSAB) are working together to improve not-for-profit standards to better meet users' needs. As such, the AcSB is reviewing Part III as a whole and wanted to minimize the changes made to this set of standards until that comprehensive project is completed.
- 14 REPORTING CONTROLLED AND RELATED ENTITIES BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4450, referred to Section 1590 for other factors to be considered when determining whether an organization controls a profit-oriented enterprise. The reference was modified to refer to those factors in Section 1591 that remained unchanged from Section 1590.

#### **SCOPE**

- 15 The new standard retains the scope exemptions from AcG-15 relating to an employer's accounting for an employee benefit plan and accounting for a qualifying special-purpose entity as the accounting for those arrangements is provided in other standards.
- 16 In discussions, the AcSB agreed with the advice from the Advisory Committee that the standard should not apply to contractual arrangements between enterprises under common control. The AcSB added the exception in paragraph 1591.02(f), which states that the standard "does not deal with accounting for contractual arrangements under common control. In its consolidated or non-consolidated financial statements, each such enterprise reports its rights and obligations related to another enterprise under common control in accordance with the applicable Section."
- 17 The AcSB's rationale in providing this exception was that equity interests are the key factor for determining control in most common control scenarios. In these situations, the enterprises within a single control group are controlled from the top and not through relationships lower down in the organization structure. For example, there may be numerous contractual arrangements between enterprises within a single control group that may provide various enterprises in the group with certain powers or influence over other enterprises within the same group. However, the ultimate decision making may still be exercised by the top company. Stakeholders also observed that, on these occasions, combined financial statements might provide useful information to the financial statement users.
- 18 The AcSB discussed how the common control is determined in practice and whether a definition was necessary. However, based on the feedback from the Advisory Committee, the AcSB decided that identifying entities under common control is very complex, and creating a definition would be very difficult as common control is determined based on the facts and circumstances of the arrangement. As well, the AcSB noted that developing additional guidance on common control would be beyond the scope of the project. The AcSB will monitor how the exemption is applied in practice.

#### **One standard for subsidiaries**

- 19 The objective for issuing Section 1591 was to improve the usefulness of consolidated financial statements by developing guidance to apply to situations in which it has proved difficult to assess control in practice. New guidance was added to enable enterprises to evaluate whether contractual arrangements confer control over another enterprise and the ability to obtain future economic benefits from it. The AcSB did not want to modify the voting control model as it has been working well in practice. Therefore, the definition of control and a subsidiary remains unchanged, and the new guidance provides additional information on when enterprises are controlled through mechanisms other than equity interests.
- 20 The AcSB evaluated different approaches to determine the most effective and efficient way of describing enterprises that are controlled through a mechanism other than equity interests. For example, the AcSB considered referring to these arrangements as "special purpose enterprises" and requiring a two-step assessment. The first step would be to identify special purpose enterprises to narrow the number of enterprises that would be assessed to determine if the reporting

enterprise controls the special purpose enterprise in the second step. The AcSB did not develop this approach because it could exclude some enterprises that would not qualify as a special purpose enterprise but are subsidiaries.

## **CONTROL OBTAINED THROUGH RIGHTS OTHER THAN EQUITY INTERESTS**

### **When equity interests are not the dominant factor**

- 21 The new guidance focuses on identifying when the rights of equity interests may not be the dominant factor in determining who controls an enterprise, such as when equity interests do not provide the holder with the continuing power to determine the strategic operating, investing and financing policies of the enterprise. An enterprise considers situations in which it has equity interests in, and contractual arrangements with, another enterprise, as well as when it only has contractual arrangements with the other enterprise.
- 22 The AcSB focused on identifying circumstances in which contractual arrangements can confer on the enterprise the right and ability to obtain future economic benefits from another enterprise and exposure to the related risks of that enterprise, and lead to control. The new standard reinforces the need to consider all facts and circumstances, and to apply judgment when assessing whether an enterprise is a subsidiary.
- 23 All respondents agreed that control can be conveyed through means other than equity interests. However, a limited number of scenarios of when control is obtained through means other than equity interests were provided by stakeholders. One respondent noted that they were unable to identify any scenarios in practice as common control scenarios are excluded from the scope. Some other stakeholders noted that private enterprises might not be considering that control could be obtained through rights other than equity interests, such as contractual arrangements, making the guidance difficult to operationalize.

### **Operational in practice**

- 24 Many of the respondents commented that replacing AcG-15 with a simpler, principle-based standard that requires preparers to apply professional judgment would be very beneficial. However, respondents had differing views on how to modify the Exposure Draft proposals to create a fulsome standard. Most respondents thought that more guidance must be provided in order for a preparer to appropriately apply professional judgment in practice, specifically around the notion of control. Some respondents recommended that Section 1590 be replaced with the full IFRS 10 *Consolidated Financial Statements* standard. At the other end of the spectrum, one respondent thought that no additional guidance needed to be added to Section 1590 and the withdrawal of AcG-15 would be a sufficient improvement.
- 25 The AcSB considered the suggestion of providing no guidance and sought opinions from its Advisory Committee, the associates of the Advisory Committee and other respondents. The general response was that while uncommon, these situations do occur in practice and by removing AcG-15 and not replacing it with additional guidance; preparers would be left without any help. Even though Section 1590 dealt with determining control of all types of arrangements, many stakeholders commented that the perception is that it does not apply to contractual arrangements. As such, the AcSB thought it was not suitable to simply remove AcG-15 and leave Section 1590 unchanged if that could result in structures controlled through rights other than equity interests not being consolidated.
- 26 The remaining respondents thought that additional guidance and examples were needed to explain key concepts and to make the standard operational in practice. One key concern was that with the guidance proposed in the Exposure Draft, enterprises would not know that they should be considering some types of contractual arrangements. Therefore, the AcSB added guidance that identifies additional scenarios that the requirements capture to be helpful in paragraph 1591.15. The following section outlines the additional factors and circumstances that were added as well as whether illustrative examples were needed to demonstrate how to apply the guidance.

### **Factors to determine control through rights other than equity interests**

- 27 Based on the comments received, the AcSB also thought additional guidance on factors that should be considered when performing a control assessment could be added. The AcSB wanted to ensure that the guidance is not viewed as a checklist, but rather as circumstances an enterprise would need to assess and judge to determine if they result in control. Paragraph 1591.16 describes when an entity has control through contractual rights. Additional guidance was also added in paragraph 1591.17 to identify circumstances an enterprise could consider when determining control while still allowing for the use of professional judgment.
- 28 The standard also includes new guidance on rights that are protective in nature, rather than guidance on specific fact patterns such as franchises, in order to make the guidance broadly applicable. The guidance in paragraph 1591.21 should help to distinguish rights that provide control from those that protect an enterprise's interest in another enterprise but do not confer control. One respondent suggested that the examples from AcG-15 on franchise arrangements be added to the standard. AcG-15 provided detailed guidance on franchises that was restrictive and focused on assessing day-to-day activities when determining control. These activities are not part of the strategic decision making of an entity and, therefore, are not consistent with the definition of control. As a result, the AcSB decided not to include this guidance in the standard.
- 29 A few respondents suggested providing illustrative examples that demonstrate the application of the concepts would be helpful. The AcSB consulted with the Advisory Committee and associates of the Advisory Committee who thought that illustrative examples are too simple in nature, do not cover off the appropriate fact pattern or may be misused in

practice. As well, the Advisory Committee thought that there was sufficient guidance in the standard to allow for professional judgment. The AcSB agreed with this rationale.

#### **Authoritative guidance from IFRS 10 not brought into Section 1591**

- 30 Respondents recommended that additional guidance from IFRS 10 *Consolidated Financial Statements* could be added on substantive rights, potential voting rights, principal-agent relationships, control of specified assets and the concept of defacto control. These topics were considered by the AcSB when developing the new guidance but were not added as they could affect the voting-interest model in ways that were beyond the scope of this project.
- 31 The Advisory Committee recommended that two topics be considered for a future project: potential voting rights and agent principal relationships. The AcSB agreed with this recommendation and will consider these topics as part of a future project.

#### **RECOGNITION AND PRESENTATION**

- 32 The new standard clarifies that when enterprises prepare non-consolidated financial statements, subsidiaries controlled through contractual arrangements, or in combination with voting interests, would be accounted for according to the nature of the contractual arrangement in accordance with the applicable Section. For example, if Entity A and Entity B are arm's length parties to a lease agreement with terms that result in Entity A controlling Entity B, the guidance in LEASES, Section 3065, would be applicable to the lease in the non-consolidated financial statements of both Entity A and Entity B. The AcSB thinks that this clarification reflects how such arrangements are commonly accounted for in practice.
- 33 The AcSB also decided that the requirements in RELATED PARTY TRANSACTIONS, Section 3840, should not apply to intercompany transactions between an enterprise and subsidiaries controlled through means other than voting interests, potential voting rights, or a combination thereof, when:
- (a) the enterprise is preparing non-consolidated financial statements; and
  - (b) control through means other than voting interests, potential voting interests or a combination thereof, is the only basis of the related party relationship.
- 34 This exception is to prevent enterprises preparing non-consolidated financial statements from having to complete a control assessment in order to comply with Section 3840 when it would not be required to comply with Section 1591. This exception results in permitting a practice the AcSB understands occurs today given that enterprises preparing non-consolidated financial statements were exempted from applying AcG-15 and identifying enterprises controlled through means other than voting interests.
- 35 The measurement guidance in Section 3840 requires an enterprise to account for monetary transactions or non-monetary transactions that have commercial substance at the exchange amount when done in the normal course of operations. Typically, this amount would be similar to the amount determined by following the guidance in other Sections.

#### **DISCLOSURES**

- 36 The AcSB re-evaluated the disclosure required by AcG-15 to identify any requirements that should be retained. The AcSB thought that the disclosure of significant restrictions on assets of a subsidiary should be required for enterprises preparing consolidated financial statements. Disclosing information about those assets in the notes to the financial statements would enable users to identify the nature and risks of those assets. For enterprises preparing non-consolidated financial statements, other applicable standards require such disclosures. One respondent suggested that this disclosure only be applicable for subsidiaries that are controlled through means other than equity interests. The AcSB thinks the disclosure on significant restrictions of assets for all subsidiaries is beneficial to the users and the information would be available. Therefore, the disclosure requirement remains applicable to all subsidiaries.
- 37 One respondent suggested that when an enterprise elects to use the cost or equity method to account for its subsidiaries and would not be performing a control assessment on other enterprises that it may control by means other than equity interests, the enterprise should disclose that fact. The AcSB considered adding this disclosure but decided it was not deemed necessary as the guidance is clear that a control assessment is not required in these instances.
- 38 Another respondent recommended requiring disclosure of protective rights of non-controlling interests that can significantly restrict the enterprises' ability to access or use the assets and settle the liabilities of the group. The disclosure would also provide the carrying amounts of assets and liabilities to which such access restriction applies. Some members of the Advisory Committee thought this would be useful information; however, it is very difficult for the enterprise to obtain. Therefore, it would not meet the cost benefit of incorporating it into Part II guidance. The AcSB agreed with the Advisory Committee's assessment and did not add this guidance to the final standard.

#### **EFFECTIVE DATE**

- 39 The Exposure Draft noted that the AcSB planned to issue the final standard on consolidations in a package with other major improvements to accounting standards for private enterprises in the second half of 2014. The effective date of these standards would be no earlier than fiscal years beginning on or after January 1, 2016. This date was based on the fact that changes made to the final standards would not be significant and would not require re-exposure or a longer transition period. The timing would be consistent with the AcSB's prior decision to allow two years between each set of major improvements. Stakeholders did not raise any concerns on the timing of the effective date and the changes made

to the final standard were not considered significant. The final standard was issued in September 2014 and is applicable for annual financial statements relating to fiscal years beginning on or after January 1, 2016 with earlier application permitted.

#### **TRANSITION**

- 40 Overall, the respondents thought that the transitional provisions were reasonable and provided a cost efficient way for private enterprises to adopt the new standard. A few drafting suggestions were incorporated into the final standard.
- 41 The AcSB noted that based on the requirements in the standard, enterprises that prepare consolidated financial statements may identify new subsidiaries that would need to be consolidated and some other enterprises that were consolidated previously may no longer qualify as subsidiaries. Based on the information available, extensive work could be required to transition to the new standard. Therefore, the AcSB has provided the following transition relief to assist in the initial preparation of consolidated financial statements and to minimize the costs involved.
- 42 The AcSB provided transition guidance to provide relief for enterprises that prepared consolidated financial statements previously and those that choose to prepare consolidated financial statement for the first time when applying the new standard.
- 43 The guidance provides a choice of methods to measure the assets, liabilities and non-controlling interests in each previously unconsolidated enterprise on a subsidiary-by-subsidiary basis, when the information is available. The option to apply the acquisition method in BUSINESS COMBINATIONS, Section 1582, would result in an enterprise preparing the most complete set of consolidated financial statements. It would result in comparable statements between enterprises and provide the most faithful representation of the assets and liabilities of a subsidiary. However, the AcSB recognized that applying the acquisition method can be time consuming and costly for some enterprises. Therefore, the guidance includes the option to use the carrying amounts of the assets and liabilities of the previously unconsolidated enterprise. When applying those options, the standard also permits an enterprise to measure any item of property, plant and equipment at fair value at the beginning of the comparative period, to be consistent with the option provided in FIRST-TIME ADOPTION, Section 1500.
- 44 Some enterprises that choose to prepare consolidated financial statements for the first time when applying the new standard might have subsidiaries that have not prepared financial information in accordance with accounting standards for private enterprises previously and may lack the information to do so. In those situations, the guidance permits the enterprise to measure the assets, liabilities and non-controlling interests by applying the acquisition method in accordance with BUSINESS COMBINATIONS, Section 1582, without the recognition of any goodwill and intangible assets, as of the beginning of the comparative period. The AcSB excluded those assets because internally generated goodwill and intangible assets would not otherwise have been reported, and it would be difficult to distinguish between assets that were subject to acquisition accounting and those that were internally generated.
- 45 The AcSB also provided relief for enterprises that would no longer be required to consolidate an enterprise that it consolidated previously. The transition requirements are consistent with INTERESTS IN JOINT ARRANGEMENTS, Section 3056, and are practical for enterprises to apply given the information they will have available.

#### **REFERENCE TO IFRS 10**

- 46 One respondent was concerned there might be a risk that IFRS 10 *Consolidated Financial Statements* might be relied upon as a source of application guidance if the new standard lacks clarity on fundamental principles of consolidation.
- 47 Part II of the Handbook was developed as a standalone framework that would not require the knowledge of or reference to International Financial Reporting Standards (IFRSs) in Part I of the Handbook. While the AcSB looked to IFRS 10 to seek out concepts and guidance that could be applicable to private enterprises in Part II, the guidance in Section 1591 and IFRS 10 are not converged. The AcSB considered adopting IFRS 10; however, substantive modifications would be required to make the standard appropriate for Canadian private enterprises. Therefore, the AcSB decided to adapt certain guidance from IFRS 10.
- 48 Stakeholders applying Part II must comply with the authoritative guidance in Section 1591. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100, refers to the sources of GAAP and the hierarchy that is attributed to the various sources. Part I of the Handbook is listed under other sources of GAAP that can be consulted for matters not covered by Part II or to assist in applying a standard for specific circumstances. However, Part I is not a primary source of GAAP when applying accounting standards for private enterprises.

#### **SECTION 1590**

- 49 As background information and basis for conclusions documents were not issued when Section 1590 was first developed, statements explaining the rationale for requirements found within Section 1590 are covered in this document if the statements are still applicable, as described below.

##### **Definition of a subsidiary**

- 50 Paragraph 1590.06 clarified that the definition of a subsidiary based on control is consistent with the view that an objective of financial reporting is to report on those resources controlled by the parent.

##### **Disclosure**

- 51 In the requirements for consolidated financial statements, paragraph 1591.31 requires an enterprise to provide disclosures when it does not own, directly or indirectly through subsidiaries, an equity interest but nevertheless controls the subsidiary. The guidance in Section 1590 stated that those circumstances are not commonly encountered and, as such, are contrary to the presumptions described in paragraph 1591.09. Those circumstances would be more common as the new guidance focuses on when contractual arrangements alone or in combination with equity interests can lead to control. Therefore, the statement would no longer be applicable and was not carried forward into Section 1591.

#### **CONSEQUENTIAL AMENDMENTS**

- 52 The Exposure Draft included significant consequential amendments to other Sections in Part II of the Handbook. The withdrawal of AcG-15 and the changes made to the standard have an effect on other Sections. The rationale for the more significant amendments is described below. Respondents agreed with the consequential amendments.

##### **First-time adoption**

- 53 The AcSB reviewed the current exemptions available in Section 1500 when an enterprise adopts accounting standards for private enterprises for the first time. The AcSB thinks that the relief for business combinations in Section 1500 is sufficient for enterprises that have prepared consolidated financial statements previously because the information necessary to apply Section 1591 is available. However, for enterprises that did not prepare consolidated financial statements previously, the AcSB is allowing these enterprises to use the transition relief in Section 1591.39-41 to measure the assets, liabilities and non-controlling interests based on the options provided. This option provides relief that would make it practicable for more enterprises to prepare consolidated financial statements when they first adopt accounting standards for private enterprises.
- 54 The AcSB also added an exemption parallel to the exemption in IFRS 1 *First-time Adoption of International Financial Reporting Standards* for circumstances in which a subsidiary becomes a first-time adopter later than its parent. The AcSB thinks that this exemption is necessary as the standard might lead to enterprises changing their accounting policy and choosing to consolidate subsidiaries that might not have applied Part II of the Handbook previously.
- 55 Section 1591 also contains an exemption for circumstances in which a parent becomes a first-time adopter later than its subsidiaries. This exemption would provide additional relief as it allows the enterprise to measure the assets, liabilities and non-controlling interests at the subsidiary's carrying amounts after adjusting for consolidation and equity accounting and for the effects of the business combination in which the enterprise acquired the subsidiary.

##### **Consolidated financial statements**

- 56 The AcSB noted that paragraphs 1590.17-22 included guidance on how to consolidate a subsidiary. Since CONSOLIDATED FINANCIAL STATEMENTS, Section 1601, provides guidance on how to consolidate, the AcSB moved this guidance to Section 1601, so that all guidance on how to consolidate is contained in one standard.

#### **EXPOSURE FOR COMMENT**

- 57 After resolving the issues arising from the exposure draft process, the AcSB considered, as part of its due process, whether the revisions to the proposals should be exposed for comment.
- 58 The revisions included providing additional examples and circumstances to consider when evaluating whether an enterprise has control over another enterprise through means other than equity interests. This guidance was added based on the feedback received from stakeholders. Other than these revisions, only minor drafting changes were made. Therefore, the AcSB decided that there was no need for re-exposure. The AcSB agreed on the revisions discussed above.