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Comments on Exposure Draft "Business Combinations—Disclosures, Goodwill and Impairment"

Dear Madam, dear Sir,

On behalf of the Austrian Financial Reporting Advisory Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the Exposure Draft "Business Combinations—Disclosures, Goodwill and Impairment, Proposed amendments to IFRS 3 and IAS 36".

Principal authors of this comment letter were Max Eibensteiner, Christian Groß, Christian Höllerschmid (chair), Erich Kandler, Helmut Kerschbaumer, Ulf Kühle and Dominik Permanschlager. In order to ensure a balanced Austrian view on the consultation, the professional background of these authors is broad.

Best regards,
Romuald Bertl
Chairman

**Comments on Exposure Draft "Business Combinations—Disclosures, Goodwill and Impairment"**

***Question 1—Disclosures: Performance of a business combination (proposed paragraphs B67A–B67G of IFRS 3)***

*(a) Do you agree with the IASB's proposal to require an entity to disclose information about the performance of a strategic business combination, subject to an exemption? Why or why not? In responding, please consider whether the proposals appropriately balance the benefits of requiring an entity to disclose the information with the costs of doing so.*

*(b) If you disagree with the proposal, what specific changes would you suggest to provide users with more useful information about the performance of a business combination at a reasonable cost?*

**AFRAC's response to Question 1:**

In principle, AFRAC welcomes the proposals to provide better information to users of financial statements concerning the performance of business combinations that are of pivotal importance for the successful execution of an entity's overall business strategy. Furthermore, AFRAC appreciates the IASB's efforts to balance the information needs of users of financial statements and the concerns of preparers to reveal commercially sensitive information.

However, we are of the opinion that some concerns addressed by this ED are a consequence of the impairment-only model for the subsequent measurement of goodwill. We are aware that the results from accounting research regarding goodwill accounting are inconsistent: On the one hand, there are indications that the best way to improve goodwill accounting is by enforcing present rules. On the other hand, there is evidence that the impairment-only model for the subsequent measurement of goodwill only partially contributes to higher accounting quality. Nevertheless, we believe that (derivative) goodwill from business combinations is a wasting asset, the consumption of which should be reflected by scheduled amortisation. As goodwill generally represents the synergistic value of a business combination and such synergies are realised, or discovered to be impossible to realise, over a discrete and finite time horizon, a scheduled amortisation method (complemented by impairments, if triggered) would prevent the recognition of internally generated (original) goodwill, comply with the matching principle, foster timely loss recognition and reduce cyclical consequences. In addition, the effects of a scheduled amortisation would reduce the impact of (alleged) management over-optimism.

Accepting the IASB's decision of the year 2022 to retain the impairment-only model for the subsequent measurement of goodwill, we principally agree with the approach set out in the ED. AFRAC considers the proposed disclosures to be in line with the request from users of financial statements to receive improved information on the intended key objectives and targets of major business combinations and on the success of these business combinations. We believe that limiting certain disclosure requirements only to strategic business combinations prevents 'disclosure overload' and reduces preparers' cost. However, we would like to point out that, for a reporting entity, this ED further disadvantages inorganic growth as compared to organic growth with regard to complex and costly disclosures. This may also have an impact on discretionary decisions, whether a target constitutes a business according to Appendix A of IFRS 3 or not, or will even affect deal structuring. Furthermore, we highly question whether the newly proposed items of information on (the performance of) business combinations should be included in the notes to the financial statements. The tight framework of the IFRS disclosure requirements as well as the external audit scrutiny may negatively affect the entire narrative told and the willingness to disclose certain information on business combinations. We are concerned that this may lead to a more restrained approach to disclosures as compared to the provision of the information in the management report.

The requirement to provide information on whether the key objectives of an acquisition have been met by using the metrics determined at the acquisition date is imperative for users of financial statements in order to assess whether the business combination was successful. It is important to note that if the entity plans to deeply integrate an acquired business, the entity's key objectives and targets for an acquisition will be based on the (at that time) integrated business rather than on the acquiree in isolation. It is reasonable to tailor the disclosures on the performance measurement to the integrated business, if this is the way the key management personnel review, monitor or assess the strategic business combinations. However, AFRAC questions whether there could be cases where the information on the (then) integrated business will become so detached from the acquired business that the information value for the users of financial statements will be basically lost. Furthermore, given the importance of strategic acquisitions, we raise the question whether it should be the Chief Operating Decision Maker's (CODM's) view instead of the key management personnel's view that determines the information to be disclosed. For us, the level of key management personnel's stewardship might be too low for a general-purpose financial statements' management approach. We also would like to point out that the nature of the information to be disclosed (financial vs. non-financial) is not defined and that there is no conceptual link between the key objectives and targets being met (or not) and a future impairment being triggered (or not).

AFRAC welcomes the IASB's proposal to exempt an entity from providing information on strategic business combinations, if specific prerequisites apply, as well as the guidance provided in the ED. However, diversity in practice as to the eligibility of specific reasons for

not disclosing an item as well as different levels of aggregation (acc. to para. B67E of IFRS 3) may lead to heterogeneous disclosures on strategic business combinations and a lack of comparability between entities. AFRAC proposes to reconsider whether a mandatory comply-or-explain approach, which allows for non-disclosure only in very rare cases, was superior to the aggregated-level approach, which may provide an excuse for not disclosing detailed information. Furthermore, we do not consider para. B67G of IFRS 3 to be appropriate because the catch-up of information that was rightfully exempt from disclosure in the past may be conceptually compelling but, in our view, leads to ex-post disclosures that are disconcerting and, most likely, no longer decision-useful for users of financial statements. In this case, we are of the opinion that the cost of preparing those disclosures will outweigh the benefits.

***Question 2—Disclosures: Strategic business combinations (proposed paragraph B67C of IFRS 3)***

*(a) Do you agree with the proposal to use a threshold approach? Why or why not? If you disagree with the proposal, what approach would you suggest and why?*

*(b) If you agree with the proposal to use a threshold approach, do you agree with the proposed thresholds? Why or why not? If not, what thresholds would you suggest and why?*

**AFRAC's response to Question 2:**

According to the Basis for Conclusions of the ED, a business combination would be a strategic one, if the failure to meet any one of an acquirer's acquisition-date key objectives would put the acquirer at serious risk of failing to achieve its overall business strategy. AFRAC generally agrees that a strategic business combination is an important sub-category of material business combinations that justifies additional disclosure requirements. However, this principle-based approach to define strategic business combinations is contradicted by the rules-based, largely quantitative criteria in para. B67C of IFRS 3. The qualitative criterion in para. B67C lit. c of IFRS 3, which was taken from IFRS 5, is not capable of remedying this largely "non-strategic" definition of a strategic business combination. Para. B67C of IFRS 3 fails to capture strategic rationales like buying-up competitors that do not exceed the thresholds or buying a small start-up with highly synergistic key technologies. There is no opt-out possibility from and hardly any opt-in possibility (except for new major lines of business or geographical areas of operations) for strategic business combinations.

AFRAC believes that the proposed threshold approach considerably fails to reflect the idea of what is deemed to be a strategic business combination. Moreover, the proposed threshold

approach could be misinterpreted as reference to the IASB's perception of materiality. Currently, the thresholds acc. to IFRS 8 only trigger disaggregation of information. As a consequence of the ED, the quantitative thresholds would become an identifier of strategic business combinations and would, therefore, trigger additional disclosures.

We strongly suggest to make para. B67C of IFRS 3 a rebuttable presumption. The thresholds derived from IFRS 8 and the criterion derived from IFRS 5 would then not be prima facie evidence but could be disproven by an entity, which considers a business combination, which does not comply with B67C, to be a strategic one and vice versa. This would, of course, require to include a principle-based definition of strategic business combinations (see para. BC54) in the Standard's text.

Furthermore, the ED lacks guidance on series of business combinations that, in substance, are to be seen as linked transactions concerning the proposed disclosure requirements. AFRAC is of the opinion that such a guidance is desirable to help entities assess when the first business combination (in a series) should be considered as a step in a co-ordinated plan to enter into a series of business combinations that, altogether, will meet the definition of a strategic business combination.

***Question 3—Disclosures: Exemption from disclosing information (proposed paragraphs B67D–B67G of IFRS 3)***

*(a) Do you think the proposed exemption can be applied in the appropriate circumstances? If not, please explain why not and suggest how the IASB could amend the proposed principle or application guidance to better address these concerns.*

*(b) Do you think the proposed application guidance would help restrict the application of the exemption to only the appropriate circumstances? If not, please explain what application guidance you would suggest to achieve that aim.*

**AFRAC's response to Question 3:**

AFRAC appreciates that the IASB developed a principle underpinning the exemption that an entity can abstain from disclosing certain items of information that can be expected to prejudice seriously the achievement of any of the entity's key objectives for the business combination. AFRAC, therefore, supports the IASB's proposed principle for the exemption, which follows a "disclose or explain" approach per separate item of information and which permits the application of the exemption only to the disclosure of the acquisition-date key objectives and the related targets for a business combination, to a qualitative statement of

whether the actual performance is meeting or has met the objectives and to targets for the business combination and quantitative information about expected synergies.

We are of the opinion that the application guidance plays an important role in order to address preparers' concerns that commercial sensitivity is not adequately considered, but also in order to limit the possibility of pulling the commercial-sensitivity trigger too easily to avoid alleged burdensome disclosures. We, therefore, propose to include some of the considerations (from the BC) and/or illustrative examples that consider a "specific reason" for not disclosing an item in the Standard's text in order to make the exemption more operational and enforceable (especially as regards competitors' use of items of information to be disclosed and as regards litigation risk on forward-looking information). Moreover, we strongly support that the IASB includes its expectation that entities apply the disclosure exemptions only in extremely rare cases (similar to para. 92 of IAS 37). This would make clear that the purpose of the exemption is not to provide preparers with an exit route to non-disclosure, but rather to use it in environments or settings in which the public disclosure of a certain item of information is expected to seriously prejudice any of the entity's key objectives of the business combination. For our opinion on the aggregated-level approach (para. B67E and para. B67F of IFRS 3) and on the reassessment in subsequent periods, please refer to AFRAC's response to Question 1.

***Question 4—Disclosures: Identifying information to be disclosed (proposed paragraphs B67A–B67B of IFRS 3)***

*(a) Do you agree that the information an entity should be required to disclose should be the information reviewed by the entity's key management personnel? Why or why not? If not, how do you suggest an entity be required to identify the information to be disclosed about the performance of a strategic business combination?*

*(b) Do you agree that:*

*(i) an entity should be required to disclose information about the performance of a business combination for as long as the entity's key management personnel review that information? Why or why not?*

*(ii) an entity should be required to disclose the information specified by the proposals when the entity's key management personnel do not start or stop reviewing the achievement of a key objective and the related targets for a strategic business combination within a particular time period? Why or why not?*

**AFRAC's response to Question 4.a:**

AFRAC agrees that the proposed disclosures about the performance of a strategic business will be based on information management uses to review, monitor or assess the business combination's performance (management approach). AFRAC also agrees with the IASB's proposal to define an appropriate management level. However, we strongly disagree that this level of management should be the entity's key management personnel as defined in IAS 24. Given the fact that strategic business combinations (as defined in BC54) refer to the acquisitions that are of pivotal importance for the successful execution of an entity's overall business strategy, it appears to us, that the CODM were the appropriate management level to review the performance of those. We do not understand the IASB's reasoning that users of financial statements might "need" more (detailed, granular) information on the performance measurement of the entity's mission-critical acquisitions than the CODM. We, therefore, suggest that the information to be disclosed about the performance of a strategic business combination is identified at the CODM level. In our view, this would also be consistent with the threshold approach currently foreseen in the ED for identifying strategic business combinations; this approach follows the reporting requirements for segments, where the performance is, by definition, assessed by the CODM.

**AFRAC's response to Question 4.b:**

AFRAC supports the IASB's proposal to disclose information about the performance of a strategic business combination for as long as the entity's management continues to review it as to its acquisition-date key objectives and targets. In cases when an entity's management did not start reviewing/does not plan to review/stops to review ahead of schedule the required information (whether the key objectives and the targets of a strategic business combinations are met), AFRAC also supports the proposal that an entity must disclose that fact and the reasons for (not) doing so as it will be useful for users of financial statements to understand why an entity does not/does no longer review a strategic business combination's performance. As regards the two-year term in para. B67B lit. b of IFRS 3, we agree with the IASB's proposal. We also support the IASB's standpoint that the performance measurement has to be based on the entity's key objectives and targets for an integrated business, if the entity plans to (deeply) integrate an acquired business into (one of) its own business(es).

***Question 5—Disclosures: Other proposals***

*Do you agree with the proposals? Why or why not?*

**AFRAC's response to Question 5:**

New disclosure objectives

AFRAC appreciates and supports the IASB's proposal to add two new disclosure objectives in para. 62A of IFRS 3 to better reflect the information needs of users of financial statements.

Expected synergies

In principle, AFRAC also supports the proposal in para. B64 lit. ea of IFRS 3 to disclose quantitative information about expected synergies from combining the acquirer's and the acquiree's operation in the year of acquisition. We are aware that expected synergies are essential for an acquirer's business plan prepared pre-deal and finally have a decisive influence on the consideration transferred and, thus, on the goodwill value. We understand that users of financial statements need quantitative information on the synergistic value of an acquisition to project profits and cash flows over a mid-term planning horizon, to assess the entity's (changed) risk profile and, in the future, to assess the success of a strategic business combination. However, given the subjectivity, uncertainty and sensitivity surrounding the identification and measurement of expected synergies, we consider the management report to be the appropriate place to include that information.

Moreover, we are critical on para. B67D lit. b of IFRS 3 which indirectly establishes a minimum level of disclosure requirements for the notes to the financial statements based on information that is made publicly available "somewhere" (e.g. in press releases, investor presentations and regulatory filings). We are concerned that the framework of the IFRS disclosure requirements as well as the external audit scrutiny newly imposed on those items of information will negatively impact the entire narrative told and the willingness to disclose certain information on strategic business combinations. A more restrained (capital market) communication strategy on strategic business combinations would therefore, as a rule, increase the possibility of being able to apply the exemption from disclosing information in para. B67D of IFRS 3. We understand that users of financial statements prefer to have the information on expected synergies in the notes to the financial statements, as this provides the same level of assurance as for other disclosures. However, we strongly believe that the items of information on expected synergies, although highly relevant, easily lack the qualitative characteristics of representational faithfulness, verifiability, timeliness, understandability and, as they may even be presented at different levels of aggregation, comparability which are key to accounting information. Furthermore, we would like to stress that if the information on expected synergies was not generated in the course of the decision-making and approval process of the transaction – a setting which we consider to be rather rare –, the cost of preparing the necessary items of information will, most likely, outweigh the benefits.

AFRAC supports the proposal to require entities to provide a description of each category of expected synergy. We accept the IASB's decision not to define synergies. However, some additional guidance and/or examples on identifying and measuring expected synergies would be highly appreciated. We particularly suggest including a (preferably highly aggregated) synergy categorisation and a proposed level of disaggregation between different categories of expected synergies in order to curb diversity in (disclosure) practice. The IASB's considerations in para. BC155, which define the total amount of expected synergies de facto as the minimum disclosure requirement, should enter the Standard's text.
AFRAC supports the proposal to require an entity to disclose when the benefits expected from the synergies are expected to start and how long they will last.

Strategic rationale

AFRAC supports the IASB's proposal to replace the disclosure requirement of the "primary reasons" with the "strategic rationale" for the business combination. We believe that this proposal better reflects the arguments for the strategic fit of the acquiree's business with the acquirer's business but will not lead to significant changes in entities' disclosure practices on business combinations.

Contribution of the acquired business

Although being a complex and costly disclosure for preparers, AFRAC supports the IASB's proposal to retain the disclosure information in para. B64 lit. q of IFRS 3. This item of information is critical for users to do year-on-year comparisons, to project profits and cash flows for the entity and to assess the acquiree's earnings performance, especially if financial information on the acquiree has not been publicly available so far. We note that transaction costs – besides the costs incurred by the acquirer there may be costs incurred by the acquiree as well – as well as integration costs are not adjusted for in this item of information.

AFRAG agrees with replacing the term "profit or loss" with "operating profit or loss" as defined in IFRS 18. It is the operating performance of the acquiree/the combined entity which is of particular interest to the users of financial statements; financing and taxation structures driving financing cost and tax expense are, in many business combinations, not retained. By clearly defining the term "profit and loss", diversity in the preparation of this disclosure in the notes is reduced. AFRAC further agrees with the IASB's proposal to specify that the basis of the information required by para. B64 lit. q (ii) of IFRS 3 (i.e. disclosing revenue and operating profit or loss for the combined entity) is an accounting policy choice. In addition, we also suggest requiring entities to explain the basis of preparation for the items of information disclosed according to para. B64 lit. q (ii) of IFRS 3.

Classes of assets acquired and liabilities assumed

AFRAC agrees with the IASB's proposal to delete the word 'major' from para. B64.i. of IFRS 3. In our view, this reduces diversity in practice and counteracts disclosures of aggregate assets acquired and liabilities assumed at a higher level than assets and liabilities in the acquirer's balance sheet. Furthermore, AFRAC welcomes the suggestion to include pension and financing liabilities to the illustrative example in para. IE72 of IFRS 3. The amendments in the illustrative example are helpful for users of financial statements as pension and financing liabilities are typical key items in the reconciliation of the enterprise value to equity value and, thus, are essential for the determination of the consideration transferred.

Deleting disclosure requirements

AFRAC agrees with the IASB's proposal to delete para. B64 lit. h, B67 lit. d (iii) and B67 lit. e of IFRS 3 because these disclosure requirements are either covered by other Standards, became redundant or do not provide useful information to the users of financial statements. These deletions compensate, at least to some extent, for the cost burden of applying the new disclosure requirements proposed in this ED.

***Question 6—Changes to the impairment test (paragraphs 80–81, 83, 85 and 134(a) of IAS 36)***

*(a) Do you agree with the proposals to reduce shielding? Why or why not?*
*(b) Do you agree with the proposal to reduce management over-optimism? Why or why not?*

**AFRAC's response to Question 6.a:**

AFRAC understands the IASB's conclusion that there is no quick fix for impairment testing at low cost to significantly reduce or eliminate shielding. However, developments that enable alternatives in the future should not be categorically ruled out.

As regards the proposals in the ED to reduce shielding, we do not understand why the level at which cash-generating units (CGUs) or groups of CGUs carrying goodwill are tested for impairment is not linked to the level at which business combinations are reviewed for the purpose of fulfilling the proposed disclosures about a strategic business combination's performance. The IASB concluded that this could result in an entity performing the impairment test at a different level compared to the one foreseen in para. 80 of IAS 36. In our view, this answer is neither conclusive nor holds from a conceptual point of view. We, therefore,

disagree with this disentanglement and suggest establishing that conceptual link. Furthermore, we would like to re-emphasise that if goodwill was treated like a wasting asset, shielding would be less of an issue.

AFRAC is generally sceptical concerning the IASB's shielding approach. We appreciate the overall concept but consider the proposed implementation as neither conclusive nor convincing. In our view, the wording of para. 80 lit. a of IAS 36 became more ambiguous. The proposed wording uses the term "business". Is this a business in the meaning of Appendix A of IFRS 3? Does a CGU or a group of CGUs therefore have to represent an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities? In contrary, it is clear from para. 81 of IAS 36 that a business associated with the goodwill may consist of more than one CGU and there may be more than one CGU to which goodwill relates but to which it cannot be allocated separately. We suggest including a definition or some guidance on what is considered to be a "business associated with the goodwill".

Furthermore, it should be clarified that "the" goodwill is not the entire goodwill from a particular business combination but the portion that is systematically allocated to a CGU or a group of CGUs. Moreover, does "monitor", "review" and "assess" refer to the same activities performed by the management? In para. 80 lit. a of IAS 36, the IASB refers to the internal management "monitoring" a business. In para. B67A of IFRS 3, the IASB refers to the key management personnel "reviewing" the performance of a business combination. In para. 7 of IFRS 8, the IASB refers to the CODM "assessing" the performance of an operating segment. If "monitoring" only included observing and checking but not exercising management control (i.e. decision making), the lowest level would be that level, where financial data for operating activities was compiled and observed. Furthermore, in para. 80 lit. a of IAS 36 the management level for "internal management purposes" is not defined, in contrast to IFRS 3 and IFRS 8. Therefore, we strongly suggest clarifying the meaning of "monitor", "review" and "assess" (or selecting one of them) and the management level in para. 80 lit. a of IAS 36.

Furthermore, there is considerable ambiguity in para. 80A of IAS 36. On the one hand, (expected) synergies from the business combination are used for identifying CGUs or groups of CGUs to which goodwill is to be allocated in para. 80A lit. a of IAS 36 (and also in para. 80 of IAS 36). On the other hand, the reflection of the (expected) synergies becomes a data content requirement for the financial information used to monitor the business associated with the goodwill in para. 80A lit. b of IAS 36. This seems to imply that financial information, which the management uses to monitor the business associated with the goodwill, but which does not reflect how the benefits from expected synergies of the business combination are managed, will not be sufficient to identify a CGU or groups of CGUs to which goodwill is to be allocated. It is worth mentioning that it is not the purpose of financial accounting and

reporting to keep track on the management of (expected) synergies. Therefore, AFRAC suggests deleting or amending the last sentence in para. 80A lit. b of IAS 36.

We understand that the IASB assumes that some entities allocate goodwill at the operating segment level by default because the entities conclude that its management does not monitor goodwill (at a lower level). This accounting policy is tackled with the proposals to reduce shielding. If we assume that this accounting policy was in line with the current version of IAS 36, the amendments proposed in the ED de facto constitute a significant change in accounting policy for these entities. Therefore, we consider a prospective application (i.e. application of the amendments to impairment tests on or after the effective date) highly inappropriate. We suggest introducing a modified retrospective application for impairments triggered by a reallocation of goodwill to lower CGUs or groups of CGUs by first time application of the amendments to IAS 36.

**AFRAC's response to Question 6.b:**

AFRAC agrees with the IASB that (alleged) management over-optimism can be curbed in the best possible way by auditors and enforcers. Standard-setting can only set the scene by implementing clear accounting principles and disclosure requirements imposing transparency. AFRAC, therefore, supports the proposal to require an entity to disclose in which reportable segment a CGU or group of CGUs carrying goodwill is included.

***Question 7—Changes to the impairment test: Value in use (paragraphs 33, 44–51, 55, 130 (g), 134 (d) (v) and A20 of IAS 36)***

*(a) Do you agree with the proposal to remove the constraint on including cash flows arising from a future restructuring to which the entity is not yet committed or from improving or enhancing an asset's performance? Why or why not?*

*(b) Do you agree with the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use? Why or why not?*

**AFRAC's response to Question 7.a:**

In principle, AFRAC supports the proposal to eliminate the constraint on including estimated cash flows from future restructurings to which the entity is not yet committed or from cash flows arising from improving or enhancing an asset's performance. We agree that this will definitely reduce preparation cost and complexity as entities can renounce resource-consuming amendments to the most recent financial budgets or forecasts. Furthermore, these amendments have often been prone to error and, especially as regards enhancements

of an asset's performance, to judgement. We are of the opinion that eliminating this constraint raises the question of when (not yet committed) expansion CAPEX unduly changes the current condition of an asset or of a group of assets. Consequently, we see an additional need for guidance on what does and what does not constitute a restructuring and/or enhancement of an existing asset. This is especially relevant in settings where a significant portion of the value in use of an asset or of a group of assets is derived from not yet committed expansion CAPEX. For settings like this, AFRAC raises the question whether it would be useful for users of financial statements to add a disclosure requirement for such information.

Furthermore, we suggest re-considering the wording of para. 44A lit. a of IAS 36 as this may read to require an entity to include in the estimates of future cash flows of an asset (or a CGU or group of CGUs) any outflows necessary to maintain the level of economic benefits expected to arise from the assets in its current condition – even if the entity is planning not to maintain the current level of operations.

**AFRAC's response to Question 7.b:**

For the reasons mentioned by the IASB in para. BC219 and on the condition specified in para. BC221, AFRAC fully supports the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use. This finally provides for an alignment of standard-setting and accounting and valuation practice.

***Question 8—Proposed amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures***

*Do you agree with the proposals? Why or why not?*

**AFRAC's response to Question 8:**

AFRAC welcomes the IASB's efforts to propose disclosure requirements for eligible subsidiaries that would be reducing the costs for preparers while maintaining the usefulness of information by only requiring disclosures that are designed for users of eligible subsidiaries' financial statements. We agree with the IASB's proposal.

***Question 9—Transition (proposed paragraph 64R of IFRS 3, proposed paragraph 140O of IAS 36 and proposed paragraph B2 of the Subsidiaries Standard)***

*Do you agree with the proposals? Why or why not? If you disagree with the proposals, please explain what you would suggest instead and why.*

**AFRAC's response to Question 9:**

In principle, we agree to the proposed transition rules except for the prospective application of the amendments to IAS 36. For AFRAC's concern in this matter, see AFRAC's response to Question 6.a.