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## IASB<sup>®</sup> meeting

Date	<b>October 2022</b>
Project	<b>Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures</b>
Topic	<b>Cover paper</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the 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*.

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## Purpose of this meeting

1. In June 2022, the International Accounting Standards Board (IASB) agreed a plan for redeliberating the Exposure Draft [Subsidiaries without Public Accountability: Disclosures](#) (Exposure Draft) towards developing an IFRS Accounting Standard (Standard).
2. At its October 2022 meeting the IASB will continue its redeliberations, considering feedback and discussing the following on the draft Standard:
  - (a) objective of the draft Standard;
  - (b) approach to developing the proposed disclosure requirements;
  - (c) process for addressing comments on proposed disclosure requirements; and
  - (d) structure of the draft Standard.
3. This paper sets out:
  - (a) an overview of the agenda papers for this meeting (paragraphs 4–8);
  - (b) why the IASB added the project to its work plan (paragraphs 9–12);
  - (c) next steps (paragraph 13);
  - (d) Appendix A—IASB tentative decisions to date on developing the Standard; and

## Overview of agenda papers for this meeting

4. The agenda papers for this meeting are:
  - (a) *Agenda paper 31A—Objective of the draft Standard;*
  - (b) *Agenda paper 31B—Approach to developing the proposed disclosure requirements;*
  - (c) *Agenda paper 31C—Addressing comments on proposed disclosure requirements; and*
  - (d) *Agenda paper 31D—Structure of the draft Standard.*

**Agenda Paper 31A *Objective of the draft Standard***

5. Agenda Paper 31A discusses the feedback on the proposed objective of the draft Standard and asks the IASB to confirm the proposed objective of the draft Standard.

**Agenda Paper 31B *Approach to developing the proposed disclosure requirements***

6. Agenda Paper 31B discusses the feedback on the approach to developing the proposed disclosure requirements in the draft Standard and asks the IASB to:
  - (a) modify the approach to developing the proposed disclosure requirements in the draft Standard to ensure that the language used in the disclosure requirements are the same as IFRS Accounting Standards; and
  - (b) explain in the Basis for Conclusions on the Standard:
    - (i) why the disclosure requirements in the *IFRS for SMEs* Accounting Standard are an appropriate starting point;
    - (ii) how cost–benefit is taken into account; and
    - (iii) the reason for the exceptions made to the approach.

**Agenda Paper 31C *Addressing comments on proposed disclosure requirements***

7. Agenda Paper 31C outlines the staff's recommended process to address comments on the proposed disclosure requirements in the draft Standard. The staff recommend the IASB applies the following process:
  - (a) Step 1—stratify the comments on the proposed disclosure requirements based on how the requirements were developed;
  - (b) Step 2—assess comments against a set of factors: consider principles on users' information needs of non-publicly accountable entities' financial statements, cost–benefit considerations, distribution of the comment, overall usefulness of information and previous IASB discussions and decisions on the topic; and
  - (c) Step 3—recommend changes to the proposed disclosure requirements in the draft Standard.

**Agenda Paper 31D *Structure of the draft Standard***

8. Agenda Paper 31D discusses the feedback on the structure of the draft Standard and asks the IASB to:
  - (a) omit Appendix A proposed in the draft Standard—that lists the disclosure requirements in other IFRS Accounting Standards replaced by the Standard; and

- (b) include within the main body of the Standard a paragraph that cross-references to disclosure requirements in other IFRS Accounting Standards that remain applicable, replacing those footnotes related to disclosure requirements that remain applicable proposed in the draft Standard.

## Why the IASB added the project to its Work Plan

9. The Exposure Draft set out a proposal for a new IFRS Accounting Standard (draft Standard). The objective of the draft Standard was to permit a subsidiary to apply the recognition, measurement and presentation requirements of IFRS Accounting Standards and the reduced disclosure requirements of the draft Standard provided that<sup>1</sup>:
  - (a) the subsidiary does not have public accountability; and
  - (b) its ultimate or any intermediate parent produces consolidated financial statements that comply with IFRS Accounting Standards and are available for public use.
10. 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*. Stakeholders—mainly preparers—requested that the IASB permit subsidiaries with a parent that applies IFRS Accounting Standards in its consolidated financial statements to apply IFRS Accounting Standards with reduced disclosure requirements
11. Respondents to the Request for Views said that applying the *IFRS for SMEs* Accounting Standard can be unattractive to subsidiaries because there are recognition and measurement differences between the *IFRS for SMEs* Accounting Standard (or local accounting standards) and IFRS Accounting Standards.
12. Subsidiaries that report to a parent that applies IFRS Accounting Standards would prefer to apply IFRS Accounting Standards but with reduced disclosure requirements. This would enable these subsidiaries to reduce financial reporting costs because there would be no need to reconcile between information reported to a parent compliant with IFRS Accounting Standards and either the *IFRS for SMEs* Accounting Standard or local accounting standards.

## Next steps

13. The IASB will continue to redeliberate the proposals in the Exposure Draft.

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<sup>1</sup> For purposes of this paper, IFRS Accounting Standards refers to IFRS Accounting Standards excluding the *IFRS for SMEs* Accounting Standard.

**Appendix A—IASB tentative decisions to date**

Month	Decision
May 2022	<p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) confirm the scope of the draft Standard; and</li> <li>(b) review the scope after the draft Standard has been finalised, possibly during the post-implementation review.</li> </ul> <p>The IASB tentatively decided that if the draft Standard is finalised, it will:</p> <ul style="list-style-type: none"> <li>(a) clarify the description of ‘public accountability’ as set out in the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard</i>.</li> <li>(b) clarify, using similar wording to that of paragraph 1.7 of the <i>IFRS for SMEs Accounting Standard</i>, that an intermediate parent is required to assess its eligibility to apply the draft Standard to its separate and individual financial statements on the basis of its own status. That is, the intermediate parent would be required to make this assessment without considering whether other group entities have public accountability or the group as a whole has it.</li> </ul>
June 2022	<p>The IASB decided to proceed with its proposal for a new IFRS Accounting Standard as set out in the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> and agreed on a project plan for developing the new Accounting Standard.</p> <p>The IASB also tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) include in the new IFRS Accounting Standard disclosure requirements of IFRS Accounting Standards issued as at 28 February 2021; and</li> <li>(b) consider amendments to the disclosure requirements in IFRS Accounting Standards issued after 28 February 2021 after the new Standard is issued.</li> </ul>