IFRS®

STAFF PAPER

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IASB® Meeting

Project	**Subsidiaries that are SMEs**
Paper topic	Research results—what we have heard

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Introduction

1. In 2016, following comments received on the last agenda consultation, the International Accounting Standards Board (Board) included in its research pipeline a project on Subsidiaries that are SMEs. In March 2019 the staff reported to the Board that the research project had become active.

2. The staff has undertaken research and the aim of this paper is to:

   (a) remind the Board of the objective of the research stage of the project (paragraphs 4 and 5);

   (b) discuss which entities are SMEs for the purpose of this project (paragraphs 6 – 9);

   (c) set out the background to the research project (paragraphs 10 – 18);

   (d) discuss the definition of subsidiary that would apply (paragraphs 19 and 20);

   (e) explain the two parts to the research and when each will be reported to the Board (paragraphs 21 and 22);

   (f) report the findings of one of the two parts of the research—*what we have heard* (paragraphs 23 – 46); and

(g) ask the Board whether it has any questions on the research results reported in this paper (paragraph 47).

The appendix to the paper sets out extracts from the notes of the meetings with consultative groups.

3. The Board is not asked to make any decisions.

Objective of the research

4. The objective of the research stage of the project is to assess whether it would be feasible to permit subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the *IFRS for SMEs*® Standard.

5. The research stage is intended to provide the Board with evidence to help it decide whether to move the project to standard-setting.

Which entities are SMEs

6. For the purpose of this project, an SME is an entity eligible to apply the *IFRS for SMEs* Standard. An SME is therefore an entity that:

(a) does not have public accountability; and

(b) publishes general purpose financial statements for external users.

7. Paragraph 1.3 of the *IFRS for SMEs* Standard sets out when an entity has public accountability. Consequently, an entity does not have public accountability if it:

(a) does not have any of its debt or equity instruments traded in a public market[1];

[1] A public market is a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets (paragraph 1.3 of of the *IFRS for SMEs* Standard).

(b) is not in the process of issuing any of its debt or equity instruments for trading in a public market; and

(c) does not hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

8. A deposit-taking bank would therefore not meet the definition of an SME. Similarly, an entity that has issued bonds that are listed on a stock exchange would not meet the definition of an SME.

9. A subsidiary does not have public accountability if it satisfies the criteria listed in paragraph 7. This is so even if the parent of the subsidiary, or any other member of the group, has public accountability.

Background to the research project

Why the project was added to the research agenda

10. In August 2015, the Board published a Request for Views: *2015 Agenda Consultation*. Some respondents suggested that the Board consider permitting subsidiaries to apply IFRS Standards but with reduced disclosures. These respondents argued that applying the *IFRS for SMEs* Standard is not attractive to some subsidiaries because they report to their parent, for consolidation purposes, applying the recognition and measurement requirements of IFRS Standards; there are recognition and measurement differences between IFRS Standards and the *IFRS for SMEs* Standard. For their own financial statements, the subsidiaries would prefer to use the same recognition and measurement requirements as they apply to report to their parent, but with less onerous disclosure requirements. The respondents argued that this approach would reduce costs, without removing information needed by the users of the subsidiaries’ financial statements.

11. These subsidiaries would typically be eligible to apply the *IFRS for SMEs* Standard. The Board therefore agreed to explore an approach limited to subsidiaries that meet

the definition of an SME and limited to exploring whether the disclosure requirements from the *IFRS for SMEs* Standard would, with minimal tailoring, be sufficient.

12. The reasons for taking this approach were twofold:

    (a) as the subsidiaries would be eligible to apply the *IFRS for SMEs* Standard, the Board would be satisfied that the disclosure requirements from the *IFRS for SMEs* Standard would be sufficient to meet user needs.

    (b) utilising the disclosure requirements from the *IFRS for SMEs* Standard, with minimal tailoring, should minimise the work needed, both for stakeholders and for the Board and staff.

A single set of financial reporting standards

13. The above approach is consistent with the IFRS Foundation's principal objective, as set out in the *Constitution*, 'to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles' and the objective 'to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings'.

14. As explained by the Board in the Basis for Conclusions to the *IFRS for SMEs* Standard:

> 'Single set' means that all entities in similar circumstances globally should follow the same standards. The circumstances of SMEs can be different from those of larger, publicly accountable entities in several ways, including:
>
> (a) the users of the entity's financial statements and their information needs;
>
> (b) how the financial statements are used by those users;
>
> (c) the depth and breadth of accounting expertise available to the entity; and
>
> (d) SMEs' ability to bear the costs of following the same standards as the larger, publicly accountable entities.

15. In issuing both IFRS Standards and the *IFRS for SMEs* Standard, which is based on the principles in IFRS Standards but with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations, the Board is fulfilling these objectives. Developing a reduced disclosure standard that forms part of IFRS Standards and applies to subsidiaries that are SMEs would also be consistent with these objectives. The Board would be using cost-benefit arguments to support reduced disclosure and utilising, with minimal tailoring, the disclosure requirements that the Board has already developed for SMEs based on user needs, and so would be maintaining a 'single set'.

16. The Board has issued other Standards with a scope limited to only a sub-section of entities. For example, IFRS 8 *Operating Segments* requires disclosures analysed by operating segment but applies only to entities with debt or equity instruments traded in a public market and entities in the process of issuing debt or equity instruments for trading in a public market.

Project outcomes

17. Should the project progress to standard setting, the expectation is that an exposure draft will be developed of a draft Standard which will:
    - (a) be part of IFRS Standards;
    - (b) be optional for entities within its scope;
    - (c) list which paragraphs in the other Standards need not be applied;
    - (d) list all disclosure requirements (written out in full rather than incorporated by cross-reference to the *IFRS for SMEs* Standard) that need to be applied if the disclosure requirements from the other Standards in IFRS Standards are not applied; and
    - (e) be updated:
        - (i) either on the issue of a new Standard or an amendment to a Standard as a consequential amendment, or by an annual amendment; and

(ii) when the *IFRS for SMEs* Standard is updated.

18. Developing a Standard that is part of IFRS Standards, rather than amending the *IFRS for SMEs* Standard, would have the following benefits:

(a) reduce the risk of appearing to create a third tier of IFRS Standards (alongside IFRS Standards and the *IFRS for SMEs* Standard) because the Standard would apply only to subsidiaries that are SMEs and would be supported on cost-benefit grounds.

(b) not lead to a loss of information required by users, despite the motive for the project being cost-benefit. The *Conceptual Framework* issued by the Board explains, when discussing the cost constraint, that 'Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it'. If subsidiaries were to be permitted to provide reduced disclosures, their users would not incur additional costs to obtain that information elsewhere or to estimate it because the disclosures remaining (those required by the *IFRS for SMEs* Standard) would be those that the Board had identified as appropriate for SMEs based on the needs of users of SME financial statements.

(c) permit the Board to maintain the stable platform for those applying the *IFRS for SMEs* Standard because it would avoid the need to amend it; and

(d) avoid having more than one recognition and measurement basis for entities applying the *IFRS for SMEs* Standard.

Definition of subsidiary

19. The *IFRS for SMEs* Standard and IFRS 10 *Consolidated Financial Statements* both use the same definition of subsidiary—an entity controlled by another entity—however, they define control differently[2].

20. Using the definitions from IFRS 10 maximises the aim of cost reduction and is consistent with the project objective. This is because IFRS 10, not the *IFRS for SMEs* Standard, will determine which entities are included in consolidated financial statements prepared applying IFRS Standards, and so, indirectly, is likely to influence which entities will be required to report to their parent for consolidation purposes amounts determined applying the recognition and measurement requirements of IFRS Standards. Consequently, for the purposes of the research the definition of subsidiary and control in IFRS 10 have been used.

Research performed

21. There are two parts to the research:

    (a) Would a Standard, if developed, be adopted by jurisdictions and applied by subsidiaries that are SMEs?

    (b) Can we utilise the disclosure requirements of the *IFRS for SMEs* Standard with only minimal tailoring?

22. In this agenda paper we report the results of our research on whether a Standard would be adopted and applied—what we have heard. The staff plan to report to the Board the results of the staff analysis on whether we can utilise the disclosure requirements of the *IFRS for SMEs* Standard with only minimal tailoring—can we do it— at the October 2019 meeting.

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[2] At its meeting in July 2019, the Board tentatively decided to seek views on aligning the *IFRS for SMEs* Standard with the IFRS 10 definition of control.

Findings of the research: what we have heard

23. The findings of the research are reported in the following order:

    (a) What the Board has said previously on this topic (paragraphs 24 – 27);

    (b) Results of discussions with consultative groups (paragraphs 28 – 31);

    (c) Unsolicited feedback (paragraphs 32 – 35);

    (d) Reduced disclosure standards issued by national standard-setters (paragraphs 36 – 41); and

    (e) Staff summary of what we have heard (paragraphs 42 – 46).

What the Board has previously said about subsidiaries that are SMEs

24. At its May 2008 meeting, in response to comments received on the 2007 exposure draft of the *IFRS for SMEs* Standard, the Board considered subsidiaries whose parent applied full IFRS Standards. Respondents had specifically asked that if there were recognition or measurement differences between IFRS Standards and the *IFRS for SMEs* Standard, could such a subsidiary use the recognition and measurement principles in full IFRS Standards that are used by its parent but make only the disclosures required by *IFRS for SMEs* Standard.

25. In short, the Board said no. However, the question that the Board was asked was whether a subsidiary that complies with the *IFRS for SMEs* Standard could do this[3]. In

[3] Context to the question was that the 2007 exposure draft of the proposed *IFRS for SMEs* Standard (unlike the final *IFRS for SMEs* Standard) contained numerous cross-references to full IFRS Standards; in the exposure draft the Board had:

(a) omitted topics in IFRS Standards considered not relevant to typical SMEs (eg earnings per share and lessor accounting for finance leases), but added cross-references to the relevant IFRS Standard so that an SME could apply it if needed;

(b) included only the simpler option in the *IFRS for SMEs* Standard where full IFRS Standards provided an accounting policy choice (for example capitalisation of borrowing costs), but SMEs were permitted to use the other option by cross-reference to the relevant IFRS Standard.

In finalising the *IFRS for SMEs* Standard, the Board removed all but one of the 23 cross-references, with the one remaining being an option to apply IAS 39.

paragraph BC67 of the *IFRS for SMEs* Standard, the Board concluded that 'if an entity's financial statements are described as conforming to the *IFRS for SMEs*, it must comply with all of the provisions of that IFRS'. The 'Subsidiaries that are SMEs' project is *not* seeking to change this.

26. In the May 2008 Board paper (May 2008 Agenda Paper 9B), the staff wrote 'Staff believe that if the Board wants to provide disclosure relief in full IFRSs for the separate financial statements of small subsidiaries of full IFRS parent entities, that could be done in full IFRSs'. This is what the 'Subsidiaries that are SMEs' project is investigating.

27. The current 'Subsidiaries that are SMEs' project is not in conflict with decisions that the Board took in May 2008 when developing the *IFRS for SMEs* Standard. In addition, comments received on the 2007 exposure draft of the *IFRS for SMEs* Standard would suggest that there is a demand for the approach now being researched.

Results of discussions with consultative groups

28. The staff has discussed the project with the following consultative groups:

Aspect discussed	**Summary of discussions**
Global Preparers Forum (GPF)	
Would GPF members permit subsidiaries to apply such a Standard, if the Board were to issue one (and its application were permitted in the jurisdictions of the subsidiaries).	The majority of those commenting expressed support for the project believing it would result in cost savings. The UK has a reduced disclosure standard for members of groups. One member observed that the approach taken in the UK has proved to be very popular.

Aspect discussed	Summary of discussions
	Another member commented that this project could lead to a huge saving of time, work and costs and expressed strong support for the project.
The International Forum of Accounting Standard Setters (IFASS)	
The extent to which national standard-setters would permit the application in their jurisdiction of such a Standard and the extent to which they have developed their own reduced disclosure Standard.	There were high levels of interest in the project, subject to seeing the resulting Standard.
Accounting Standards Advisory Forum	
The extent to which national standard-setters would permit the application in their jurisdiction of such a Standard and the extent to which they have developed their own reduced disclosure Standard.	Not all jurisdictions require general purpose financial statements for subsidiaries, or they do but do not require such financial statements to be prepared applying IFRS Standards. Of the other jurisdictions: • Some do not believe our approach is appropriate; • Others were supportive; and • On balance, those that were supportive outnumbered those that were not supportive, although some of these indicated they may consider a wider scope than subsidiaries that are SMEs.

Aspect discussed	Summary of discussions
	The EFRAG member explained that Member States differ in their approach to permitting IFRS Standards for individual financial statements: some require use of IFRS Standards; some permit IFRS Standards; and some require use of local Standards. EFRAG consulted standard-setters. When asked, standard setters who permit or require IFRS Standards strongly supported the development of the Standard. Furthermore, jurisdictions indicated that there were enough SMEs that would benefit from use of the standard. When asked whether standard-setters believed users would be disadvantaged by the new standard, the response was they did not think so. There are positive messages from those jurisdictions who permit or require use of IFRS Standards.

29. The relevant extracts from the meeting notes are set out in the appendix to this paper.

30. At the meeting of the Accounting Standards Advisory Forum, one jurisdiction questioned whether, if subsidiaries prepare financial statements with reduced disclosures, the auditors of the parent company might consider that sufficient work had not been undertaken in the audit of the subsidiary financial statements which would lead to further work having to be undertaken for the purpose of auditing consolidated financial statements.

31. In response to this, the Financial Reporting Committee of the UK's 100 Group[4] was asked about audit costs and, in particular, whether audit costs had increased when UK subsidiaries adopted FRS 101 (the UK's reduced disclosure standard for members of

[4] The 100 Group represents the views of the Finance Directors of FTSE 100 and several large UK private companies.

groups). The Committee confirmed that there were no additional audit costs as a result of adopting FRS 101.

Unsolicited feedback

A corporate's view

32. During a meeting with a corporate it reported that it 'has hundreds of subsidiaries around the world that are SMEs' and that each of these reports to the parent and prepares separate financial statements for local requirements, many in accordance with full IFRS Standards. The corporate reported that some countries offer a choice between national GAAP and IFRS Standards for local reporting, but disclosure requirements applying full IFRS Standards can be a barrier to adopting IFRS Standards locally.

33. The corporate expressed the view that the Board's 'Subsidiaries that are SMEs' project could:

    (a) result in disclosures that are better tailored to the company's users (and that typically creditors are the only primary user unable to demand additional information);

    (b) bring cost savings for companies;

    (c) encourage adoption of IFRS Standards where a country offers a choice.

EU Fitness Check

34. In March 2018, the EU issued the consultation document *Fitness check on the EU framework for public reporting by companies*. Although none of the questions referred to a reduced disclosure framework, one question asked whether the EU should establish a 'pan-EU GAAP', with such pan-EU GAAP being IFRS, IFRS for SMEs or another standard commonly agreed at the EU level. Several responses to the EU on the consultation document recommended recognition and measurement from full

IFRS Standards with reduced disclosure. The following extracts are taken from responses to the fitness check:

Respondent	Extract from response
Dutch Accounting Standards Board	In the Netherlands, non-listed companies have the option to use IFRS, but this is not the case in all EU member states. We believe that non-listed companies in Europe that wish to do so, should have the option to use IFRS instead of national GAAP. … For wholly owned subsidiaries of listed companies, we recommend to introduce a set of "IFRS disclosure light" reporting standards. These standards would exactly follow the recognition and measurement criteria of IFRS, but would inherit only a limited part of the disclosure requirements. The decisions on which disclosure requirements will remain should be taken by the IASB. The impact would be less administrative burden for these subsidiaries of listed companies. We do not prefer the option to use IFRS for SMEs, as this could lead to measurement differences with consolidated financial statements that are based on IFRS.
PwC	We believe the use of IFRS can be further extended. We recommend the Commission allows the following approach: — All non-listed entities prepare IFRS consolidated financial statements (currently allowed only subject to Member State option) and, — Parent companies and their subsidiaries prepare IFRS individual financial statements when the parent issues consolidated financial statements in IFRS under the Member State option. — SMEs have the option to adopt IFRS for SMEs or IFRS with a limited disclosure framework for consolidated

	financial statements as this would be an easy path for a further harmonization of the accounting practices across the European Countries.
Confederation of Danish Industry	EU should introduce options that allows business to make use of one of the following to reporting options: 1) IFRS for SME's or 2) IFRS (Recognition and measurement), but with reduced disclosure requirements This would ease the compliance burden, support the internal market and improve the transparency for smaller and medium sized entities engaging in cross-border activity.
Deutsche Bank	We believe that it would be beneficial if preparers of individual financial statements were given the option to produce IFRS Financial Statements or for smaller entities a Reduced Disclosure version of IFRS. This would allow preparers to report efficiently as this would minimise the need for maintaining two different set of books under different GAAPs. In addition this would allow for shorter reporting timelines. …
BDO	If a pan EU GAAP is to be implemented for use by any company that belongs to a group, we are strongly of the view that this should be IFRS. … However, full IFRS brings a significant range of disclosure requirements which may not be necessary for subsidiaries of a group where the parent prepares consolidated financial statements. Consequently, we would favour an approach similar to that taken by the UK and Australia, which is full IFRS measurement with reduced disclosure requirements.

35. The EU's summary report of the public consultation includes the following:

> … However if the EU were to address these, a number of respondents recommended reducing Member State options as a potential way forward, and/or using the IFRS as an anchor point. For instance, it could be envisaged to further align the Accounting Directive with the IFRS; to grant a right to companies, in particular groups, to apply the IFRS (or IFRS "light") instead of national GAAP (in which case, issues with taxation or other rules would have to be addressed); to impose the IFRS in specific situations, such as for individual financial statements of listed companies. …

Reduced disclosure standards issued by national standard-setters

36. The staff have identified the following jurisdictions which have issued or considered issuing a reduced disclosure standard.

Malaysia

37. In 2010, the Malaysian Accounting Standards Board proposed a reduced disclosure framework but did not finalise it because the regulator was not supportive of the proposal. The regulator instead wanted subsidiaries to provide the same level of detailed disclosure as parent companies because in Malaysia the parent will usually be an investment holding company with operations carried out at the subsidiary level and accordingly the risks of the group of companies would be reflected at the subsidiary level.

United Kingdom

38. FRS 101 *Reduced Disclosure Framework* was issued by the UK standard-setter in November 2012 and was effective from 1 January 2015. It is an optional standard that can be applied by subsidiaries and parent entities in their individual financial statements. The standard sets reduced disclosure requirements but with the recognition and measurement criteria remaining the same as for full IFRS Standards. The staff has received anecdotal evidence that in the UK, FRS 101 is widely applied; see, for example, paragraph 28 (Global Preparers Forum).

New Zealand

39. In New Zealand, for annual reporting periods beginning on or after 1 December 2012, Tier 2 for-profit entities[5] have been able to elect to apply the full recognition and measurement requirements from IFRS Standards but with reduced disclosures. The disclosures are reduced from IFRS Standards.

Australia

40. In Australia, for annual reporting periods beginning on or after 1 July 2013, Tier 2 entities[6] have applied the full recognition and measurement requirements from IFRS Standards but with reduced disclosures. The disclosures are reduced from IFRS Standards. The Australian Accounting Standards Board (AASB) is working on a project to replace[7] those disclosure requirements with some that are less onerous.

41. On 1 August 2019 the AASB published an exposure draft proposing to replace the reduced disclosure requirements with disclosure requirements based on the *IFRS for SMEs* Standard, tailored where necessary to reflect recognition and measurement differences. The comment period for the AASB exposure draft closes on 15 November 2019. Kris Peach, Chair and CEO of the AASB, will attend the December 2019 IASB meeting to update the Board on the AASB project.

[5] A Tier 2 for-profit entity: (a) does not have public accountability; and (b) is not a large for-profit public sector entity.

[6] Tier 2 entities are: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.

[7] The project is applicable to Tier 2 for-profit private sector entities that do not have public accountability.

Staff summary of what we have heard

Would a Standard, if developed, be adopted and applied?

42. Yes. From the outreach conducted, the staff believes that a Standard, if developed, would be adopted and applied.

43. Not all jurisdictions require general purpose financial statements for non-publicly accountable entities; other jurisdictions require preparation of general purpose financial statements but do not permit application of IFRS Standards. This project may not benefit such jurisdictions. For jurisdictions that permit application of IFRS Standards for preparation of local individual financial statements, the staff has heard that there is a demand. In particular, companies have shown strong support for the project.

44. If a subsidiary currently applies full IFRS Standards, the project would permit it to reduce disclosures and correspondingly reduce costs. For subsidiaries currently applying a local GAAP, but submitting a consolidation pack prepared applying full IFRS Standards, the project would enable it to keep just one set of records and so reduce costs.

45. For those jurisdictions requiring non-publicly accountable entities to prepare general purpose financial statements, this project has the potential to benefit a large number of entities. For example, paragraph 32 of this paper notes that one corporate reported that it has hundreds of subsidiaries around the world that are SMEs and that each of these reports to the parent and prepares separate financial statements for local requirements, many in accordance with full IFRS Standards.

46. During the research it was suggested that the project might lead to some companies adopting IFRS Standards that otherwise might not adopt them, for example, see paragraph 33(c). In addition, one of the members of the Global Preparers Forum commented that the project would be a real opportunity for the Board to further implement IFRS Standards throughout the world.

Question for the Board

47. The Board is not asked to make any decisions at this meeting. Next month the staff will report to the Board on the second part of the research, whether we can utilise the disclosure requirements of the *IFRS for SMEs* Standard with only minimal tailoring.

Question for the Board
Does the Board have any questions on the research results—what we have heard—reported in this paper?

Appendix

Extract from minutes of GPF meeting held on 22 March 2019

SMEs that are subsidiaries (Agenda Paper 2)

4. The staff asked GPF members if they would permit their subsidiaries (if eligible to apply the *IFRS for SMEs* Standard) to apply a Standard requiring recognition and measurement in accordance with IFRS Standards and disclosures based largely on the *IFRS for SMEs* Standard. If the Board were to develop such a Standard, what benefits and costs could members envisage?

5. The majority of members who commented expressed support for such an approach, believing it would be attractive to subsidiaries and result in cost savings. On the other hand, two members thought their group would not apply such a standard.

6. Points to consider in the project:

   (a) this will not work if the *IFRS for SMEs* Standard requires many additional disclosures that are not present in IFRS Standards;

   (b) not all subsidiaries that could be eligible for this approach publish general purpose financial statements for external users; and

   (c) will companies applying this approach have to flag this to their users?

7. Consider whether additional relief could be given to subsidiaries when they: (a) transition to IFRS Standards at a date different from their parent; or (b) enter into intercompany transactions, for example, an intercompany lease. These transactions are eliminated at group level but are separately recognised in individual subsidiaries' financial statements.

Extract from minutes of ASAF meeting held on 1 & 2 April 2019

Subsidiaries that are SMEs

69. The Board is assessing whether it is feasible to develop a Standard, currently expected to be part of IFRS Standards, that would permit subsidiaries that are eligible to apply the *IFRS for SMEs* Standard to apply, in their individual entity financial statements, the recognition and measurement requirements of IFRS Standards but with the disclosure requirements of the *IFRS for SMEs* Standard (probably with some tailoring by the Board to reflect the recognition and measurement differences).

70. The objective of this session was to obtain ASAF members' views on the likelihood of a Standard, should the Board proceed with the project, being adopted in jurisdictions (Agenda Paper 9).

71. ASAF members noted three jurisdictions (Australia, New Zealand and the UK) have issued a Standard permitting reduced disclosures while applying the recognition and measurement requirements of IFRS Standards.

72. The AOSSG member noted that Malaysia proposed such a Standard but did not finalise it. Feedback to the exposure draft issued by the Malaysian Accounting Standards Board revealed that Regulators would not support the new Standard.

73. In relation to whether ASAF members would permit use of such a Standard:

    (a) the EFRAG member expressed support and the AOSSG said two of its members (Pakistan and Hong Kong) had expressed support. The EFRAG member commented that the standard-setters in the jurisdictions allowing or requiring IFRS Standards, strongly support the development of the Standard.

    (b) three other jurisdictions (AScB, Australia (an AOSSG member) and PAFA) were supportive but also indicated that they may consider a wider scope than subsidiaries that are SMEs.

(c) the FRC member said the UK would be interested but for the fact that it already has a successful, and widely used, reduced disclosure Standard (with recognition and measurement of IFRS Standards) which applies to the single entity financial statements of members of a group.

(d) the AOSSG member noted that New Zealand already has a Standard so would need to look at the differences before deciding whether to adopt.

(e) some ASAF members said they would not adopt the Standard because they either do not have a requirement for single entity financial statements or they do not require IFRS Standards at the single entity level (GLASS, ASBJ and AOSSG (Indonesia)).

(f) the ARD[8] member noted that it requires parent and subsidiary companies in the same group to follow the same accounting policies and so if a parent applies IFRS Standards then the subsidiaries have to also.

(g) the AOSSG member noted that Korea and India also did not believe the Standard was appropriate.

74. Other comments:

(a) some jurisdictions queried which framework the reduced disclosure Standard would be part of; EFRAG would prefer that it is part of IFRS Standards.

(b) the FRC thought that there are not the same benefits of international comparability for subsidiaries as there is at the group level.

(c) the ARD member queried whether the benefits of giving fewer disclosure in individual financial statements would be reduced if the disclosures are required at the consolidated level.

[8] Accounting Regulatory Department, Ministry of Finance, People's Republic of China

(d) the KASB member was of the view that if subsidiaries prepare reduced disclosures, the auditors of the parent company might not consider that sufficient work had been done in the audit of the subsidiary financial statements which would lead to further work having to be done for the purpose of auditing consolidated financial statements.

(e) the AOSSG member noted that India believes that the Standard would provide an incomplete picture of financial statements as detailed disclosure sometimes assists stakeholders in better understanding recognition and measurement. There will be a mismatch between the underlying principles of the two sets of Standards with the classification and measurement of financial instruments being used as an example.

Extract from meeting notes of IFASS meeting held on 28 & 29 March 2019

The other optional session was lead by Michelle Sansom (staff of the IASB) and addressed the comprehensive review of the *IFRS for SMEs*, a project recently started by the IASB. The discussion included whether relief for subsidiaries should be granted of applying the recognition and measurement requirements of IFRS Standards and disclosure requirements of the *IFRS for SMEs* Standard.