

## STAFF PAPER

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## Global Preparers Forum Meeting

Project	SMEs that are subsidiaries		
Paper topic	Application advice in individual jurisdictions		
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## Questions for GPF members

1. The International Accounting Standards Board (Board) is considering permitting SMEs that are subsidiaries of a parent entity that applies IFRS Standards to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the *IFRS for SMEs* Standard.

**Questions for GPF members**

Would you permit subsidiaries in your group that are SMEs, to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the *IFRS for SMEs* Standard? If so, what do you envisage the benefits and costs would be?

If you would not permit this, what would be the reasons?

## Background

2. 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. They argued

that using the *IFRS for SMEs* Standard is not attractive to some of these subsidiaries because they need to report to their parent, for consolidation purposes, applying the recognition and measurement requirements of IFRS Standards. For the subsidiaries own financial statements, they would prefer to use those recognition and measurement requirements, but with less onerous disclosure requirements.

3. In 2016, the International Accounting Standards Board (Board) included in its research pipeline a project on this topic.
4. To avoid establishing a third regime (alongside IFRS Standards and the *IFRS for SMEs* Standard), the project added to the Board’s research pipeline is limited to assessing whether it would be feasible to permit SMEs that are subsidiaries to apply the recognition and measurement requirements of IFRS Standards but with the disclosure requirements of the *IFRS for SMEs* Standard.
5. That research project has now become active. The project is intended to provide the Board with evidence to help it decide whether to add a project to its work plan to develop a proposal to implement that approach.

### **Definition of an SME**

6. Paragraph 1.2 of the *IFRS for SMEs* Standard defines an SME as an entity that does not have public accountability and that publishes general purpose financial statements for external users. Paragraph 1.3 of the Standard explains that:

*An entity has public accountability if:*

- (a) Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or*
- (b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion).*