



IFRS® Foundation

Subsidiaries without Public Accountability: Disclosures

Global Preparers Forum

Agenda Paper 3

November 2021

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Agenda

Overview of the Exposure Draft

Next steps and useful information

Questions for GPF members

Purpose of this session

Background

In July 2021, the IASB published the **Exposure Draft *Subsidiaries without Public Accountability: Disclosures***

The Exposure Draft sets out the IASB's proposal for a new IFRS Standard that would permit eligible subsidiaries to apply IFRS Standards with a reduced set of disclosure requirements

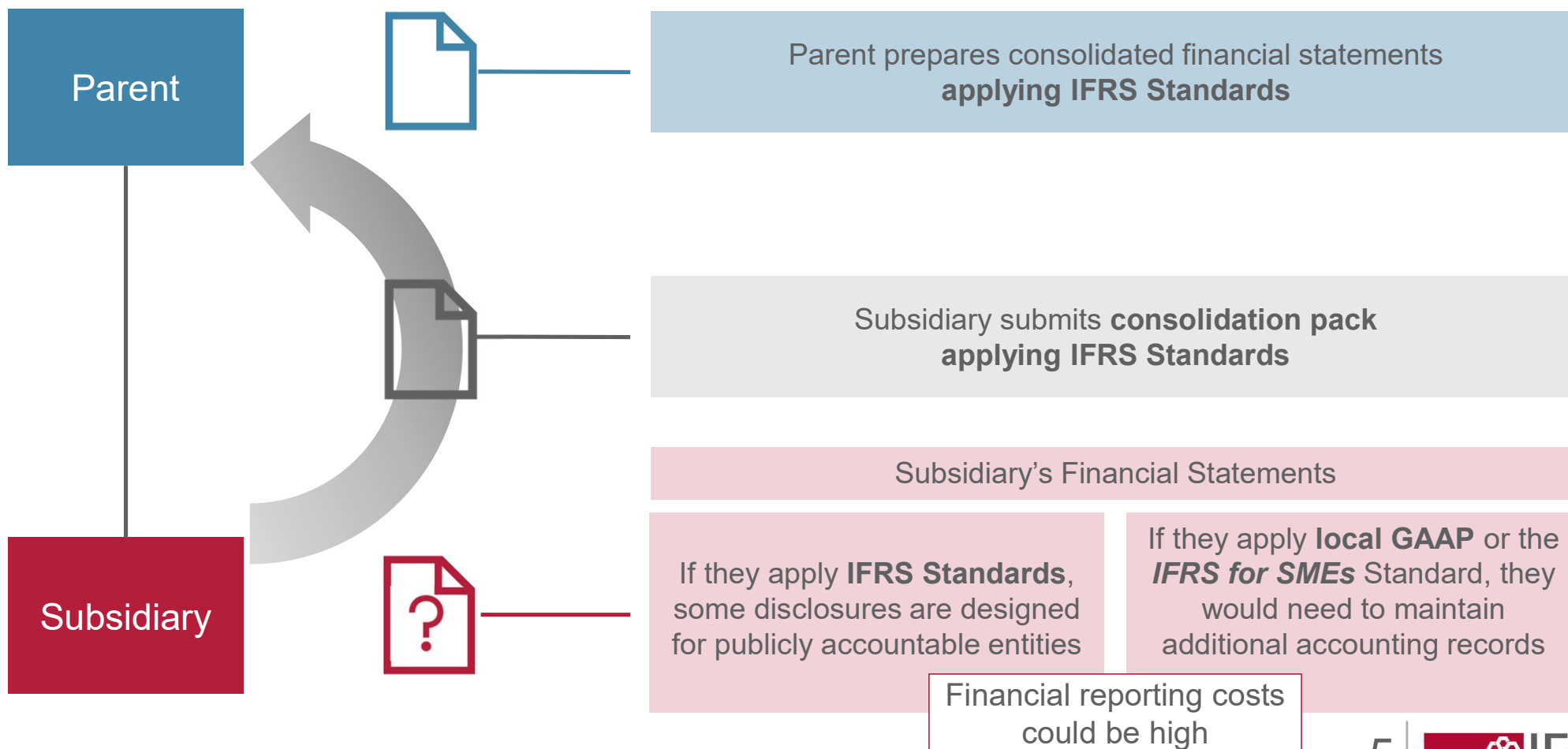
Purpose of session

- Provide an overview of the Exposure Draft
- Seek GPF members' views on the **benefits** and **implementation costs** of the proposals (questions for GPF members are set out on slide 20)
- Allow GPF members to ask questions and share views on the IASB's proposals

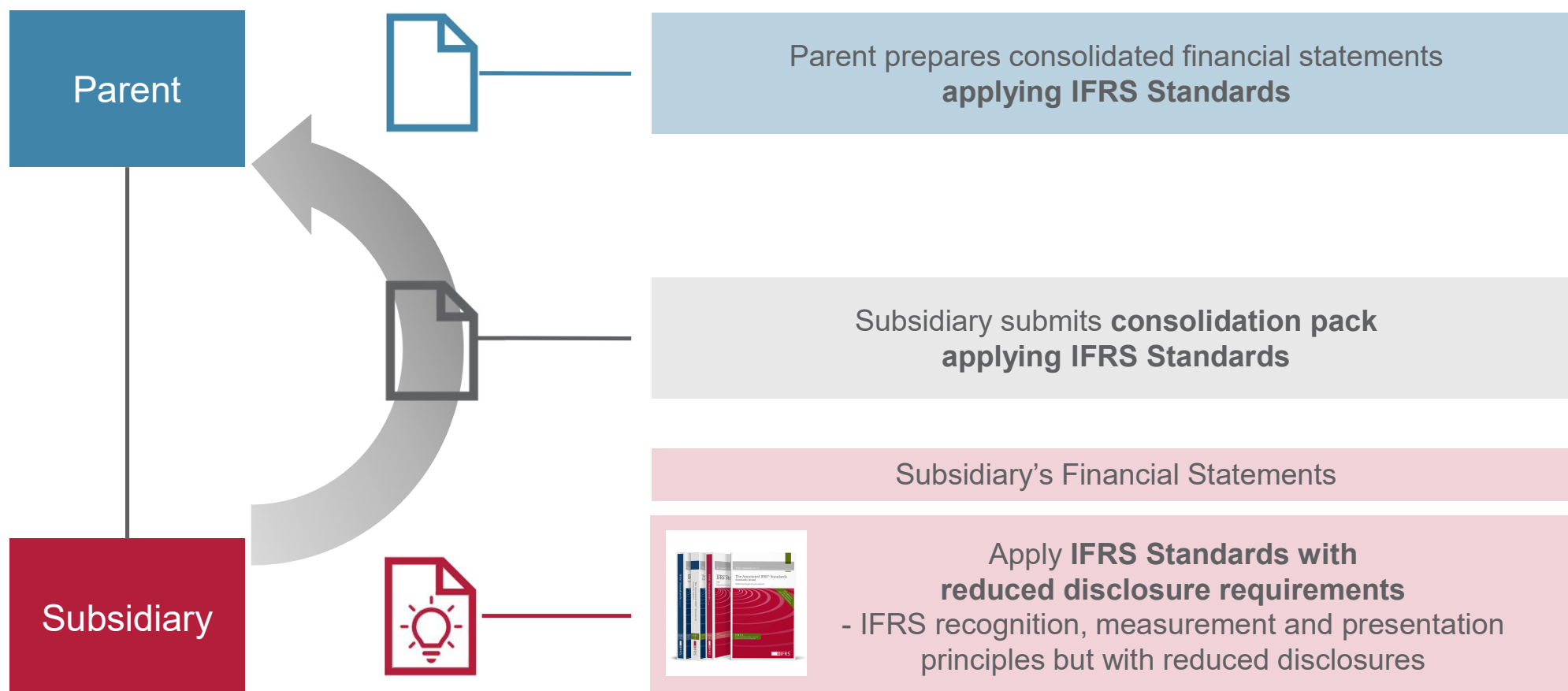
A dark gray background featuring a faint world map. Overlaid on the map are several curved, light gray lines and a dotted grid pattern, suggesting a global or financial context.

Overview of the Exposure Draft

Why is the IASB undertaking this project?



Exposure Draft proposals



Benefits of the proposals

Reduced costs for preparers

- single set of accounting policies applied
- one set of accounting records
- reduced work for finance team

Tailored disclosures for users

- disclosures designed for non-publicly accountable entities
- financial statements tailored towards users' needs



A preparer said “we have hundreds of subsidiaries around the world that do not have public accountability, that individually report applying IFRS Standards and prepare general purpose financial statements for local requirements—these subsidiaries can benefit from these proposals”.

Proposed Scope

Scope

Voluntary application in consolidated or individual financial statements available to subsidiaries at the end of the reporting period:

- a) that do **not have public accountability**; and
- b) whose parent prepares consolidated financial statements available for public use that comply with IFRS Standards

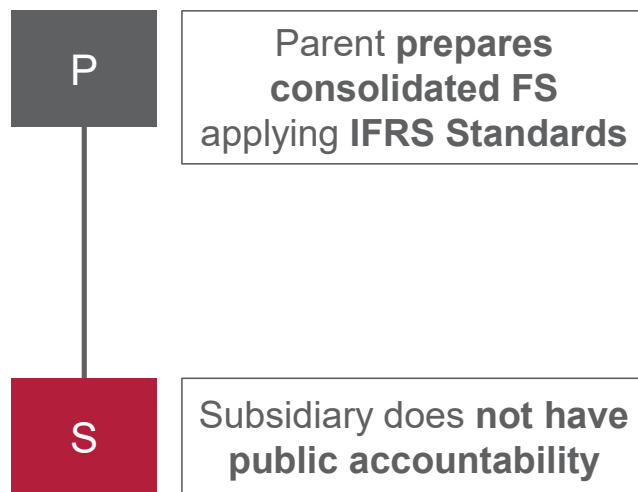
Public accountability

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; 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).

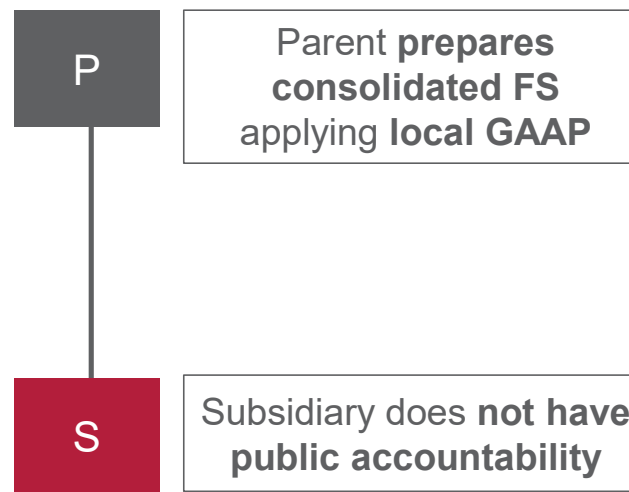
Illustration: Eligible subsidiaries

Scenario 1



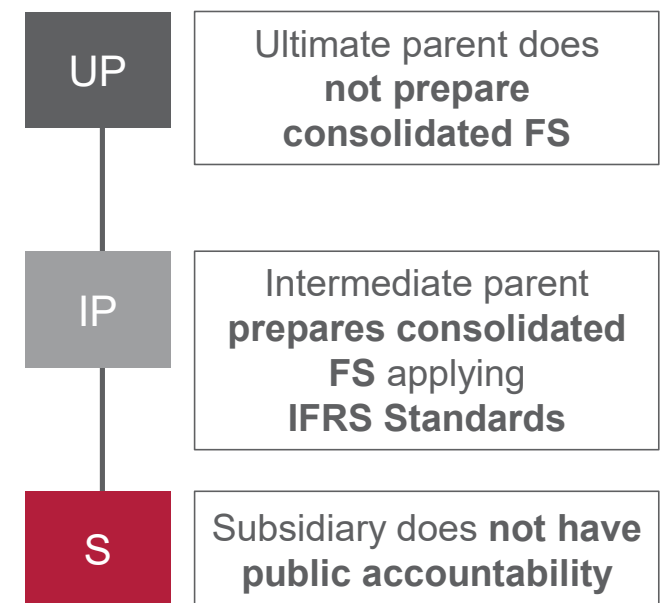
Eligible? ✓

Scenario 2



Eligible? ✗

Scenario 3



Eligible? ✓

Developing the disclosure requirements

Approach

Start with the disclosure requirements in the *IFRS for SMEs* Standard and tailor to reflect recognition and measurement requirements in IFRS Standards

Why?

Disclosure requirements in the *IFRS for SMEs* Standard are:

- **substantially reduced** from IFRS Standards
- intended to **meet information needs of users** of financial statements of non-publicly accountable entities

In tailoring disclosure requirements, the IASB applied the principles it used to develop the disclosure requirements in the *IFRS for SMEs* Standard

This approach does not require the IASB to develop new disclosure requirements

Developing the disclosure requirements

Is there a recognition or measurement difference between IFRS Standards and the *IFRS for SMEs* Standard?

Yes

Use and tailor the disclosure requirements in IFRS Standards

Apply to the disclosure requirements in IFRS Standards the principles used to develop the disclosure requirements in the *IFRS for SMEs* Standard

No

Use the disclosure requirements in the *IFRS for SMEs* Standard

Minor updates to:

- align terms and language with IFRS Standards
- update paragraph cross-references

In limited cases, the IASB made exceptions to this approach

Which IFRS Standards?

The Exposure Draft proposes reduced disclosure requirements for all IFRS Standards issued as at 28 February 2021 and exposure drafts published as at 1 January 2021, except for:

- *IFRS 17 Insurance Contracts*
- *IFRS 8 Operating Segments*
- *IAS 33 Earnings per Share*
- *Exposure Draft General Presentation and Disclosures*

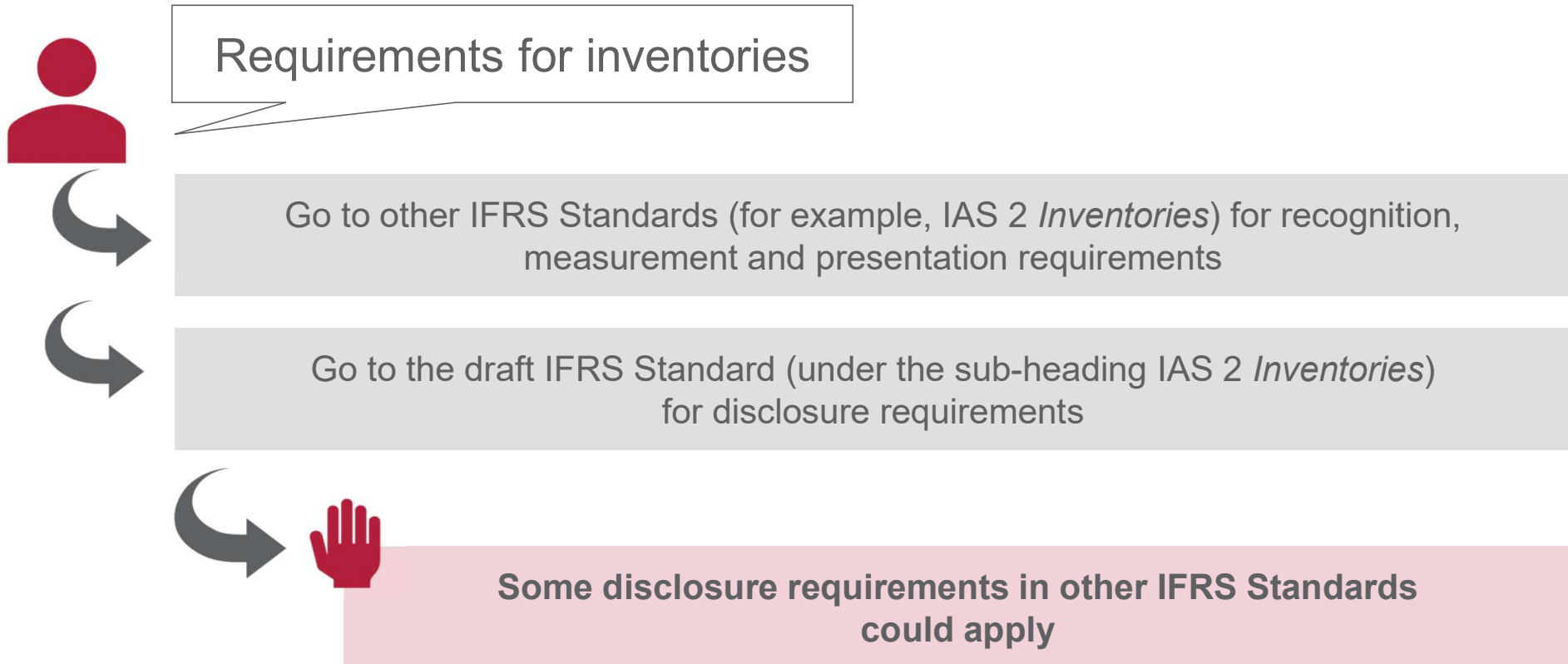
An eligible subsidiary that issues insurance contracts within the scope of IFRS 17 would provide all the disclosures required by IFRS 17.

An eligible subsidiary that chooses to apply IFRS 8 shall provide all its disclosures and state that it has applied IFRS 8.

If the subsidiary discloses information about segments that do not comply with IFRS 8 it shall disclose the basis of how such information was prepared.

An eligible subsidiary that discloses earnings per share applies IAS 33 including its disclosures requirements.

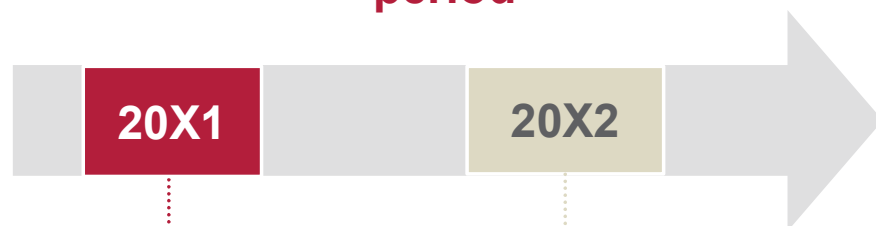
Illustration—applying the draft IFRS Standard



Transition to the draft IFRS Standard and interaction with IFRS 1

The draft IFRS Standard has no specific transition provision

Applied IFRS Standards in preceding period

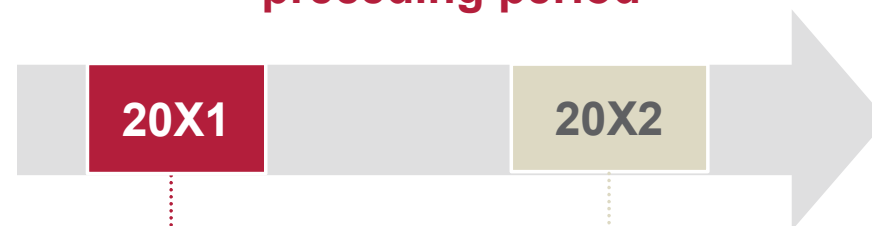


Applied IFRS Standard but *not* the draft IFRS Standard

Applies IFRS Standards and elects to apply the draft IFRS Standard

Would **not** apply IFRS 1 in 20X2 because it prepared financial statements applying IFRS Standards in a preceding period

Did not apply IFRS Standards in preceding period



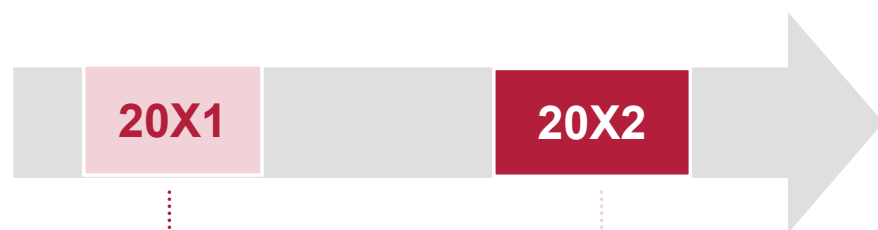
Applied *IFRS for SMEs* Standard or local GAAP

Applies IFRS Standards and elects to apply the draft IFRS Standard

Apply IFRS 1 in 20X2 because in 20X2 it prepared its **first financial statements** applying IFRS Standards

Comparative Information

Applied draft Standard in current period but not preceding period



Applied IFRS Standard but *not* the draft IFRS Standard

Applies the draft IFRS Standard

Less disclosures in the current period

In 20X2 financial statements, provide 20X1 comparative information *only* for information reported in 20X2

Applied draft Standard in preceding period but not current period



Applied the draft IFRS Standard

Applies IFRS Standard but *not* the draft IFRS Standard

More disclosures in the current period

In 20X2 financial statements, provide 20X1 comparative information for information reported in 20X2

Unless other IFRS Standard requires or permits otherwise

FAQs

Compliance statement

The Exposure Draft proposes a subsidiary discloses it has applied the IFRS Standard *Subsidiaries without Public Accountability: Disclosures*, and this disclosure be located with the explicit and unreserved statement that the financial statements have been prepared in compliance with IFRS Standards

Interaction with IFRS 1

The commencement or cessation of application of the draft IFRS Standard does not, in itself, result in an entity meeting the definition of a first-time adopter

Transition

The Exposure Draft does not include transition requirements

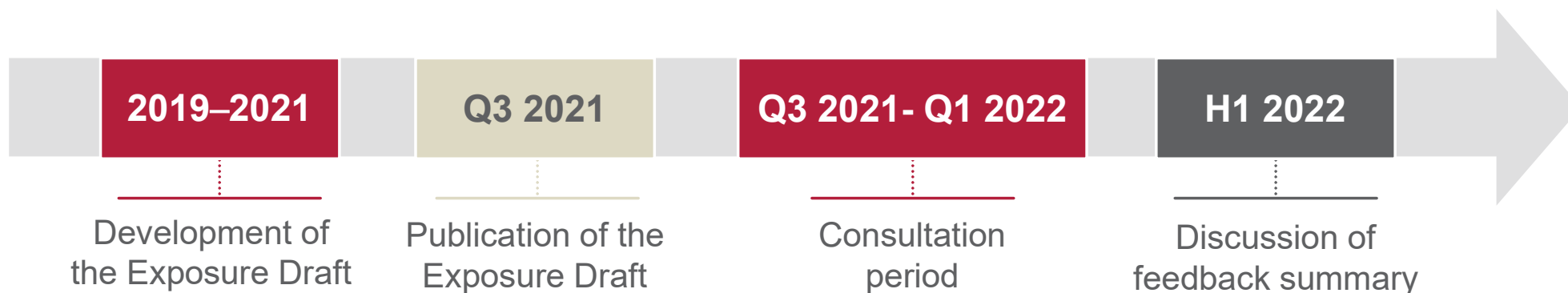
Maintenance

The IASB will consider amendments to the draft IFRS Standard when it publishes an exposure draft of a new or amended IFRS Standard

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Next steps and useful information

Timeline



The Exposure Draft *Subsidiaries without Public Accountability: Disclosures* is open for comment until 31 January 2022. The Exposure Draft can be accessed [here](#).

The Snapshot that provides an overview of the IASB's proposals can be accessed [here](#).



Questions for GPF members

Questions for GPF members

Scope

Do you agree with the proposed scope of the draft IFRS Standard?

Benefits

Do you agree that the Board's proposal would simplify and reduce the cost of group financial reporting?

Cost-benefit

Do you agree that the benefits of the draft IFRS Standard would exceed the costs of applying it?

Usefulness of financial statements

Do you agree that usefulness of financial statements would be maintained for users by applying the principles in developing the disclosure requirements?

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