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## IASB<sup>®</sup> meeting

Date	<b>May 2023</b>
Project	<b>Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures</b>
Topic	<b>Cover paper</b>
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## Purpose of this meeting

1. At its [June 2022 meeting](#), the International Accounting Standards Board (IASB) agreed on a project plan for redeliberating the proposals in the Exposure Draft [Subsidiaries without Public Accountability: Disclosures](#) (Exposure Draft) towards developing an IFRS Accounting Standard (Standard).
2. At this meeting, the IASB is asked to:
  - (a) discuss the feedback on and decide whether to revise any of the proposed disclosure requirements in the draft Standard;
  - (b) decide whether to add guidance on or revise paragraph 16 of the draft Standard, or develop an overall disclosure objective in the new Standard;
  - (c) decide whether to proceed with its proposal to require any disclosure requirements specified in a new or amended IFRS Accounting Standard about the entity's transition to that new or amended IFRS Accounting Standard to remain applicable to an eligible subsidiary that applies the new Standard; and
  - (d) decide whether disclosure requirements in IFRS Accounting Standards that have been issued or will be issued since the Exposure Draft was published apply to eligible subsidiaries applying the new Standard.

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3. This paper sets out:
- (a) an overview of the agenda papers for this meeting (see paragraphs 4–9);
  - (b) why the IASB added the project to its work plan (see paragraphs 10–13);
  - (c) next steps (see paragraphs 14–15); and
  - (d) appendices to this paper:
    - (i) Appendix A—proposed disclosure requirements in IFRS Accounting Standards analysed in Agenda Paper 31A; and
    - (ii) Appendix B—IASB tentative decisions on developing the Standard.

### **Overview of the agenda papers for this meeting**

4. The agenda papers for this meeting are:
- (a) Agenda Paper 31A *Feedback on proposed disclosure requirements*;
  - (b) Agenda Paper 31B *Paragraph 16 of the draft Standard*;
  - (c) Agenda Paper 31C *Disclosure requirements about transition in other IFRS Accounting Standards*; and
  - (d) Agenda Paper 31D *New disclosure requirements in IFRS Accounting Standards*.

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**Agenda Paper 31A Feedback on proposed disclosure requirements**

5. Agenda Paper 31A discusses the feedback and asks the IASB to decide whether to revise any of the proposed disclosure requirements in the draft Standard. See Appendix A of this paper for the list of IFRS Accounting Standards included in Agenda Paper 31A.
6. A summary of the staff recommended revisions to the proposed disclosure requirements in the draft Standard are summarised in paragraph 21 of Agenda Paper 31A. Appendix A of Agenda Paper 31A provides the detailed analysis of the feedback.

**Agenda Paper 31B Paragraph 16 of the draft Standard**

7. Agenda Paper 31B asks the IASB to decide whether to add guidance on or revise paragraph 16 of the draft Standard, or develop an overall disclosure objective in the new Standard.

**Agenda Paper 31C Disclosure requirements about transition in other IFRS Accounting Standards**

8. Agenda Paper 31C asks the IASB to decide whether to proceed with its proposal to require any disclosure requirements specified in a new or amended IFRS Accounting Standard about the entity's transition to that new or amended IFRS Accounting Standard to remain applicable to an eligible subsidiary that applies the new Standard.

**Agenda Paper 31D New disclosure requirements in IFRS Accounting Standards**

9. Agenda Paper 31D asks the IASB to decide whether disclosure requirements in amendments to IFRS Accounting Standards that have been issued or will be issued since the Exposure Draft was published apply to eligible subsidiaries until the IASB issues an amendment to the new Standard.

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

10. The Exposure Draft set out a proposal for a new IFRS Accounting Standard. The objective of the draft Standard is 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:
  - (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.
11. 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.
12. 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.
13. 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.

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## Next steps

14. In a future IASB meeting, the staff will also bring agenda paper(s) that discusses feedback on the definition of public accountability and on disclosure requirements from the [Exposure Draft \*Third edition of the IFRS for SMEs Accounting Standard\*](#) and consider whether and how the proposed disclosure requirements in the draft Standard should be revised. This discussion will complete the IASB's redeliberation of the proposals in the draft Standard.
15. The staff will also bring an agenda paper to discuss due process and effects analysis, and will ask permission from the IASB to begin the balloting process.

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## Appendix A—proposed disclosure requirements in IFRS Accounting Standards analysed in Agenda Paper 31A

- A1. Agenda Paper 31A discusses the feedback on the proposed disclosure requirements in the draft Standard on the following IFRS Accounting Standards:
- (a) IFRS 2 *Share-based Payment*;
  - (b) IFRS 3 *Business Combinations*;
  - (c) IFRS 7 *Financial Instruments: Disclosures*;
  - (d) IFRS 12 *Disclosure of Interests in Other Entities*;
  - (e) IFRS 15 *Revenue from Contracts with Customers*;
  - (f) IFRS 16 *Leases*;
  - (g) IAS 1 *Presentation of Financial Statements*;
  - (h) IAS 19 *Employee Benefits*; and
  - (i) IAS 27 *Separate Financial Statements*.
- A2. No comments were received on proposed disclosure requirements on the following IFRS Accounting Standards:
- (a) IAS 10 *Events after the Reporting Period*;
  - (b) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
  - (c) IAS 23 *Borrowing Costs*; and
  - (d) IAS 29 *Financial Reporting in Hyperinflationary Economies*.
- A3. Feedback on proposed disclosure requirements on other IFRS Accounting Standards discussed in the April 2023 IASB meeting:<sup>1</sup>
- (a) IFRS 1 *First-time Adoption of International Financial Reporting Standards*;

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<sup>1</sup> See [Agenda paper 31A Subsidiaries Feedback on proposed disclosure requirements](#) and IASB [Update](#) of the April 2023 meeting.

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- (b) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
  - (c) IFRS 6 *Exploration for and Evaluation of Mineral Resources*;
  - (d) IFRS 7 *Financial Instruments: Disclosures*;
  - (e) IFRS 13 *Fair Value Measurement*;
  - (f) IFRS 14 *Regulatory Deferral Accounts*;
  - (g) IAS 2 *Inventories*;
  - (h) IAS 7 *Statement of Cash Flows*;
  - (i) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
  - (j) IAS 12 *Income Taxes*;
  - (k) IAS 16 *Property, Plant and Equipment*;
  - (l) IAS 21 *The Effects of Changes in Foreign Exchange Rates*;
  - (m) IAS 24 *Related Party Disclosures*;
  - (n) IAS 32 *Financial Instruments: Presentation*;
  - (o) IAS 34 *Interim Financial Reporting*;
  - (p) IAS 36 *Impairment of Assets*;
  - (q) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
  - (r) IAS 38 *Intangible Assets*;
  - (s) IAS 40 *Investment Property*;
  - (t) IAS 41 *Agriculture*;
  - (u) IFRIC 17 *Distributions of Non-cash Assets to Owners*;
  - (v) IFRIC 23 *Uncertainty over Income Tax Treatments*; and
  - (w) SIC-29 *Service Concession Arrangements: Disclosures*.

## Appendix B—IASB tentative decisions to date on developing the Standard

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 is subsidiaries without public accountability; 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 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 Standard is issued.</li> </ul>
October 2022	<p><i>Objective of the draft IFRS Accounting Standard</i></p> <p>The IASB tentatively decided to confirm the proposed objective of the draft Standard.</p>

	<p><i>Approach to developing the proposed disclosure requirements</i></p> <p>The IASB discussed the feedback on the approach to developing the proposed disclosure requirements of the draft Standard. The IASB tentatively decided to modify its approach to ensure that the language used in the disclosure requirements is the same as the language in IFRS Accounting Standards.</p> <p>The IASB also tentatively decided to explain in the Basis for Conclusions on the Standard:</p> <ul style="list-style-type: none"> <li>(a) why the disclosure requirements in the <i>IFRS for SMEs Accounting Standard</i> are the appropriate starting point;</li> <li>(b) how ‘cost–benefit’ is considered; and</li> <li>(c) the reason for the exceptions made to the approach to developing the proposed disclosure requirements.</li> </ul> <p><i>Addressing comments on the proposed disclosure requirements</i></p> <p>The IASB decided staff should analyse the comments received on the proposed disclosure requirements in the draft Standard in three steps:</p> <ul style="list-style-type: none"> <li>(a) Step 1—stratify the comments on the proposed disclosure requirements based on how the proposed disclosure requirements were developed;</li> <li>(b) Step 2—assess the comments received against a set of factors: the principles on users’ information needs of non-publicly accountable entities’ financial statements, cost and benefit, distribution of the comments received, overall usefulness of information and previous IASB discussions and decisions on the disclosure requirement; and</li> <li>(c) Step 3—recommend any changes to the proposed disclosure requirements to the IASB.</li> </ul> <p><i>Structure of the draft Standard</i></p> <p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) omit Appendix A proposed in the draft Standard.</li> <li>(b) replace the footnotes with cross-references to disclosure requirements that remain applicable in other IFRS Accounting Standards, under each IFRS Accounting Standard subheading.</li> </ul>
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November 2022	<p>The IASB tentatively decided to confirm that an entity will be permitted to apply the Standard if:</p> <ul style="list-style-type: none"> <li>(a) it is a subsidiary at the end of the reporting period.</li> <li>(b) it has an ultimate or intermediate parent that produces consolidated financial statements that: <ul style="list-style-type: none"> <li>(i) comply with IFRS Accounting Standards; and</li> <li>(ii) are available for public use.</li> </ul> </li> </ul>
December 2022	<p><i>IFRS Accounting Standards without reduced disclosure requirements</i></p> <p>The IASB tentatively decided to confirm that the disclosure requirements in IFRS 8 <i>Operating Segments</i>, IFRS 17 <i>Insurance Contracts</i> and IAS 33 <i>Earnings per Share</i> remain applicable for a subsidiary applying the Standard.</p> <p><i>Proposed reduced disclosure requirements in IAS 34</i></p> <p>The IASB tentatively decided to retain its proposal to include in the Standard reduced disclosure requirements for IAS 34 <i>Interim Financial Reporting</i>.</p> <p><i>Proposed statement of compliance</i></p> <p>The IASB tentatively decided to retain its proposal that a subsidiary applying the Standard be required to disclose that it has applied the Standard in the same note as its explicit and unreserved statement of compliance with IFRS Accounting Standards.</p>
January 2023	<p><i>Transition matters—Interaction between IFRS 1 and the Standard</i></p> <p>The IASB tentatively decided to proceed with its proposals to include in the Standard:</p> <ul style="list-style-type: none"> <li>(a) reduced disclosure requirements for IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; and</li> <li>(b) an explanation of the relationship between IFRS 1 and the Standard, as set out in paragraphs 12–14 of the Exposure Draft.</li> </ul> <p><i>Transition matters—Changes in accounting policies</i></p> <p>The IASB tentatively decided to clarify in the Standard that an eligible subsidiary that (i) elects to apply the Standard, (ii) revokes an election to apply the Standard or (iii) is no longer eligible to apply the Standard:</p>

	<p>(c) does not apply the requirements in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> on changes in accounting policies; and</p> <p>(d) is not required to present a third statement of financial position (that is, a second comparative statement of financial position) as at the beginning of the earliest period presented.</p> <p><i>Maintenance of the Standard</i></p> <p>The IASB confirmed its proposal to consider amendments to the Standard at the same time it publishes an exposure draft for a new or amended Accounting Standard.</p>
<p>March 2023</p>	<p>The IASB decided that, in developing reduced disclosure requirements, it will assess separately the costs and benefits for subsidiaries applying the Standard and the costs and benefits for SMEs applying the <i>IFRS for SMEs Accounting Standard</i>.</p>
<p>April 2023</p>	<p><i>Feedback on proposed disclosure requirements</i></p> <p>The IASB tentatively decided not to include in the Standard:</p> <p>(a) disclosure objectives; or</p> <p>(b) guidance on how to apply the disclosure requirements.</p> <p>The IASB tentatively decided to retain the relief from providing comparative information as specified in the Exposure Draft for some of the proposed disclosure requirements.</p> <p>The IASB tentatively decided to revise the proposed disclosure requirements in the Exposure Draft by:</p> <p>(a) removing from the Exposure Draft:</p> <p style="padding-left: 20px;">(i) paragraph 25(a), proposed under the subheading <i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>;</p> <p style="padding-left: 20px;">(ii) paragraphs 55 and 60, proposed under the subheading <i>IFRS 7 Financial Instruments: Disclosures</i>;</p> <p style="padding-left: 20px;">(iii) paragraph 81, proposed under the subheading <i>IFRS 13 Fair Value Measurement</i>;</p> <p style="padding-left: 20px;">(iv) paragraph 145, proposed under the subheading <i>IAS 12 Income Taxes</i>;</p> <p style="padding-left: 20px;">and</p>

	<p>(v) paragraph 185(k), proposed under the subheading IAS 34 <i>Interim Financial Reporting</i>.</p> <p>(b) adding to the Standard:</p> <ul style="list-style-type: none"><li>(i) paragraphs 33(c) and 41(d) of IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>;</li><li>(ii) paragraph 39 of IFRS 7;</li><li>(iii) paragraph 26 of IAS 24 <i>Related Party Disclosures</i>;</li><li>(iv) paragraphs 130(d)(i) and (iii), 134(d)(iv)–(v) and 134(e)(iv)–(v) of IAS 36 <i>Impairment of Assets</i>; and</li><li>(v) paragraph 79(e) of IAS 40 <i>Investment Property</i>.</li></ul> <p>The IASB tentatively decided not to add paragraph 24(c) of IFRS 1 to the Standard.</p>
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