Staff paper

Agenda reference: 31D

IASB® meeting

Date	**May 2023**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**New disclosure requirements in IFRS Accounting Standards**
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Purpose of this paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB) to decide whether disclosure requirements in IFRS Accounting Standards that have been issued since development of the draft Standard set out in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) apply to eligible subsidiaries applying the new Standard.

2. In this paper, the term 'eligible subsidiary' refers to entities that meet the requirements in paragraph 6 of the draft Standard.

Summary of staff recommendation

3. The staff recommends that the 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.

Structure of the paper

4. The paper is structured as follows:

   (a) background (paragraphs 5–10);

   (b) staff analysis (paragraphs 11–17); and

   (c) staff recommendation and question to the IASB (paragraph 18).

Background

5. The proposed disclosure requirements in the draft Standard were developed considering all IFRS Accounting Standards issued as at 28 February 2021 and exposure drafts published as at 1 January 2021, except for the Exposure Draft *General Presentation and Disclosures*.

6. At its June 2022 meeting, the IASB, in agreeing on a project plan for developing the new Standard, tentatively decided to:[1]

   (a) include in the new Standard disclosure requirements of IFRS Accounting Standards issued as at 28 February 2021; and

   (b) consider amendments to the disclosure requirements in IFRS Accounting Standards issued after 28 February 2021 after the new Standard is issued.

7. Since publication of the Exposure Draft, the IASB has issued amendments to the disclosure requirements in IAS 1 *Presentation of Financial Statements* as a result of its Non-current Liabilities with Covenants project.

[1] See IASB *Update* of the June 2022 IASB meeting.

8. Based on its work plan, by the end of 2023 the IASB expects to have issued amendments to the disclosure requirements in:

   (a) International Tax Reform—Pillar Two Model Rules (which would amend the disclosure requirements in IAS 12 *Income Taxes*);

   (b) Supplier Finance Arrangements (which would amend the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* and IAS 7 *Statement of Cash Flows*); and

   (c) Lack of Exchangeability (which would amend the disclosure requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates*).

9. Furthermore, the Exposure Draft *General Presentation and Disclosures* proposes a new IFRS Accounting Standard that will replace IAS 1 *Presentation of Financial Statements*. That new IFRS Accounting Standard will include new disclosure requirements.

10. The amendments and expected amendments to IFRS Accounting Standards in paragraphs 7–9 introduce or will introduce new disclosure requirements. These amendments will be effective when the new Standard is issued. Consequently, a question arises as to whether an eligible subsidiary applying the new Standard applies these disclosure requirements.

Staff analysis

Should the disclosure requirements be applicable?

11. An eligible subsidiary that elects to apply the new Standard applies the requirements in IFRS Accounting Standards, but instead of the disclosure requirements set out under individual IFRS Accounting Standards it applies the disclosure requirements in the new Standard. In the staff view those requirements should include requirements from new and amended IFRS Accounting Standards that have been issued since the

Exposure Draft was published, including any disclosure requirements in those new and amended IFRS Accounting Standards.

12. Although at a future date the IASB may propose to reduce the disclosure requirements by amending the new Standard (see paragraph 6(b) of this paper), until the IASB issues amendments to the new Standard the disclosure requirements in new and amended IFRS Accounting Standards that were not considered in developing the Exposure Draft should remain applicable.

13. The staff think that users of eligible subsidiaries' financial statements should be able to access all information from those improved disclosure requirements. Whilst the disclosure requirements remain applicable, they will be subject to a materiality assessment (see paragraph 31 of IAS 1 *Presentation of Financial Statements*[2]).

14. As noted in paragraph 6(b), the IASB has tentatively decided to consider amendments to the disclosure requirements in new and amended IFRS Accounting Standards after the new Standard is issued.

15. The question in paragraph 10 is a temporary situation that will only exist until the IASB issues a 'catch up' amendment to the new Standard. This is because in future the IASB plans to propose amendments to the new Standard as part of each exposure draft of a new or amended IFRS Accounting Standard as this facilitates consideration of the amendments to the new Standard at the same time as the related amendments to IFRS Accounting Standards are being discussed.[3]

[2] The Exposure Draft *General Presentation and Disclosures* set out proposals for a new IFRS Accounting Standard that would replace IAS 1 *Presentation of Financial Statements*. The requirement in paragraph 31 of IAS 1 is expected to be carried over in that new IFRS Accounting Standard.

[3] See IASB *Update* and Agenda Paper 31C *Maintenance of the Standard* of the January 2023 IASB meeting.

Transitional provisions

16. As explained in paragraph 11 of this paper, an eligible subsidiary electing to apply the new Standard applies IFRS Accounting Standards except for the disclosure requirements. In the Exposure Draft, the IASB included (in Appendix A) a list of disclosure requirements that an eligible subsidiary applying the new Standard would not be required to apply. At its meeting in October 2022, the IASB tentatively decided to revise its proposals and omit Appendix A from the new Standard.

17. As a consequence of omitting Appendix A of the draft Standard, the transitional requirements to the new Standard will need to list those disclosure requirements in IFRS Accounting Standards that will remain applicable until a 'catch-up' amendment to the new Standard is issued.

Staff recommendation and question to the IASB

18. The staff recommends that the 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.

Question for the IASB
Does the IASB agree with the staff recommendation set out in paragraph 18 of this paper?