November 2021

Fact sheet 2

Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

Additional disclosure requirements

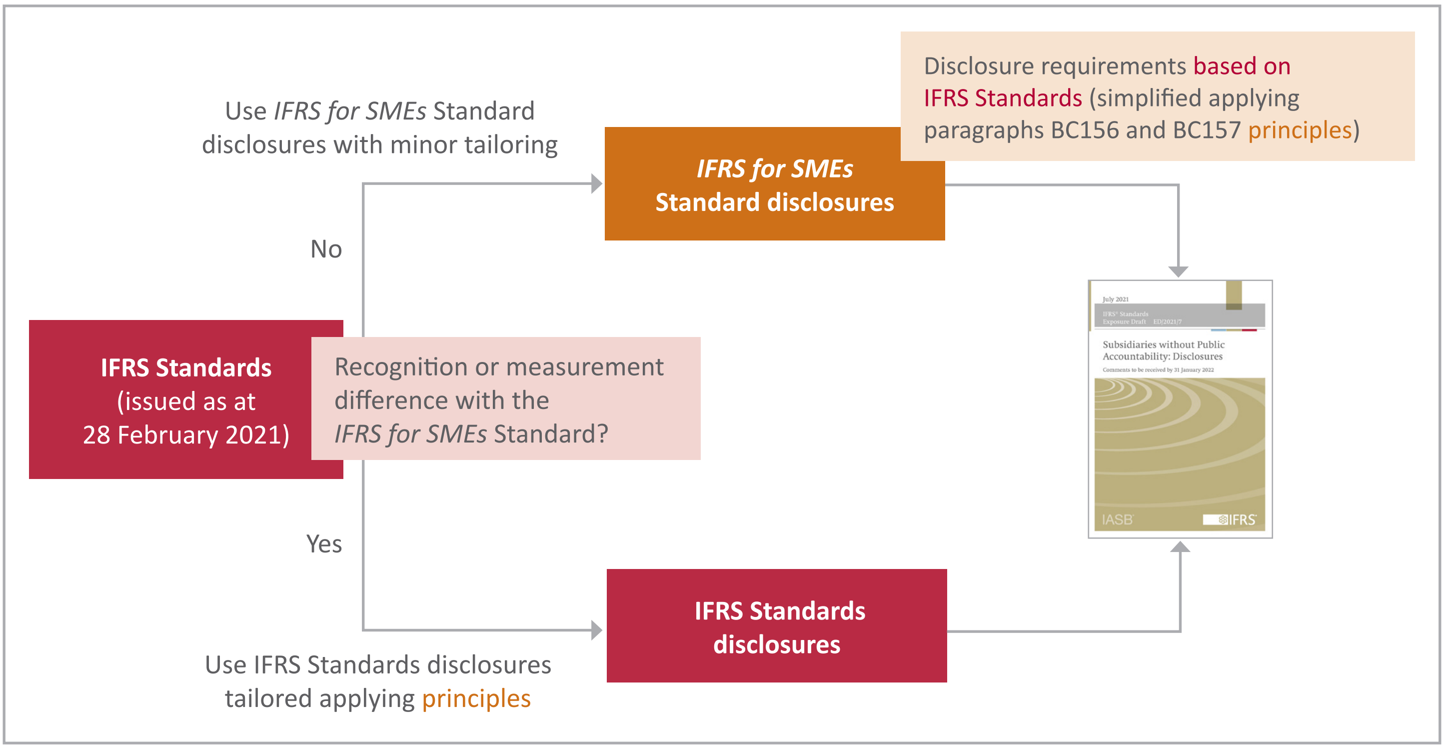
The International Accounting Standards Board (IASB) has proposed a new IFRS Standard, *Subsidiaries without Public Accountability: Disclosures* (draft IFRS Standard) that would permit subsidiaries without public accountability to apply the recognition, measurement and presentation requirements in IFRS Standards with reduced disclosure requirements.

The draft IFRS standard would be available to subsidiaries without public accountability whose parent companies prepare consolidated financial statements applying IFRS Standards.

This fact sheet highlights disclosure requirements that are proposed in the draft IFRS Standard but which are not required when applying IFRS Standards in the entity's annual financial statements (additional disclosure requirements).

How the IASB developed the proposed disclosure requirements

Diagram 1–Developing Disclosure Requirements



Why the IASB started with the *IFRS for SMEs* Standard disclosure requirements

The IASB started with the disclosure requirements in the *IFRS for SMEs* Standard because:

- the *IFRS for SMEs* Standard disclosure requirements:
  - are tailored from IFRS Standards;
  - are intended to meet the information needs of users' of financial statements of companies without public accountability; and
  - include the IASB's cost–benefit consideration for companies applying the *IFRS for SMEs* Standard.
- subsidiaries without public accountability are eligible to apply the *IFRS for SMEs* Standard therefore the IASB could be satisfied that the *IFRS for SMEs* Standard disclosure requirements were suitable for these subsidiaries.

How the IASB used the *IFRS for SMEs* Standard disclosure requirements

If recognition and measurement requirements were the same in IFRS Standards and the *IFRS for SMEs* Standard—the IASB used the *IFRS for SMEs* Standard disclosures with minor tailoring to align terms, language and paragraph cross references with IFRS Standards.

If recognition and measurement requirements in IFRS Standards differed from those in the *IFRS for SMEs* Standard—the IASB tailored the IFRS Standards disclosure requirements by applying the principles used in developing the disclosure requirements in the *IFRS for SMEs* Standard (these principles are set out in paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Standard).

After reviewing the results of the approach detailed above the IASB proposed some additional disclosure requirements (see 1–4 below); the IASB also proposed that a subsidiary that elects to apply the draft IFRS standard disclose that fact together with the statement of compliance with IFRS Standards (see 5 below).

Additional disclosure requirements

1 Employee benefits

Paragraph in the Exposure Draft	Disclosure requirement (included under the subheading IAS 19 *Employee Benefits*)	Adapted from (currently not required by IAS 19)
158	For each category of ***other long-term employee benefits*** that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.	*IFRS for SMEs* Standard (see paragraph 28.42)
159	For each category of ***termination benefits*** that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.	*IFRS for SMEs* Standard (see paragraph 28.43)

2 Transition to IFRS Standards

Paragraph in the Exposure Draft	Disclosure requirement (included under the subheading IFRS 1 *First-time Adoption of International Financial Reporting Standards*)	Adapted from (currently not required by IFRS 1)
25(a)	To comply with paragraph 23, an entity's first IFRS financial statements shall include: (a) a description of the nature of each change in accounting policy.	*IFRS for SMEs* Standard (see paragraph 35.13(a))

❸ Dividends paid

Paragraph in the Exposure Draft	Disclosure requirement (included under the subheading IAS 1 *Presentation of Financial Statements*)	Adapted from (currently not required by IAS 1)
126	Where an entity has more than one class of shares, it shall disclose dividends paid (in aggregate or per share) separately for ***ordinary shares*** and other shares.	IAS 34 *Interim Financial Reporting* (see paragraph 16A(f))

❹ Segment Information

Paragraph in the Exposure Draft	Disclosure requirement (included under the subheading Other disclosures)	Adapted from (currently not required by IFRS 8)
213	An entity within the scope of this [draft] Standard is not required to apply IFRS 8. If such an entity chooses to disclose information about segments that does not comply with IFRS 8, it shall not describe the information as segment information. An entity choosing to make such disclosures shall describe the basis for preparing and making those disclosures. If an entity chooses to apply IFRS 8, it shall apply all the disclosure requirements in IFRS 8 and shall state that it has applied IFRS 8.	*IFRS for SMEs* Standard (see paragraph 3.25)

Disclosing the application of the draft IFRS Standard

❺ Statement of compliance

Paragraph in the Exposure Draft	Disclosure requirement
22	An entity applying this [draft] Standard shall disclose that fact together with the statement of compliance required by paragraph 110 of this [draft] Standard.

Get in touch

If you would like to discuss the information in this Fact Sheet, please contact the Subsidiaries without Public Accountability team at subsidiaries@ifrs.org.