

STAFF PAPER

April 2020

IASB[®] Meeting

Project	Disclosure Initiative—Subsidiaries that are SMEs		
Paper topic	Project plan		
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Introduction

1. In January 2020, the International Accounting Standards Board (Board) agreed to move the ‘Subsidiaries that are SMEs’ project from the research programme to the standard-setting programme.
2. This paper sets out:
 - (a) the objective of the standard-setting project; and
 - (b) the proposed project plan for the remainder of the year, divided into:
 - (i) ‘what and when’; and
 - (ii) ‘reviewing staff analysis’.

Objective of the standard-setting project

3. The objective of the standard-setting project is to develop a reduced disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries that are SMEs.

Method for developing a reduced disclosure IFRS Standard

4. To achieve the project objective, as agreed at the October 2019 Board meeting the disclosure requirements of the *IFRS for SMEs* Standard will be the starting point for the disclosure requirements; they will be adapted if recognition and measurement differences necessitate it. Adaptations will be made by considering users’ needs, and this will be achieved by applying the principles in BC157 of the *IFRS for SMEs* Standard.
5. Further details, together with a summary of the Board’s tentative decisions, are included in appendices A and B.

Project plan: what and when

6. In January 2020, the staff explained that if the Board decided to move the project to standard-setting, the staff anticipated that the next stage of the project would be to develop an exposure draft. Consequently, although the Board will be asked at a later meeting whether it agrees that the consultation document should be an exposure draft, the staff’s working presumption will be that an exposure draft will be developed.
7. Table 1 sets out a proposed plan for the project for the remainder of 2020.

Table 1: Proposed project plan for remainder of 2020

<i>2020</i>	<i>Topic</i>
Q2	Presentation: should the reduced disclosure IFRS Standard require presentation from IFRS Standards or from the <i>IFRS for SMEs</i> Standard?
Q3	Sundry issues (paragraph 8 gives examples of some possible issues)

<i>2020</i>	<i>Topic</i>
Q4	Scope of the reduced disclosure standard: should the scope remain subsidiaries that are SMEs, be extended to all SMEs, or somewhere between the two?
Q4	Should the consultation document be an exposure draft or a discussion paper?
Q4	Seek permission for the staff to begin the balloting process.

8. Examples of sundry issues that may be put to the Board in Q3 2020 are:
- (a) Wording of the compliance statement required by an entity applying the reduced disclosure IFRS Standard;
 - (b) Disclosure requirements in the *IFRS for SMEs* Standard that have been removed from IFRS Standards, ie, where the *IFRS for SMEs* Standard is no longer aligned with IFRS Standards;
 - (c) Issues identified by Board members during their review of the staff analysis (see paragraph 9); and
 - (d) Whether an entity could be permitted to adopt the reduced disclosure IFRS Standard more than once?

Project plan: reviewing staff analysis

9. The staff analysis of whether adaptations are required to the disclosure requirements of the *IFRS for SMEs* Standard is being carried out topic by topic organised by IFRS Standard. The intention is to make the analysis available to Board members for internal review as each topic becomes available (which the staff expects to be before Q4).

10. The full analysis will be submitted to the Board at a Board meeting before permission for the staff to begin the balloting process is requested.

Question for the Board

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1. Does the Board agree with the proposed plan for the project for the remainder of 2020?

Appendix A—Project objective

Project objective

- A.1 To develop a reduced disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries that are SMEs, ie, subsidiaries that do not have public accountability.

Method and benefits of the project

- A.2 The reduced disclosure IFRS Standard will be developed by starting with the disclosure requirements of the *IFRS for SMEs* Standard. The disclosure requirements will be adapted if recognition and measurement differences necessitate adaptations. Adaptations will be made by considering users' needs, and this will be achieved by applying the principles in BC157 of the *IFRS for SMEs* Standard.
- A.3 Paragraph BC157 of the *IFRS for SMEs* Standard states:
- Assessing disclosures on the basis of users' needs was not easy, because users of financial statements tend to favour more, rather than fewer, disclosures. The Board was guided by the following broad principles:
- (a) Users of the financial statements of SMEs are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.
 - (b) Users of the financial statements of SMEs are particularly interested in information about liquidity and solvency. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.
 - (c) Information on measurement uncertainties is important for SMEs.
 - (d) Information about an entity's accounting policy choices is important for SMEs.
 - (e) Disaggregations of amounts presented in SMEs' financial statements are important for an understanding of those statements.

- (f) Some disclosures in full IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical SMEs.

A.4 The project will:

- (a) reduce the costs of preparing financial statements for subsidiaries that do not have public accountability; and
- (b) improve the relevance of financial statements for subsidiaries that do not have public accountability by eliminating disclosures that are not targeted to users of those financial statements.

Appendix B—Tentative Board decisions to date

The tentative decisions taken by the Board to date are:

	Tentative decision	When taken
1.	Move the project from the research programme to the standard-setting programme and develop, as soon as possible, a consultative document (exposure draft or discussion paper—to be determined at a later meeting) based on the staff analysis of the necessary adaptations to the disclosure requirements of the <i>IFRS for SMEs</i> Standard.	January 2020
2.	Not to establish a consultative group for the project; instead consult lenders that typically lend to non-publicly accountable entities and preparers of subsidiary financial statements.	January 2020
3.	<p>When considering whether to adapt the disclosure requirements of the <i>IFRS for SMEs</i> Standard:</p> <p>(a) if there is no recognition and measurement difference – no change* to the disclosure requirements;</p> <p>(b) if there is a recognition and measurement difference – consider the principles in BC157 of the <i>IFRS for SMEs</i> Standard and adapt the disclosure requirements if supported by one of the principles.</p> <p>* For the avoidance of doubt, there will be no change even if a disclosure requirement was added to an IFRS Standard since the <i>IFRS for SMEs</i> Standard was developed.</p>	October 2019

4.	The Board will consider the scope of the project only after most of the analysis of whether adaptations to the disclosure requirements of the <i>IFRS for SMEs</i> Standard are required has been completed.	November 2019
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