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Staff paper

Agenda reference: 31

IASB® meeting

Date	**November 2022**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Cover paper**
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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 Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) towards developing an IFRS Accounting Standard (Standard).

2. At its November 2022 meeting, the IASB will continue its redeliberations considering feedback on aspects of the proposed scope of the draft Standard.

3. This paper sets out:

   (a) an overview of the agenda paper for this meeting (paragraphs 4–5);

   (b) why the IASB added the project to its work plan (paragraphs 6–9);

   (c) next steps (paragraph 10); and

   (d) Appendix A—IASB tentative decisions to date on developing the Standard.

Overview of the agenda paper for this meeting

4. At its May 2022 meeting, the IASB tentatively decided to confirm the scope of the Standard as proposed in the Exposure Draft. The agenda paper for this meeting, Agenda Paper 31A *Scope of the draft Standard*, discusses the feedback on other aspects of the scope proposed in the draft Standard and asks the IASB:

   (a) to confirm that subsidiaries eligible to apply the Standard:

      (i) are a 'subsidiary at the end of the reporting period'; and

      (ii) have an ultimate or intermediate parent, that produces consolidated financial statements that comply with IFRS Accounting Standards; and

   (b) not to proceed with the proposal that the parent's consolidated financial statements are 'available for public use'.

5. Should the IASB agree with the staff recommendation, this will complete its redeliberations on the proposed scope of the Standard.

Why the IASB added the project to its Work Plan

6. The Exposure Draft set out a proposal for a new IFRS Accounting Standard (draft Standard). The objective of the draft Standard was 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[1]:

   (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.

7. 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.

8. 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.

9. 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.

Next steps

10. The IASB will continue to redeliberate the proposals in the Exposure Draft.

[1] For purposes of this paper, IFRS Accounting Standards refers to IFRS Accounting Standards excluding the *IFRS for SMEs* Accounting Standard.

Appendix A—IASB tentative decisions to date

Month	Decision
May 2022	The IASB tentatively decided to: (a) confirm the scope of the draft Standard is subsidiaries without public accountability; and (b) review the scope after the draft Standard has been finalised, possibly during the post-implementation review. The IASB tentatively decided that if the draft Standard is finalised, it will: (a) clarify the description of 'public accountability' as set out in the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard.* (b) clarify, using similar wording to that of paragraph 1.7 of the *IFRS for SMEs* Accounting Standard, 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.
June 2022	The IASB decided to proceed with its proposal for a new IFRS Accounting Standard as set out in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* and agreed on a project plan for developing the new Accounting Standard. The IASB also tentatively decided to: (a) include in the 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 Standard is issued.
October 2022	*Objective of the draft IFRS Accounting Standard* The IASB tentatively decided to confirm the proposed objective of the draft Standard. *Approach to developing the proposed disclosure requirements* 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 full IFRS Accounting Standards

	The IASB also tentatively decided to explain in the Basis for Conclusions on the Standard: (a) why the disclosure requirements in the *IFRS for SMEs* Accounting Standard are the appropriate starting point; (b) how 'cost–benefit' is considered; and (c) the reason for the exceptions made to the approach to developing the proposed disclosure requirements. *Addressing comments on the proposed disclosure requirements* The IASB decided staff should analyse the comments received on the proposed disclosure requirements in the draft Standard in three steps: (a) Step 1—stratify the comments on the proposed disclosure requirements based on how the proposed disclosure requirements were developed; (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 (c) Step 3—recommend any changes to the proposed disclosure requirements to the IASB. *Structure of the draft Standard* The IASB tentatively decided to: (a) omit Appendix A proposed in the draft Standard. (b) replace the footnotes with cross-references to disclosure requirements that remain applicable in other IFRS Accounting Standards, under each IFRS Accounting Standard subheading.