
IASB® meeting

Date	April 2023
Project	Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures
Topic	Cover paper
Contacts	Jan Carlo T. Pereras (cpereras@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

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 the proposed disclosure requirements in the draft Standard; and
 - (b) discuss how it would update the language in the draft Standard to be the same as in IFRS Accounting Standards.
3. This paper sets out:
 - (a) an overview of the agenda papers for this meeting (see paragraphs 4–7);
 - (b) why the IASB added the project to its work plan (see paragraphs 8–11);
 - (c) next steps (see paragraph 12); 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*; and
 - (b) Agenda Paper 31B *Updating the language of the disclosure requirements*.

Agenda Paper 31A Feedback on proposed disclosure requirements

- 5. Agenda Paper 31A discusses the feedback on some 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 33 of Agenda Paper 31A. Appendix A of Agenda Paper 31A provides the detailed analysis of the feedback.

Agenda Paper 31B Updating the language of the disclosure requirements

- 7. Agenda Paper 31B discusses how to implement the IASB's tentative decision to use the language in full IFRS Accounting Standards for the disclosure requirements in the new Standard.¹

¹ See [IASB Update](#) of the October 2022 IASB meeting.

Why the IASB added the project to its Work Plan

8. 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.
9. 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.
10. 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.
11. 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

12. The IASB will continue to redeliberate the proposals in the draft Standard. In particular, the staff will bring agenda papers to future IASB meetings on transition-related matters including:
- (a) the remainder of feedback on proposed disclosure requirements in the draft Standard (see Appendix A of this paper);
 - (b) feedback on disclosure requirements from the [Second Comprehensive Review of the IFRS for SMEs Accounting Standard](#);
 - (c) the status of application of amendments to disclosure requirements in IFRS Accounting Standards issued after 28 February 2021;²
 - (d) the disclosure requirements on transition in other IFRS Accounting Standards; and
 - (e) the effects analysis.

² Consequence from the IASB's tentative decision in its [June 2022 meeting](#) to omit Appendix A in the draft Standard.

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 1 *First-time Adoption of International Financial Reporting Standards*;
- (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*.
- 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 will be discussed in a future IASB meeting.
- (a) IFRS 2 *Share-based Payment*;
 - (b) IFRS 3 *Business Combinations*;
 - (c) IFRS 12 *Disclosure of Interests in Other Entities*;
 - (d) IFRS 15 *Revenue from Contracts with Customers*;
 - (e) IFRS 16 *Leases*;
 - (f) IAS 1 *Presentation of Financial Statements*;
 - (g) IAS 19 *Employee Benefits*; and
 - (h) IAS 27 *Separate Financial Statements*.

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"> (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. <p>The IASB tentatively decided that if the draft Standard is finalised, it will:</p> <ul style="list-style-type: none"> (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>. (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.
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"> (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	<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"> (a) why the disclosure requirements in the <i>IFRS for SMEs Accounting Standard</i> 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. <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"> (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. <p><i>Structure of the draft Standard</i></p> <p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> (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.
--	---

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"> (a) it is a subsidiary at the end of the reporting period. (b) it has an ultimate or intermediate parent that produces consolidated financial statements that: <ul style="list-style-type: none"> (i) comply with IFRS Accounting Standards; and (ii) are available for public use.
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"> (i) reduced disclosure requirements for IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; and (j) an explanation of the relationship between IFRS 1 and the Standard, as set out in paragraphs 12–14 of the Exposure Draft. <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>(a) 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>(b) 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>