
IASB[®] meeting

Date	June 2023
Project	Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures
Topic	Cover paper
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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. This paper sets out:
 - (a) overview of Agenda Paper 31A *Feedback on proposed disclosure requirements in the Exposure Draft Third Edition of the IFRS for SMEs Accounting Standard* (see paragraphs 3–4);
 - (b) why the IASB added the project to its work plan (see paragraphs 5–8);
 - (c) next step (see paragraph 9); and
 - (d) appendix—IASB tentative decisions on developing the new Standard.

Overview of Agenda Paper 31A *Feedback on proposed disclosure requirements in the Exposure Draft Third Edition of the IFRS for SMEs Accounting Standard*

3. Agenda Paper 31A asks the IASB to discuss if any of the feedback on the disclosure requirements proposed as part of the second comprehensive review of the *IFRS for SMEs Accounting Standard* needs to be taken into consideration in finalising the new Standard.
4. The staff recommends that the IASB do not make further changes to the proposed disclosure requirements in the draft Standard based on comments received on the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*.

Why the IASB added the project to its Work Plan

5. 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.
6. 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.

7. 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.
8. 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 step

9. This month's discussion completes the IASB's redeliberation of the proposals in the draft Standard (subject to sweep issues that may arise). In a future IASB meeting, the staff will bring an agenda paper to discuss due process and will ask permission from the IASB to begin the balloting process.

Appendix—IASB tentative decisions to date on developing the new 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.
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<p>November 2022</p>	<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.
<p>December 2022</p>	<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>
<p>January 2023</p>	<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"> (a) reduced disclosure requirements for IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; and (b) 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>(c) 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>(d) 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>
<p>April 2023</p>	<p><i>Feedback on proposed disclosure requirements</i></p> <p>The IASB tentatively decided not to include in the Standard:</p> <p>(a) disclosure objectives; or</p> <p>(b) guidance on how to apply the disclosure requirements.</p> <p>The IASB tentatively decided to retain the relief from providing comparative information as specified in the Exposure Draft for some of the proposed disclosure requirements.</p> <p>The IASB tentatively decided to revise the proposed disclosure requirements in the Exposure Draft under the subheadings:</p> <p>(a) IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>—by withdrawing paragraph 25(a) of the Exposure Draft;</p> <p>(b) IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>—by adding paragraphs 33(c) and 41(d) of IFRS 5;</p> <p>(c) IFRS 7 <i>Financial Instruments: Disclosures</i>—by:</p> <p>(i) withdrawing paragraphs 55 and 60 of the Exposure Draft; and</p> <p>(ii) adding paragraph 39 of IFRS 7;</p> <p>(d) IFRS 13 <i>Fair Value Measurement</i>—by withdrawing paragraph 81 of the Exposure Draft;</p>

	<p>(e) IAS 12 <i>Income Taxes</i>—by withdrawing paragraph 145 of the Exposure Draft</p> <p>(f) IAS 24 <i>Related Party Disclosures</i>—by adding paragraph 26 of IAS 24;</p> <p>(g) IAS 34 <i>Interim Financial Reporting</i>—by withdrawing paragraph 185(k) of the Exposure Draft;</p> <p>(h) IAS 40 <i>Investment Property</i>—by adding paragraph 79(e) of IAS 40.</p> <p>The IASB tentatively decided not to add paragraph 24(c) of IFRS 1 to the Standard.</p>
<p>May 2023</p>	<p><i>Feedback on proposed disclosure requirements</i></p> <p>The IASB tentatively decided to revise the proposed disclosure requirements in the Exposure Draft under the subheadings:</p> <p>(a) IFRS 3 <i>Business Combinations</i>—by adding subparagraph B64(j)(i) of IFRS 3;</p> <p>(b) IFRS 7—by restricting the application of paragraphs 62, 66 and 67 of the Exposure Draft to eligible subsidiaries that provide financing to customers as a main business activity;</p> <p>(c) IFRS 12 <i>Disclosure of Interests in Other Entities</i>—by:</p> <ul style="list-style-type: none"> (i) adding paragraphs 14, 15, 19D(b), 19E, 19F, 30 and 31 of IFRS 12; and (ii) amending paragraph 68 of the Exposure Draft to add ‘joint operations’ from paragraph B4 of IFRS 12; <p>(d) IFRS 15 <i>Revenue from Contracts with Customers</i>—by:</p> <ul style="list-style-type: none"> (i) withdrawing paragraph 93 of the Exposure Draft; (ii) adding paragraph 119(a) of IFRS 15; <p>(e) IFRS 16 <i>Leases</i>—by:</p> <ul style="list-style-type: none"> (i) withdrawing paragraphs 100(d) and 105 of the Exposure Draft; and (ii) adding subparagraphs (e), (g) and (i) of paragraph 53 of IFRS 16; <p>(f) IAS 1 <i>Presentation of Financial Statements</i>—by:</p> <ul style="list-style-type: none"> (i) withdrawing paragraphs 120–122 of the Exposure Draft and retaining paragraphs 112–114 of IAS 1 as applicable; (ii) adding paragraph 137 of IAS 1; <p>(g) IAS 19 <i>Employee Benefits</i>—by:</p> <ul style="list-style-type: none"> (i) adding paragraph 141(b) of IAS 19, in particular the requirement to disclose separately the effects of interest income;

	<p>(ii) adding paragraph 147(b) of IAS 19; and</p> <p>(iii) replacing paragraph 152(c)(iii) of the Exposure Draft with paragraph 141(c)(i) of IAS 19; and</p> <p>(h) IAS 27 <i>Separate Financial Statements</i>—by amending paragraphs 177–180 of the Exposure Draft to reference the applicable IFRS 12 disclosure requirements.</p> <p><i>Paragraph 16 of the draft Standard</i></p> <p>The IASB tentatively decided:</p> <p>(a) to retain paragraph 16 of the Exposure Draft and not add guidance; and</p> <p>(b) an overall disclosure objective for the Standard was not necessary.</p> <p><i>Disclosure requirements about transition in other IFRS Accounting Standards</i></p> <p>The IASB tentatively decided to proceed with its proposal in the Exposure Draft that disclosure requirements about the transition to a new or amended IFRS Accounting Standard set out in that new or amended Standard apply to eligible subsidiaries.</p> <p><i>New disclosure requirements in IFRS Accounting Standards</i></p> <p>The IASB tentatively decided that until the IASB issues an amendment to the Standard, eligible subsidiaries would be required to comply with disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the Exposure Draft.</p>
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