
IASB meeting

Date	March 2023
Project	Subsidiaries without Public Accountability: Disclosures
Topic	Relationship of the new IFRS Accounting Standard with the <i>IFRS for SMEs</i> Accounting Standard
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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.

Agenda

Objective

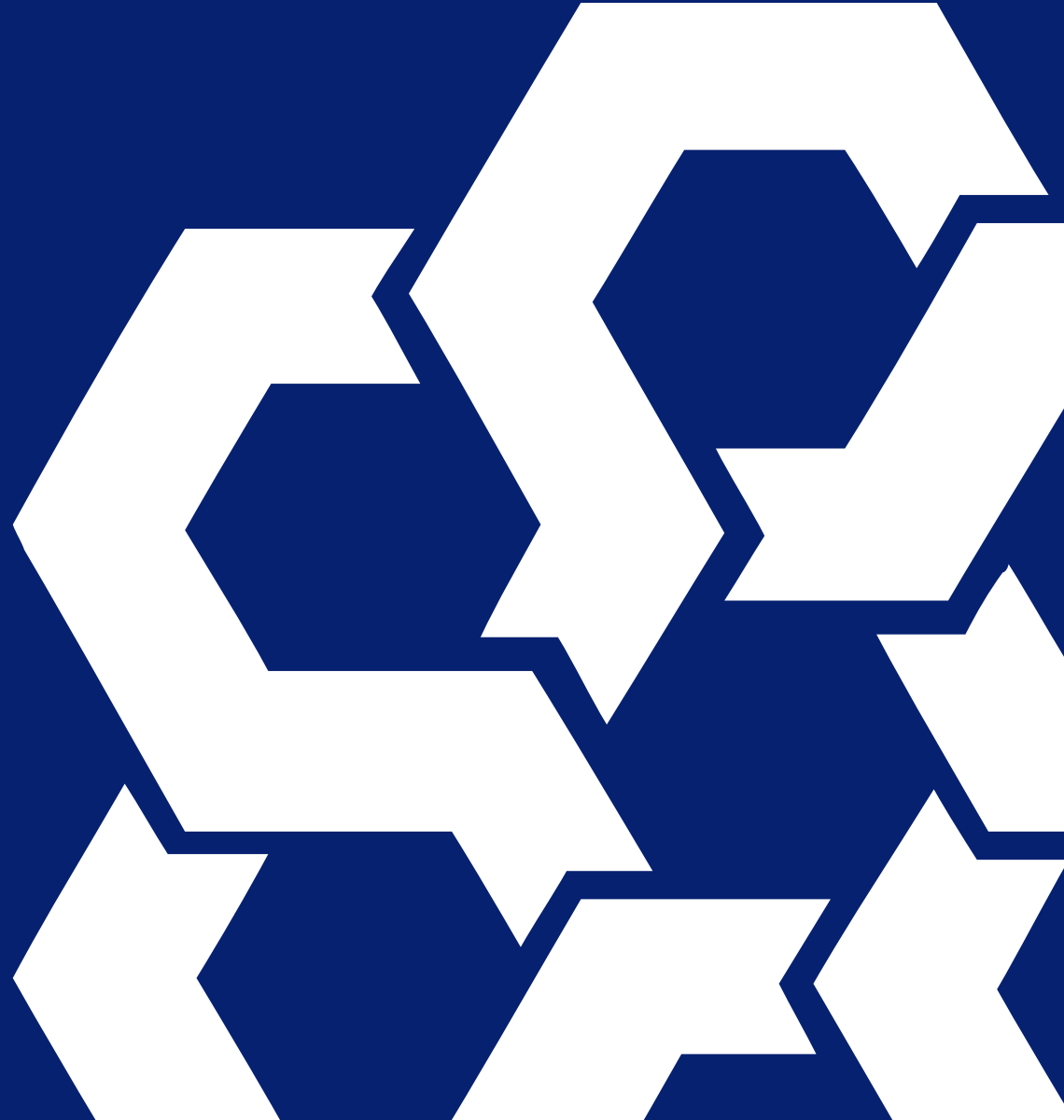
Why the IASB added this project to its Work Plan 2017–2021

Developing the Exposure Draft

Feedback on the Exposure Draft

Way forward

Objective

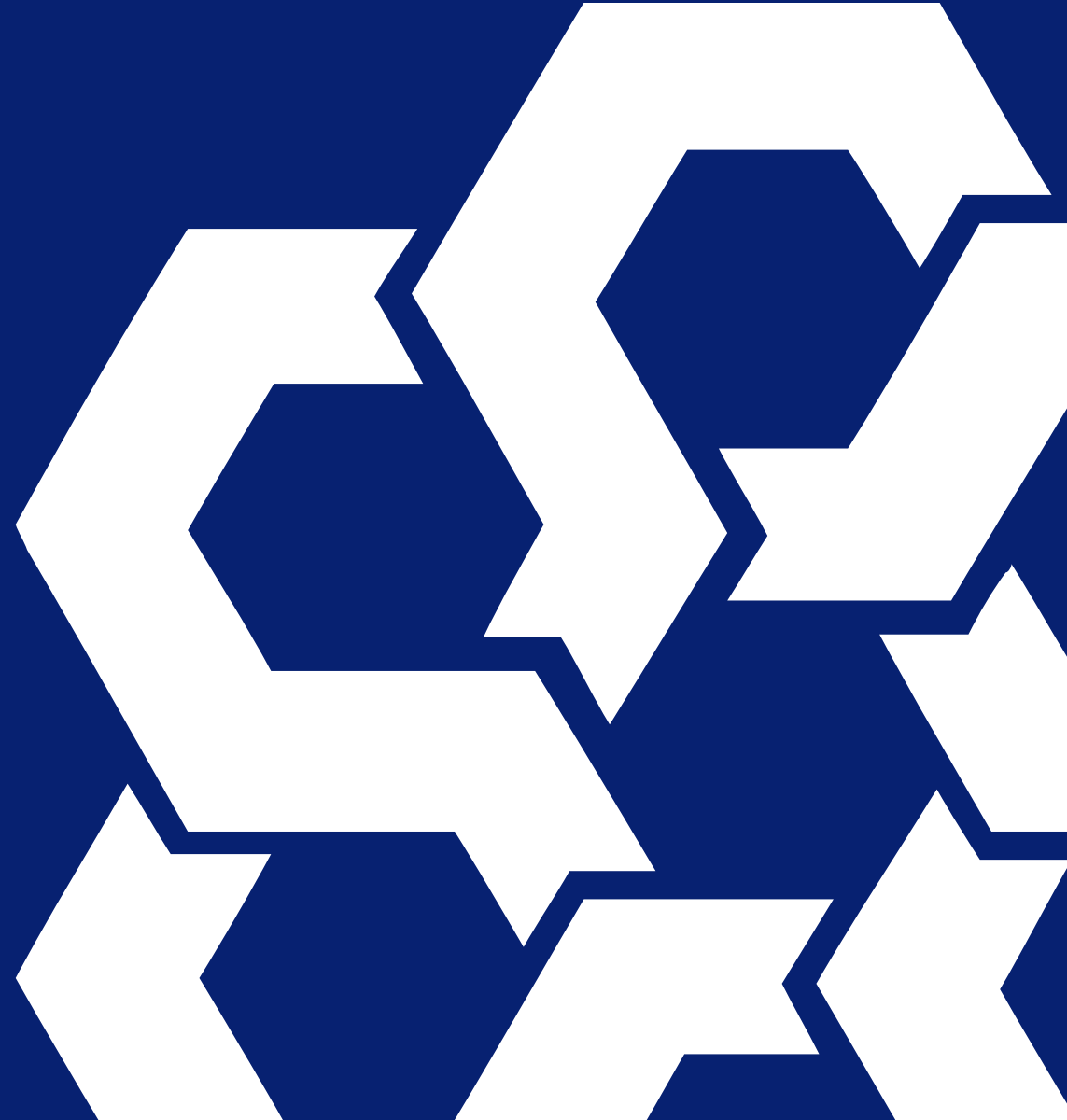


Objective

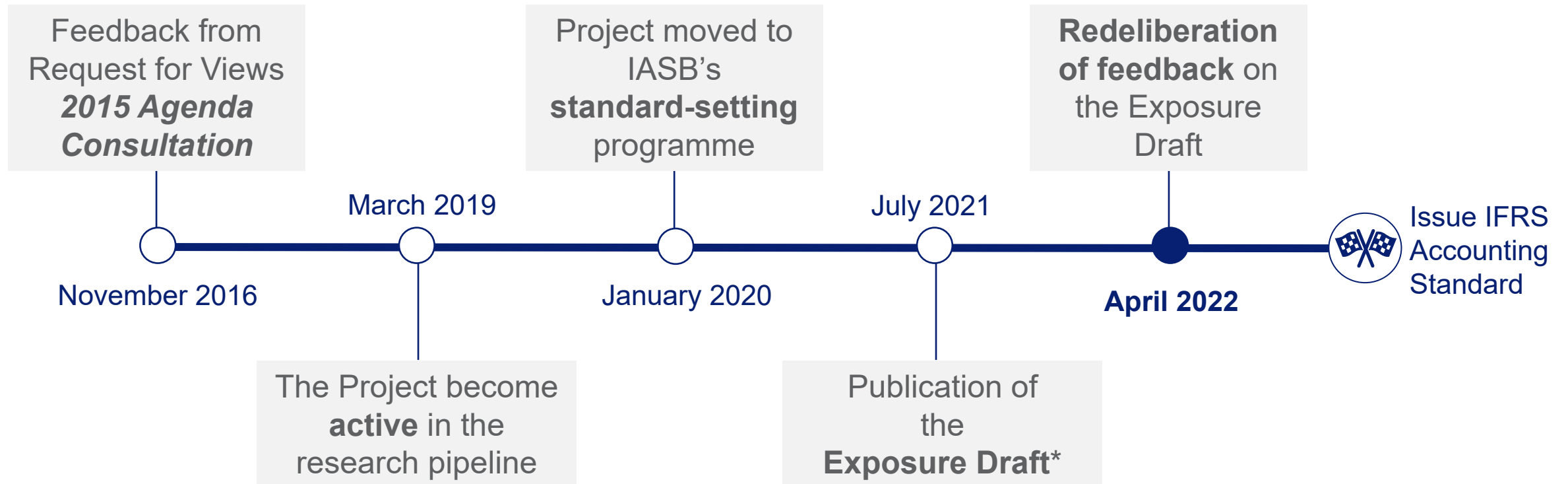
The objective of this presentation is to:

- discuss the feedback on the interaction between the disclosure requirements proposed in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* and the *IFRS for SMEs* Accounting Standard (*IFRS for SMEs*); and
- clarify the interaction between the forthcoming IFRS Accounting Standard (reduced disclosure Standard) and the *IFRS for SMEs*.

Why the IASB added this project to its Work Plan 2017–2021



Timeline



* The consultation period for the [Exposure Draft](#) was from July 2021 to January 2022.

Responses to the Request for Information 2015 Agenda Consultation¹

Can subsidiaries that are SMEs reporting to parent, apply IFRS Accounting Standards with reduced disclosure requirements?



These subsidiaries are in the scope of the *IFRS for SMEs*, however using that Standard is unattractive because of the recognition and measurement differences

Applying local GAAP or the *IFRS for SMEs* requires maintaining an additional set of records, which adds to the cost of preparing financial statements for these subsidiaries



If subsidiaries applied IFRS Accounting Standards, they would provide the same disclosures as those designed for publicly accountable entities which may be onerous for such subsidiaries

¹ See the [Feedback Statement on 2015 Agenda Consultation](#)

Research question



Would it be feasible to permit subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Accounting Standards with the disclosure requirements of the *IFRS for SMEs*?²



Logic for the research question

The IASB can be satisfied that the disclosure requirements in the *IFRS for SMEs* are sufficient to **meet the needs of users** of subsidiaries financial statements because these subsidiaries are a subset of entities that can apply the *IFRS for SMEs*

Using the disclosure requirements in the *IFRS for SMEs* would be an **efficient use of resources** for both stakeholders and the IASB

² See Agenda Paper 31 [Research Results – what we have heard](#) of the September 2019 IASB meeting

Research findings

Findings discussed by the IASB³

The disclosure requirements of the *IFRS for SMEs* could be used with only minimal tailoring



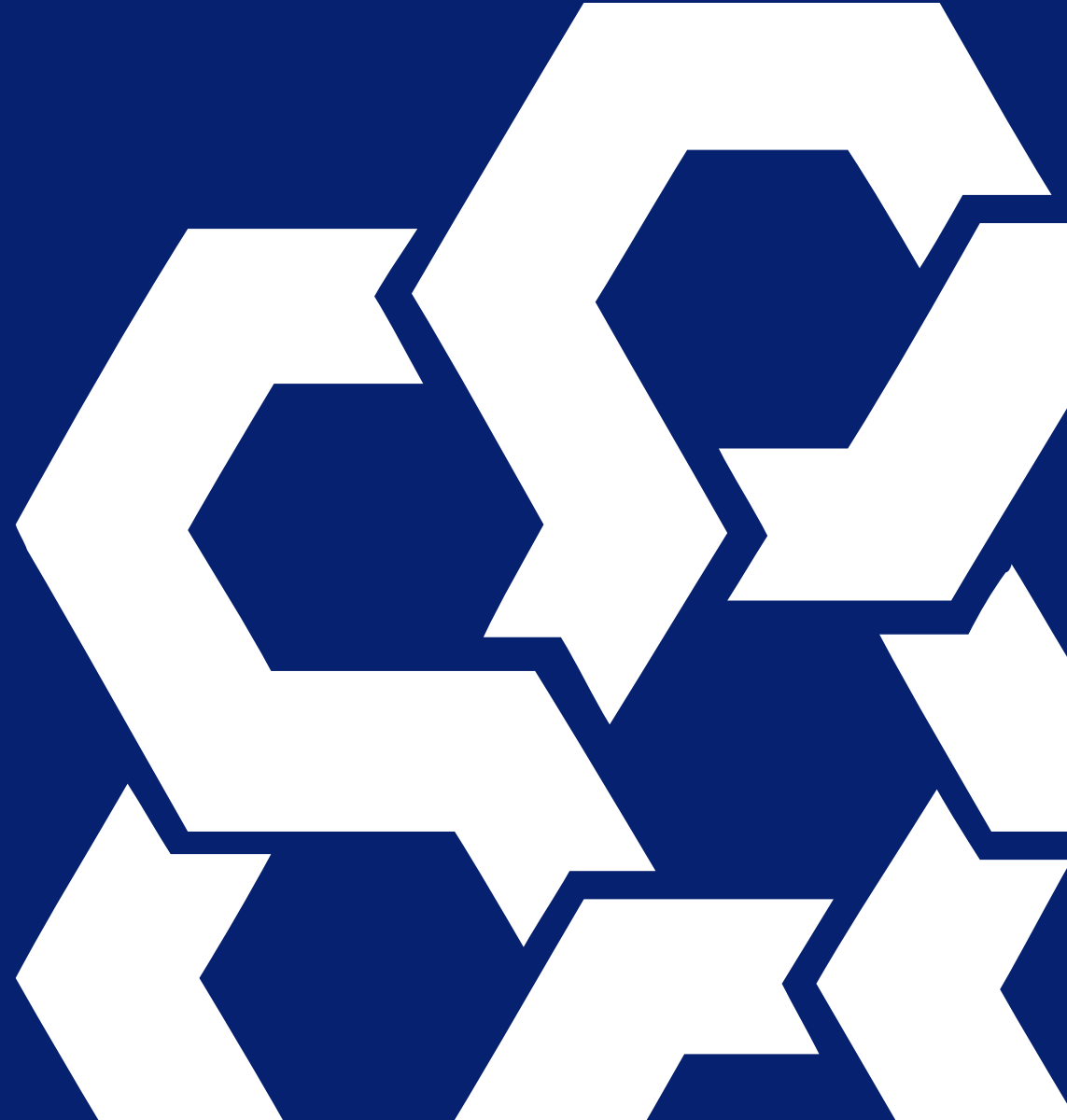
The Standard would, if developed, be adopted by jurisdictions and applied by subsidiaries that are SMEs



Move the project to Standard-setting

³ See Agenda Paper 31 [Research Results – can we do it](#) of the October 2019 IASB meeting and IASB Update [September 2019](#) and [October 2019](#)

Developing the Exposure Draft



Developing the proposed disclosure requirements – the approach⁴

Approach

Use disclosure requirements in the *IFRS for SMEs*—tailored to reflect the recognition and measurement requirements of IFRS Accounting Standards

Why?

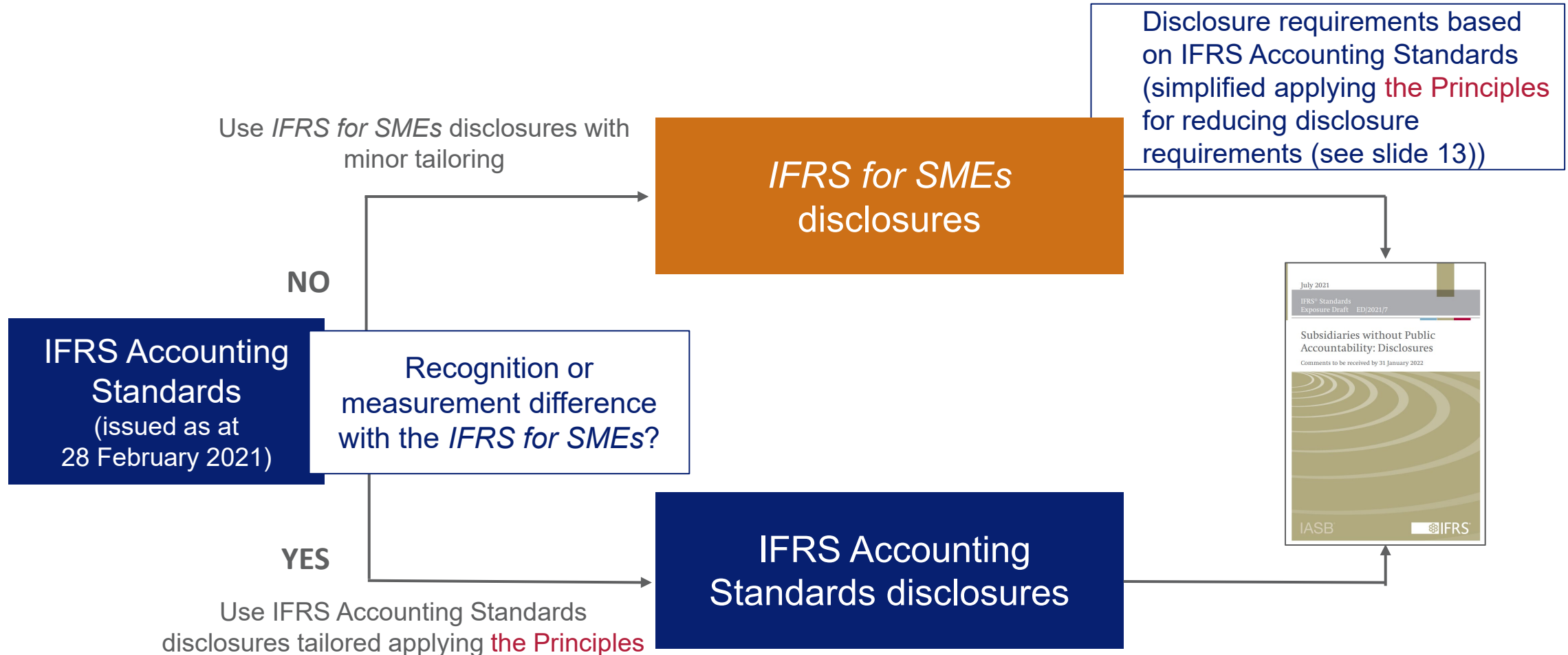
The IASB started with disclosure requirements in the *IFRS for SMEs* as:

- **these disclosures are reduced from IFRS Accounting Standards;** and
- users' information needs are satisfied because subsidiaries that will be eligible to apply the reduced disclosure Standard **may also apply the *IFRS for SMEs***

This approach is an efficient use of resources because it does not require the IASB to develop new disclosure requirements

⁴ See paragraphs 12–13 of Agenda Paper 31 [Research Results – can we do it](#) of the October 2019 IASB meeting

Developing the proposed disclosure requirements – the approach



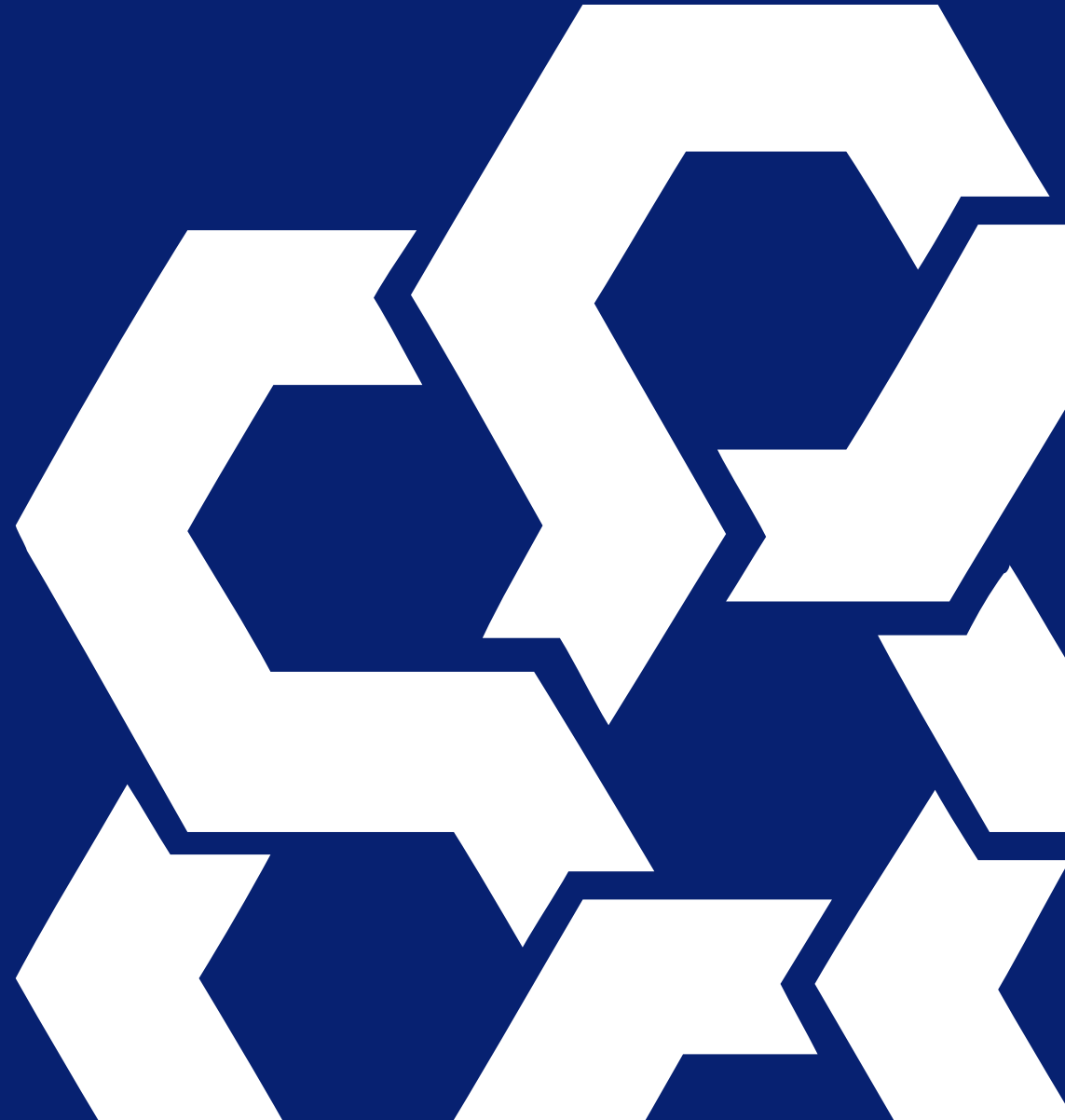
In limited cases, the IASB made exceptions to this approach

The Principles applied for reducing disclosure requirements

Liquidity and solvency	Information about an entities ability to generate cash flows and continue as a going concern
Short-term cash flows, obligations, commitments and contingencies	Information about an entities ability to meet obligations
Measurement uncertainty	For example, how provisions are measured or how impairment is calculated and the inputs used in those calculations
Disaggregation of amounts	For example, reconciliation of PPE or defined benefit liabilities
Accounting policy choices	For example, accounting policy for measuring inventories or investment properties

These are the **same principles** the IASB used in assessing users' needs when it developed the *IFRS for SMEs* (see paragraph BC157 of the *IFRS for SMEs*)

Feedback on the Exposure Draft



Feedback on the approach⁵



Many respondents agreed:

- with the approach to developing the proposed disclosure requirements
- the approach would maintain the usefulness of eligible subsidiaries' financial statements



Some respondents:

- had concerns about the approach to developing the proposed disclosure requirements

Some respondents said the IASB should:

- start with IFRS Accounting Standards (slide 18)
- explain cost–benefit clearly (slide 19)

⁵ See Agenda Paper 31B [Approach to developing the proposed disclosure requirements](#) of the October 2022 IASB meeting

Feedback on the interaction between the reduced disclosure Standard and the *IFRS for SMEs*⁶



Some of the respondents suggested:

- the IASB clarify how the reduced disclosure Standard interacts with the *IFRS for SMEs*, specifically the approach to developing disclosure requirements in the future
- the disclosure requirements in the reduced disclosure Standard and the *IFRS for SMEs* should be the same because users information needs are the same

⁶ See paragraph 13 of Agenda Paper 31C [*Maintenance of the Standard*](#) of the January 2023 IASB meeting

Feedback on the interaction between the reduced disclosure Standard and the *IFRS for SMEs*



At the January 2023 IASB meeting, concerns were expressed on the interaction between the reduced disclosure Standard and the *IFRS for SMEs* including:

- whether entities applying the *IFRS for SMEs* need to participate in the due process for amendments to the reduced disclosure Standard
- whether there are mixed signals on the interaction between the reduced disclosure Standard and the *IFRS for SMEs*

Responding to the feedback



Considerations

- **The IASB did start with IFRS Accounting Standards**
 - The *IFRS for SMEs* disclosure requirements are reduced from IFRS Accounting Standards
 - **The Principles** for reducing disclosure requirements apply equally to both standards
 - Therefore, applying **the Principles** for reducing disclosure requirements should lead to the same outcome for both standards before considering costs and benefits

Tentative decision⁷

Align language in the reduced disclosure Standard with IFRS Accounting Standards—easier to identify the IFRS Accounting Standards disclosures that apply

Explain in the approach to developing disclosure requirements in Basis for Conclusions

⁷ See IASB Update [October 2022](#)

Responding to the feedback



Considerations

- The IASB uses **the Principles** for reducing the disclosures and considers costs and benefits when developing the disclosure requirements in the *IFRS for SMEs*
- **The Principles** have been reviewed in the second comprehensive review of the *IFRS for SMEs*
- In developing the Exposure Draft the IASB relied on its cost–benefit assessment for disclosure requirements in the *IFRS for SMEs* and made a separate cost–benefit assessment for tailored disclosure requirements
- In the future the approach in developing reduced disclosure requirements, the IASB should **assess separately** costs and benefits for **subsidiaries** and **SMEs** that are not subsidiaries

Interaction between the reduced disclosure Standard and the *IFRS for SMEs*



Feedback

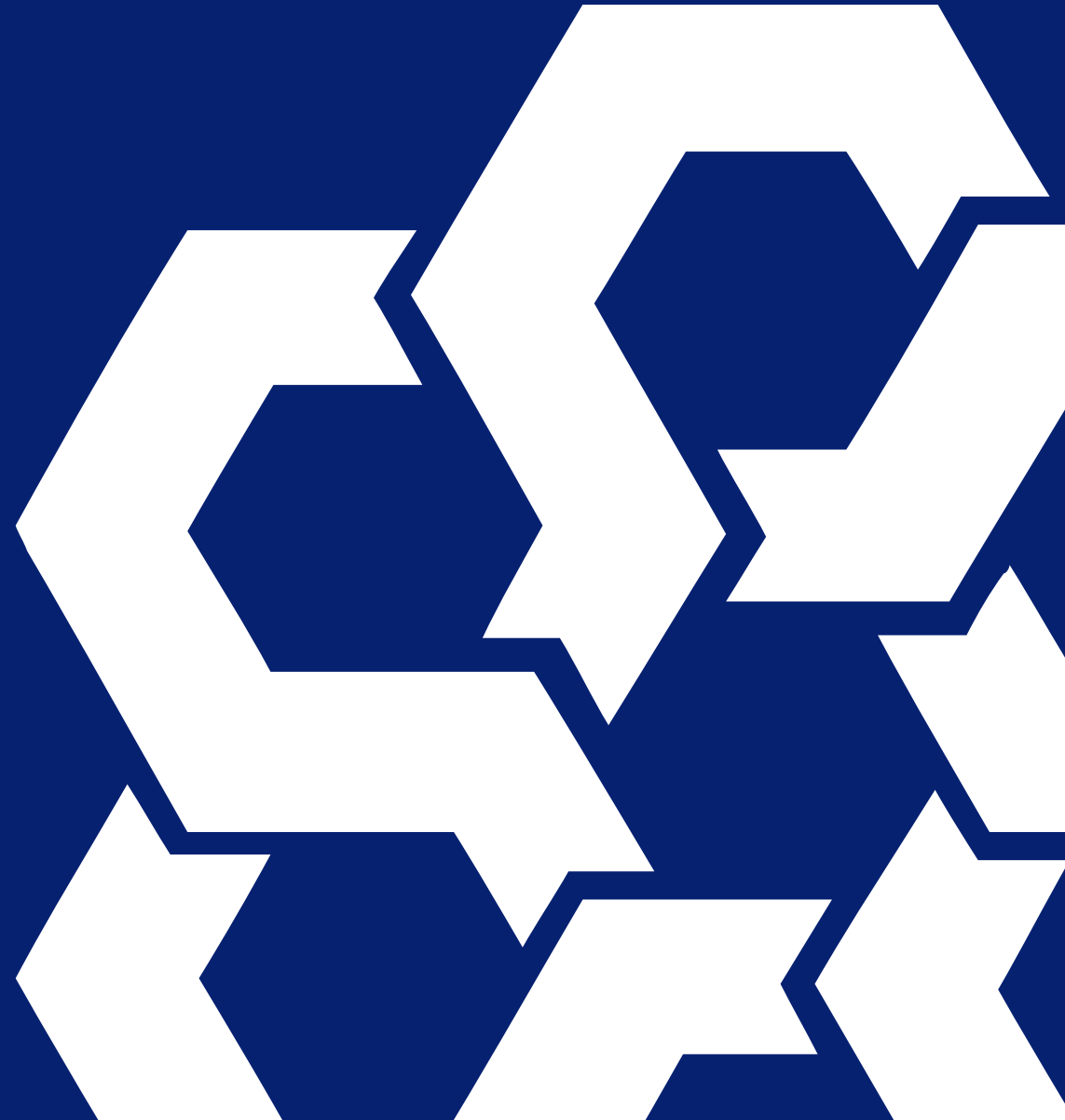
Clarify the interaction between the reduced disclosure Standard and the *IFRS for SMEs*

Disclosures should be similar

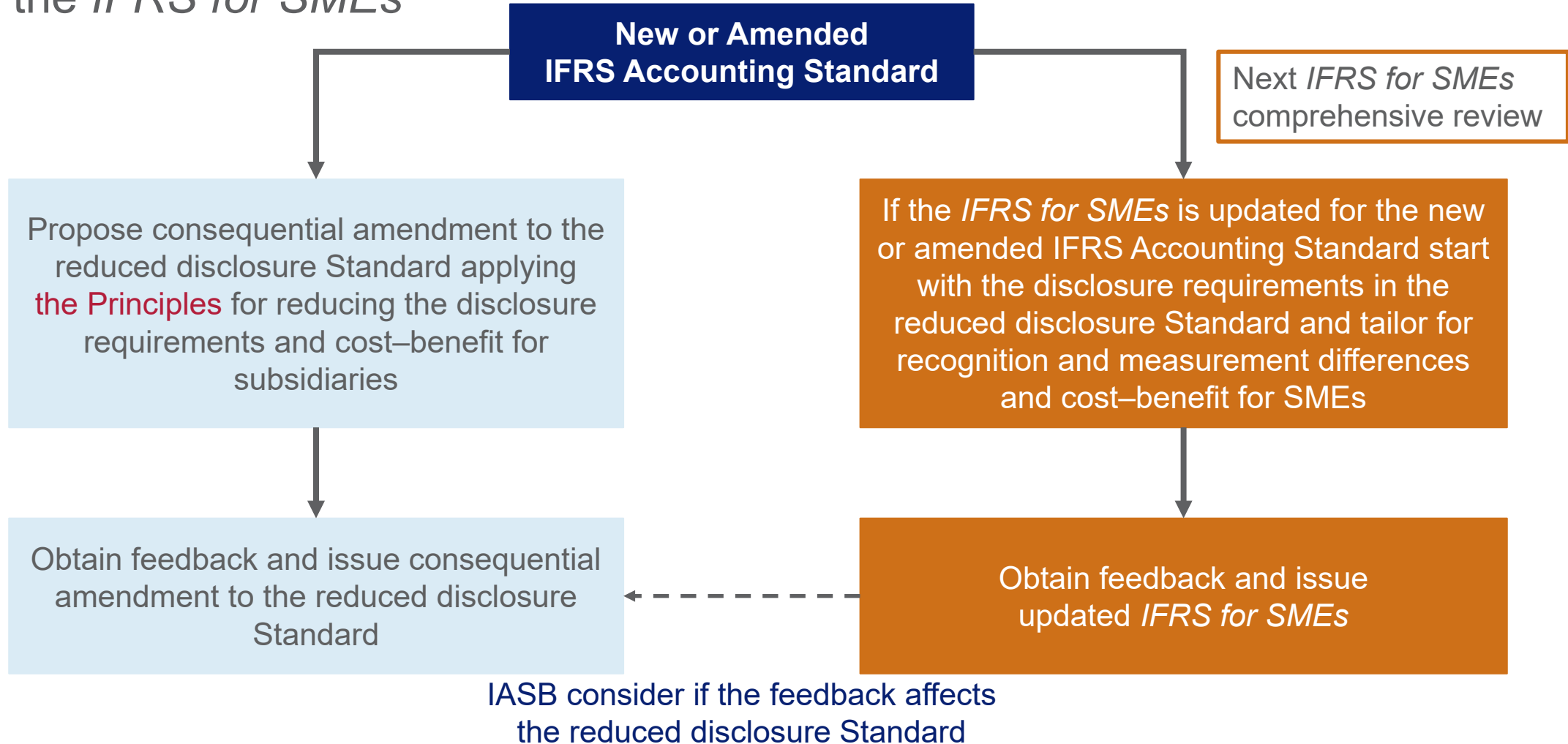
Considerations

- The disclosures in full IFRS Accounting Standards were the starting point for developing the disclosures in the *IFRS for SMEs*
- **The Principles** for reducing disclosure requirements are guided by user information needs and apply equally to both standards
- The proposed disclosure requirements were tailored for recognition and measurement differences between full IFRS Accounting Standards and the *IFRS for SMEs*

Way forward



Clarifying ongoing relationship between the reduced disclosure Standard and the *IFRS for SMEs*



Way forward

Explain in the Basis for Conclusions:

- In developing the Exposure Draft the IASB **started** with the disclosure requirements in the *IFRS for SMEs*
- In the future the reduced disclosure Standard will be **updated as new and amended IFRS Accounting Standards are developed**; the *IFRS for SMEs* will continue to be **updated periodically**
- Therefore there will be **separate consultations** for updating the reduced disclosure Standard and the *IFRS for SMEs*
- Costs and benefits will be **assessed separately** for subsidiaries and SMEs that are not subsidiaries
- The reduced disclosure Standard and *IFRS for SMEs* may have **different disclosure requirements** because of (a) recognition and measurement difference and (b) assessment of costs and benefits

Questions for the IASB



Questions for the IASB

Does the IASB:

- have any comment on the presentation?
- agree that, in developing reduced disclosure requirements, it will assess separately the costs and benefits for subsidiaries applying the reduced disclosure Standard and the costs and benefits for SMEs applying the *IFRS for SMEs*?

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