



IFRS® Foundation

# Emerging Economies Group

## *Subsidiaries without Public Accountability: Disclosures*

Emerging Economies Group Meeting

EEG Agenda Paper 1  
December 2021

## Background

In July 2021, the IASB published the **Exposure Draft *Subsidiaries without Public Accountability: Disclosures***

The Exposure Draft sets out the IASB's proposal for a new IFRS Standard that would permit eligible subsidiaries to apply IFRS Standards with a reduced set of disclosure requirements

## Purpose of the event

The staff will provide an overview of the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

The staff would like to discuss with EEG members the IASB proposals, particularly EEG members' views on:

- the scope of the draft IFRS Standard; and
- the benefits and implementation costs of the proposals.

EEG members financial reporting framework

Objective and scope

Developing the disclosure requirements

Structure and application of the draft IFRS Standard

Discussion



# EEG members financial reporting framework

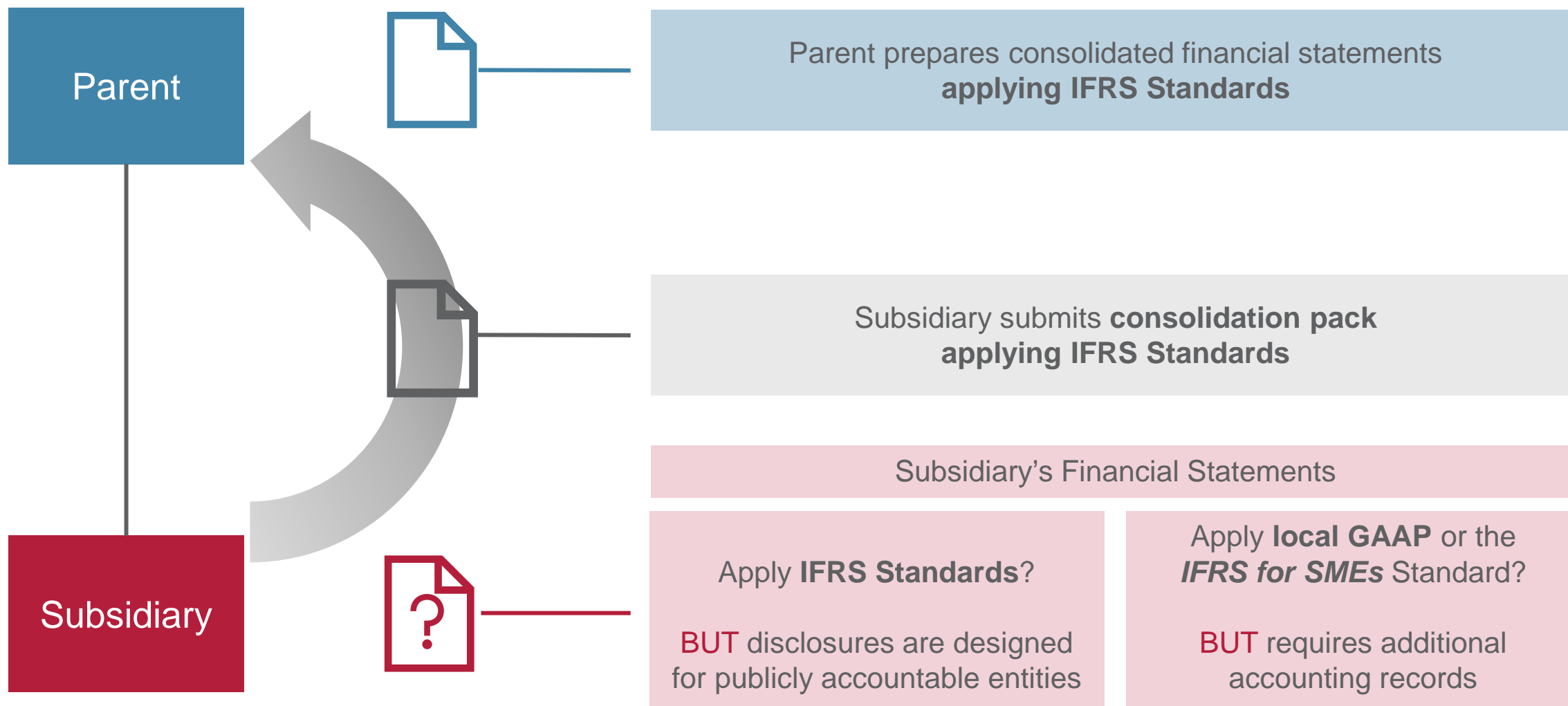
- Refer to a separate paper



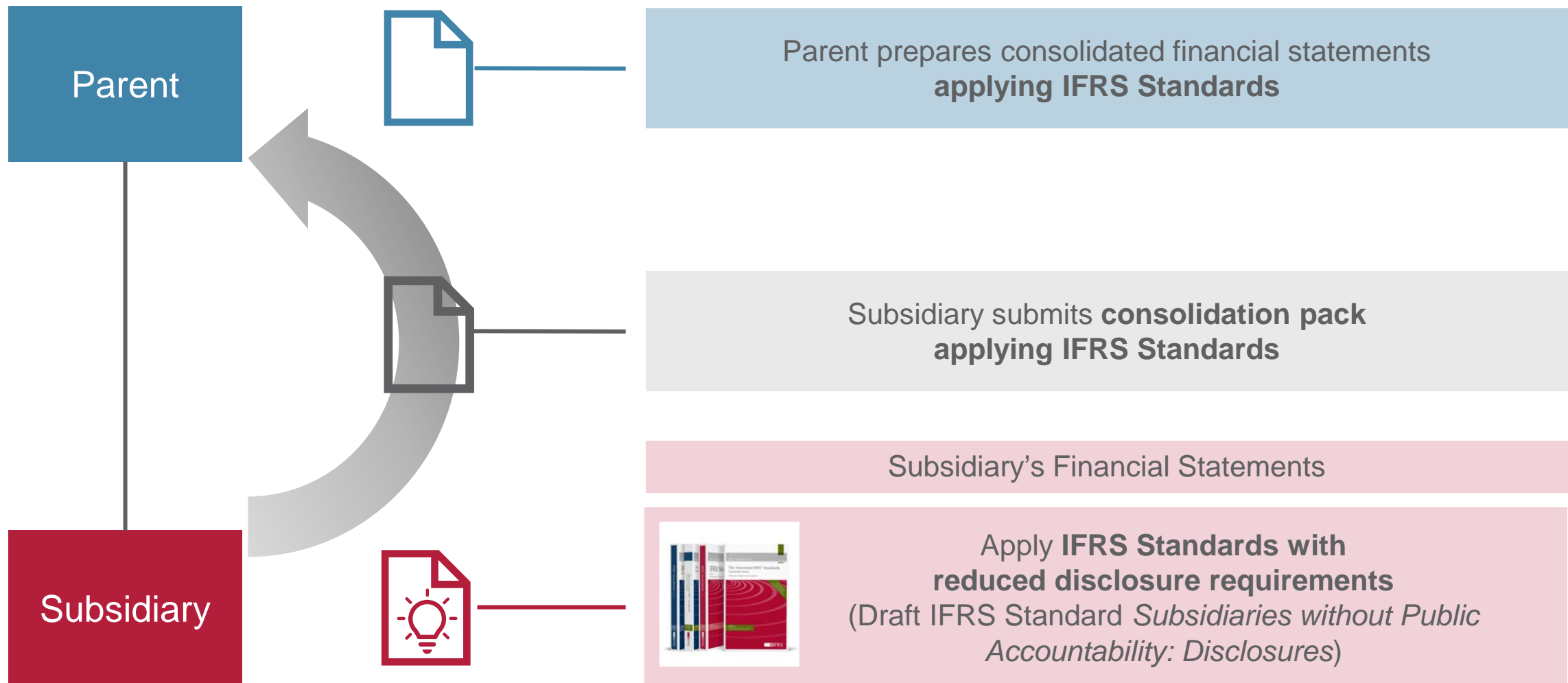
# Objective and scope

# Why is the IASB undertaking this project?

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# Exposure Draft proposals





## Reduced costs for preparers

- single set of accounting policies applied
- one set of accounting records
- reduced work for finance team

## Tailored disclosures for users

- disclosures designed for non-publicly accountable entities
- disclosures tailored towards users' needs



A preparer said “we have hundreds of subsidiaries around the world that do not have public accountability, that individually report applying IFRS Standards and prepare general purpose financial statements for local requirements—these subsidiaries can benefit from these proposals”.

## Scope

Voluntary application in consolidated or individual financial statements available to subsidiaries at the end of the reporting period:

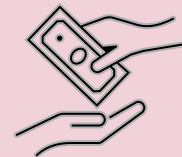
- a) that do **not have public accountability**; and
- b) whose parent prepares consolidated financial statements available for public use that comply with IFRS Standards

### *Who has public accountability?*



Equity or debt instruments  
traded in public market

*or*

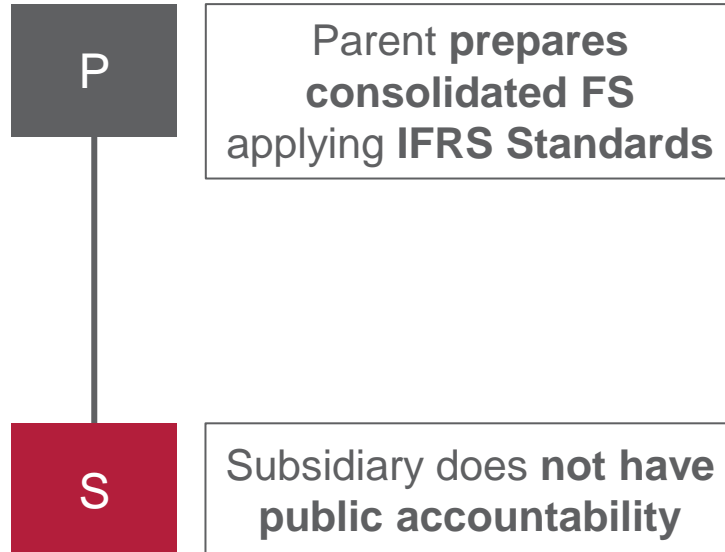


Hold assets in a fiduciary capacity  
for a broad group of outsiders

*Includes most banks and insurance companies*

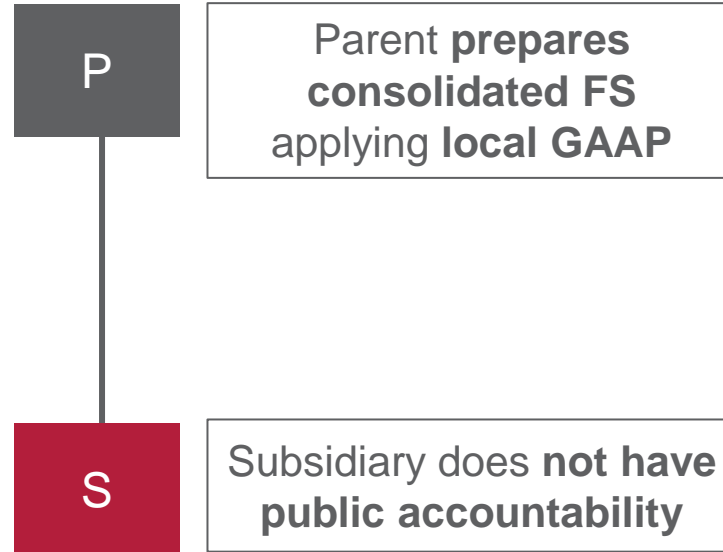
# Illustration: Eligible subsidiaries

## Scenario 1



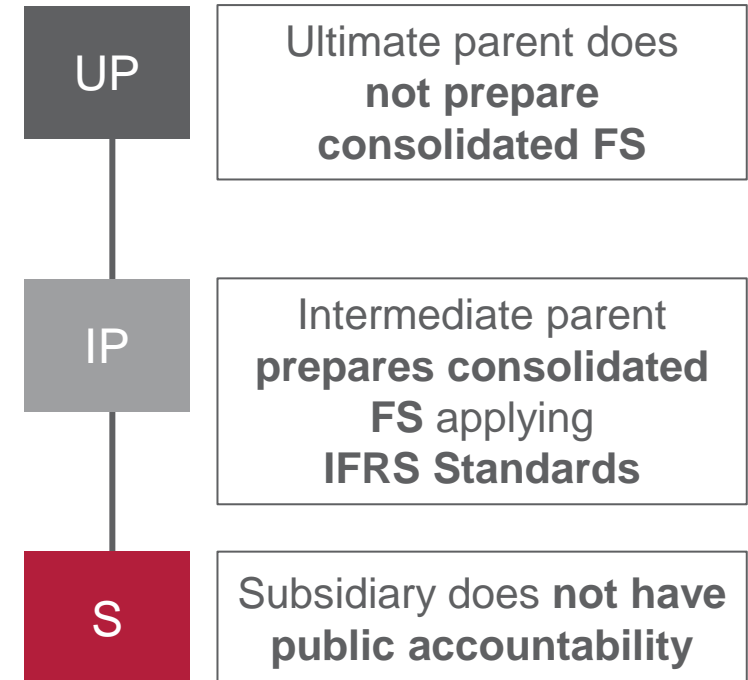
Eligible? ✓

## Scenario 2



Eligible? ✗

## Scenario 3



Eligible? ✓



# Developing the disclosure requirements

# Developing the disclosure requirements

Agenda ref 1

## Approach

Start with the disclosure requirements in the *IFRS for SMEs* Standard and tailor to reflect recognition and measurement requirements in IFRS Standards

## Why?

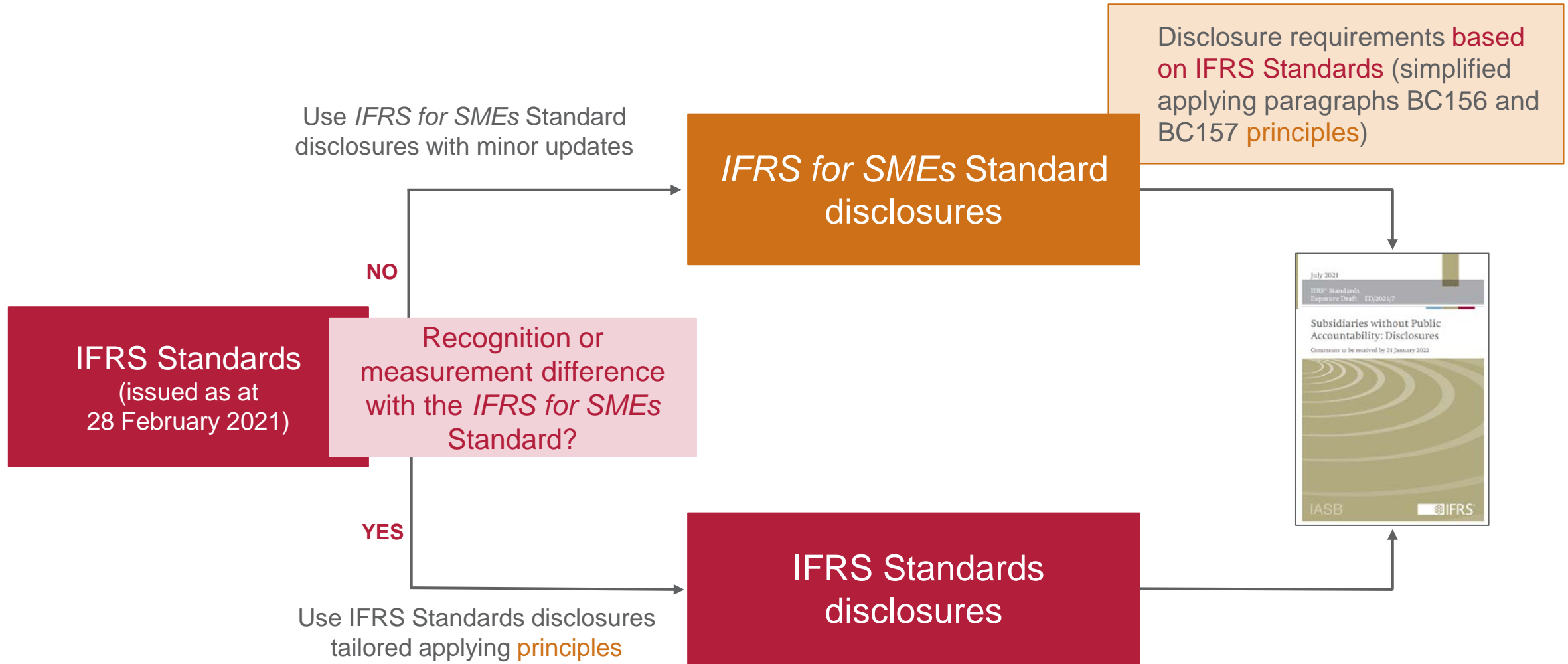
Disclosure requirements in the *IFRS for SMEs* Standard are:

- **substantially reduced** from IFRS Standards
- intended to **meet information needs of users** of financial statements of non-publicly accountable entities

In tailoring disclosure requirements, the IASB applied the principles it used to develop the disclosure requirements in the *IFRS for SMEs* Standard

**This approach does not require the IASB to develop new disclosure requirements**

# Developing the disclosure requirements



# Principles applied in assessing users' needs

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|   |  |
|---|--|
| Liquidity and solvency  | Information about the ability to generate cash flows and continue as a going concern                               |
| Short-term cash flows, obligations, commitments and contingencies | Information about 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 principles are from paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Standard and identify the information users find important

## Which IFRS Standards?

The Exposure Draft proposes reduced disclosure requirements for all IFRS Standards issued as at 28 February 2021 and exposure drafts published as at 1 January 2021, except for:

- IFRS 17 *Insurance Contracts*
- IFRS 8 *Operating Segments*
- IAS 33 *Earnings per Share*
- Exposure Draft *General Presentation and Disclosures*



# IFRS Standards and *IFRS for SMEs* Standard

Agenda ref 1



\* Disclosure requirements in the *IFRS for SMEs* Standard was used as a starting point.

A grayscale world map is centered in the background. Overlaid on the map are several thick, light gray curved lines that sweep across the frame from the bottom left towards the top right. A network of thin, dotted white lines is also visible, connecting various points across the map.

# Structure and application of the draft IFRS Standard

# Structure of the draft IFRS Standard

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## Main body

Objective

Scope

Electing to apply the draft IFRS Standard

Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Application of disclosure requirements

Disclosure requirements  
(organised by IFRS Standard)

## Appendices

A

Disclosure requirements in IFRS Standards replaced by the draft IFRS Standard

B

Effective date and transition

C

Amendments to other IFRS Standards

# Illustration—applying the draft IFRS Standard

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Requirements for inventories



Go to other IFRS Standards (for example, IAS 2 *Inventories*) for recognition, measurement and presentation requirements



Go to the draft IFRS Standard (under the sub-heading IAS 2 *Inventories*) for disclosure requirements



**Some disclosure requirements in other IFRS Standards could apply**

Disclosure requirements in IFRS Standards that remain applicable are generally stated in a footnote to the subheading of the IFRS Standard to which they relate

## Compliance statement

The Exposure Draft proposes a subsidiary discloses it has applied the draft IFRS Standard, and this disclosure be located with the explicit and unreserved statement that the financial statements have been prepared in compliance with IFRS Standards

## Interaction with IFRS 1

The commencement or cessation of application of the draft IFRS Standard does not, in itself, result in an entity meeting the definition of a first-time adopter (see slide 22)

## Transition

The Exposure Draft does not include transition requirements

## Maintenance

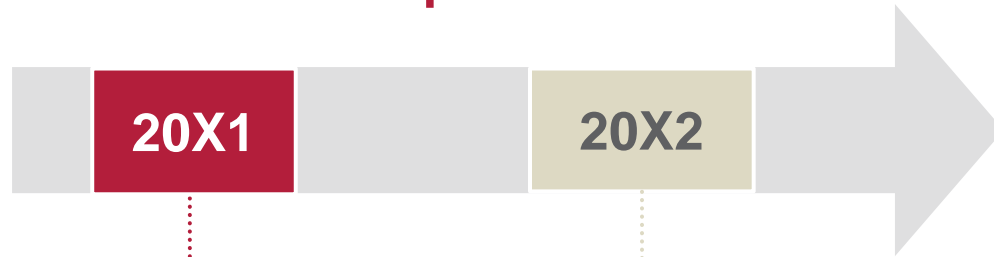
The IASB will consider amendments to the draft IFRS Standard when it publishes an exposure draft of a new or amended IFRS Standard

# Transition to the draft IFRS Standard and interaction with IFRS 1

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The draft IFRS Standard has no specific transition provision

## Applied IFRS Standards in preceding period

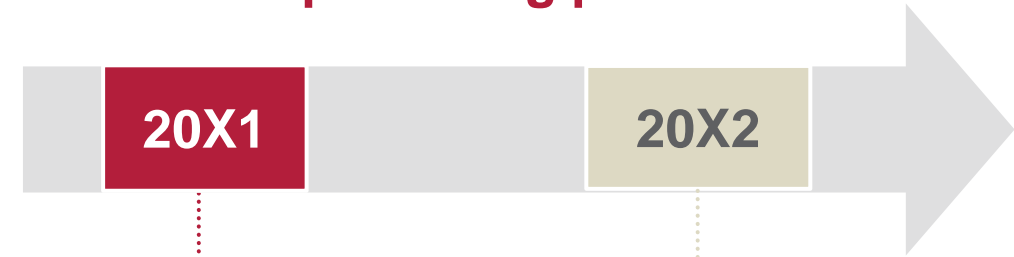


Applied IFRS Standard but *not* the draft IFRS Standard

Applies IFRS Standards and elects to apply the draft IFRS Standard

Would **not** apply IFRS 1 in 20X2 because it prepared financial statements applying IFRS Standards in a preceding period

## Did not apply IFRS Standards in preceding period



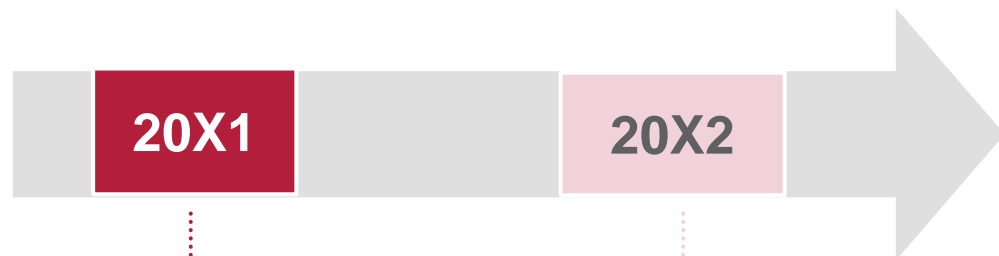
Applied *IFRS for SMEs* Standard or local GAAP

Applies IFRS Standards and elects to apply the draft IFRS Standard

Apply IFRS 1 in 20X2 because in 20X2 it prepared its **first financial statements** applying IFRS Standards

# Comparative Information

## Applied draft Standard in current period but not preceding period



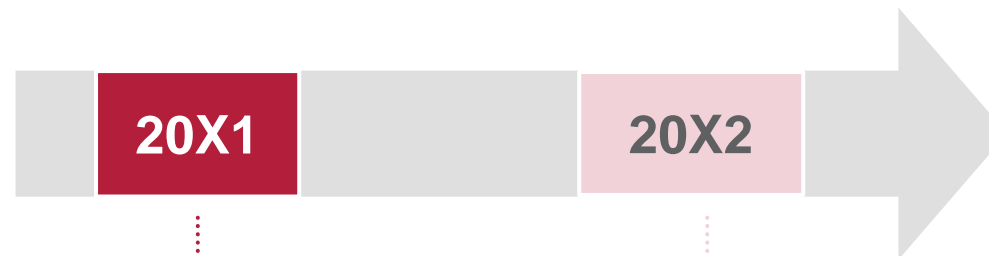
Applied IFRS Standard but *not* the draft IFRS Standard

Applies the draft IFRS Standard

Less disclosures in the current period

In 20X2 financial statements, provide 20X1 comparative information *only* for information reported in 20X2

## Applied draft Standard in preceding period but not current period



Applied the draft IFRS Standard

Applies IFRS Standard but *not* the draft IFRS Standard

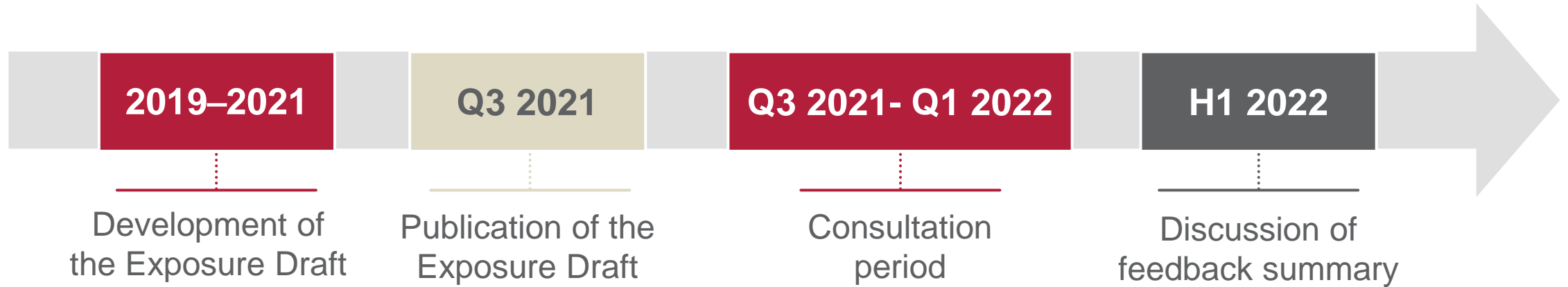
More disclosures in the current period

In 20X2 financial statements, provide 20X1 comparative information for information reported in 20X2

Unless other IFRS Standard requires or permits otherwise

# Timeline

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The Exposure Draft *Subsidiaries without Public Accountability: Disclosures* is open for comment until 31 January 2022. The Exposure Draft can be accessed [here](#).

The Snapshot that provides an overview of the IASB's proposals can be accessed [here](#).



A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted white lines is also visible, suggesting a global grid or data flow.

# Questions

# Questions

Agenda ref 1

## Scope

Do you agree with the proposed scope of the draft IFRS Standard?

## Adoption

Given your financial reporting framework (see slide 5), Do you see any barriers to your jurisdiction adopting the draft IFRS Standard?

## Benefits and cost–benefit assessment

Do you agree that the IASB’s proposal will simplify and reduce the cost of financial reporting of eligible subsidiaries?

Do you agree that the benefits of the draft IFRS Standard would exceed the costs of applying it?

## Usefulness of financial statements

Do you agree that the IASB’s proposals would maintain the usefulness of eligible subsidiaries’ financial statements?

## Structure of the draft IFRS Standard

Do you agree with the structure of the draft IFRS Standard?



# Thank you!

For more details about the project and the Exposure Draft,  
please refer to the

*Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures*  
project page on the IFRS website

Please also get in touch by sending us an email at [subsidiaries@ifrs.org](mailto:subsidiaries@ifrs.org)

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