



IFRS® Foundation

# Subsidiaries without Public Accountability: Disclosures

Agenda Paper 9

SME Implementation Group meeting  
September 2021

# Disclaimer

This paper has been prepared for discussion at a public meeting of the SME Implementation Group. The views expressed in this paper do not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS<sup>®</sup> Standards or the *IFRS for SMEs* Standard do not purport to set out acceptable or unacceptable application of IFRS Standards or the *IFRS for SMEs* Standard. Technical decisions are made in public and reported in IASB<sup>®</sup> *Update*.

<b>Project</b>	<b>Subsidiaries without Public Accountability: Disclosures</b>	
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## Background

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

The Exposure Draft sets out the Board'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 session

- Provide an overview of the Exposure Draft
- Allow SMEIG members to ask questions and share views on the Board's proposals

Objective of the project

Developing the disclosure requirements

Structure and application of the draft IFRS Standard

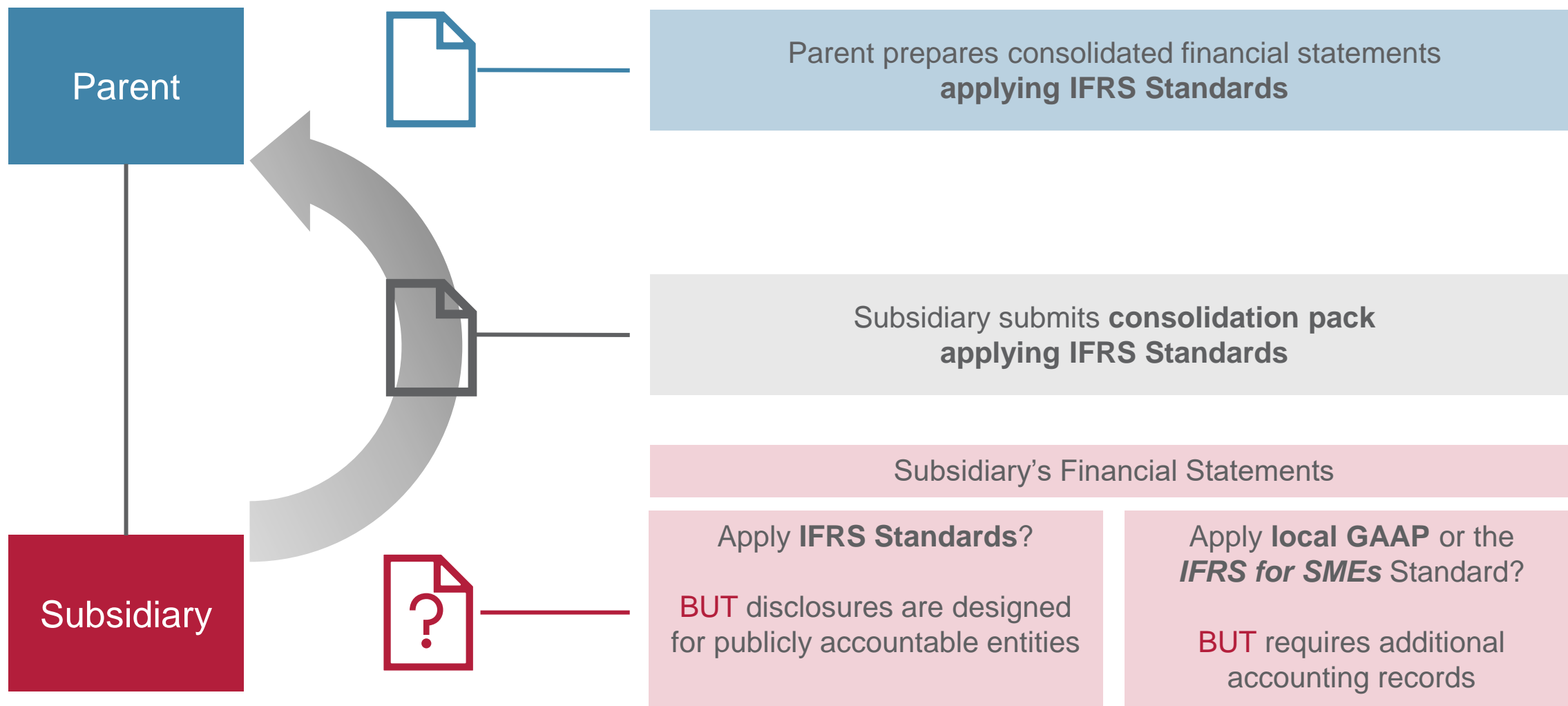
Discussion



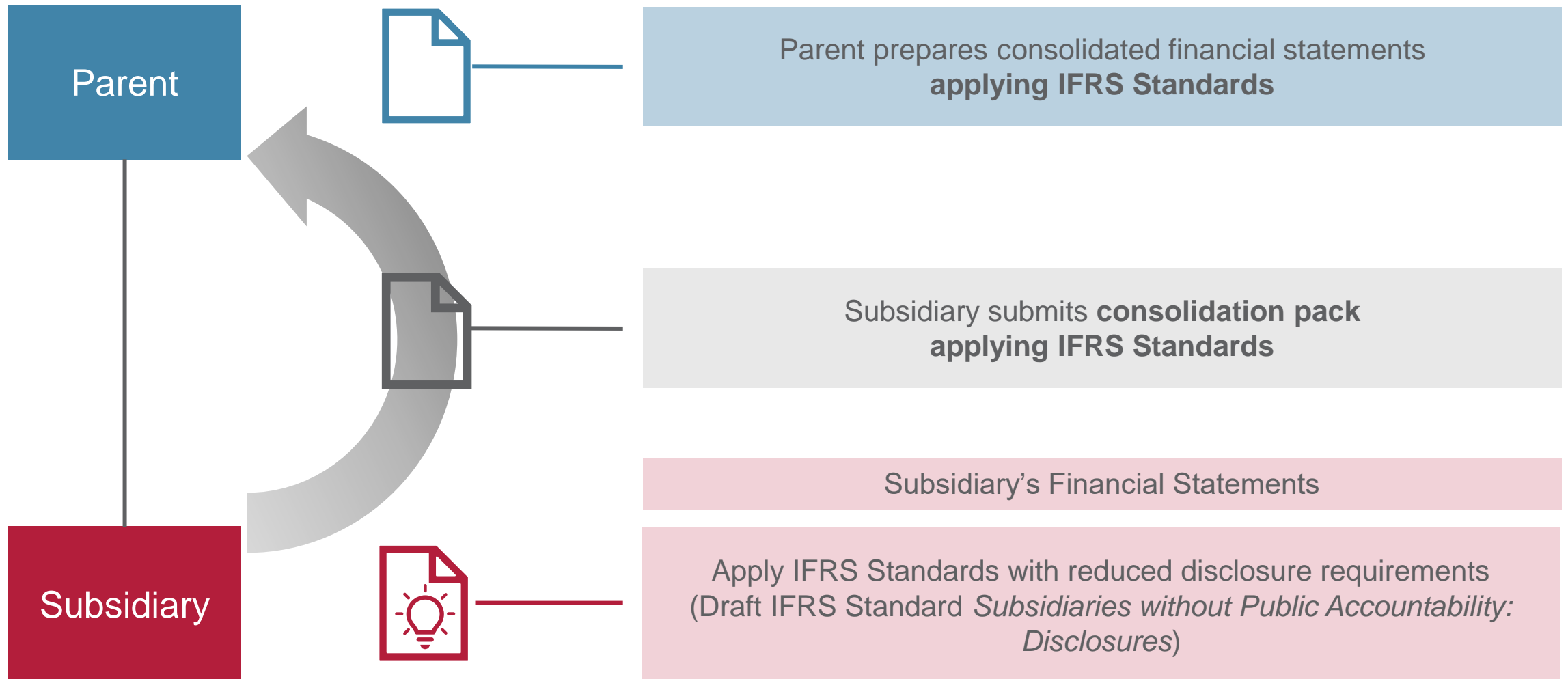
# Objective of the project

# Why is the Board 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
- financial statements 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

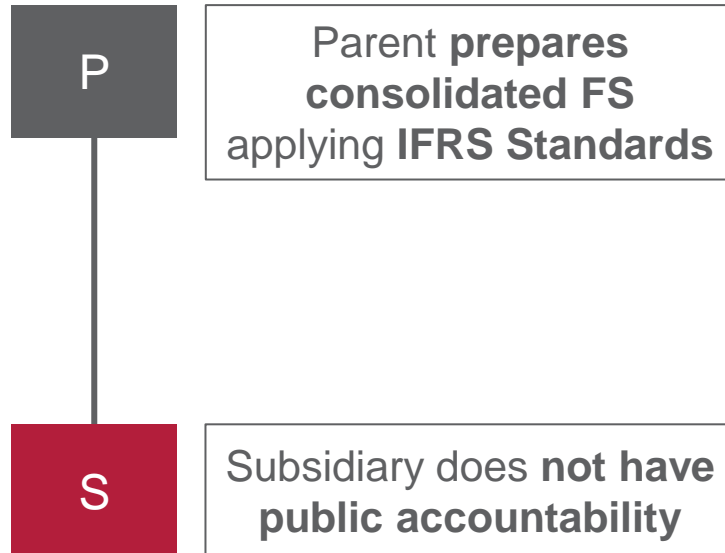
## Public accountability

An entity has public accountability if:

- a) its debt or equity instruments are **traded in a public market** or it is in the process of issuing such instruments for trading in a public market; or
- b) it **holds assets in a fiduciary capacity for a broad group of outsiders** as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this second criterion)

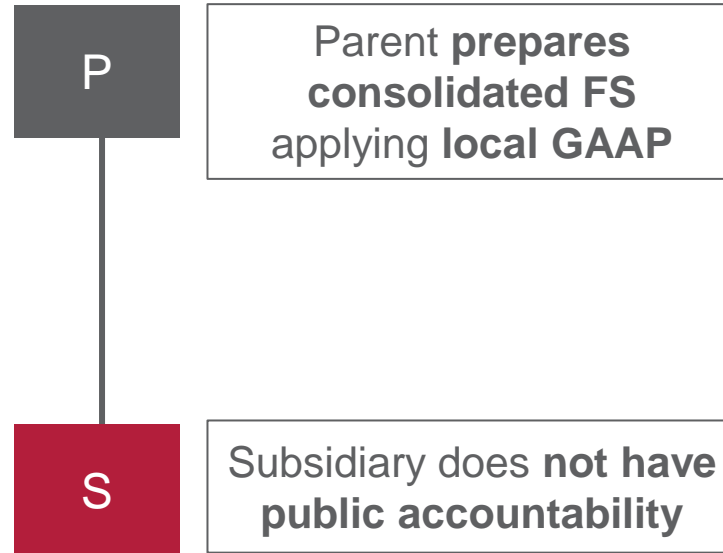
# Illustration: Eligible subsidiaries

## Scenario 1



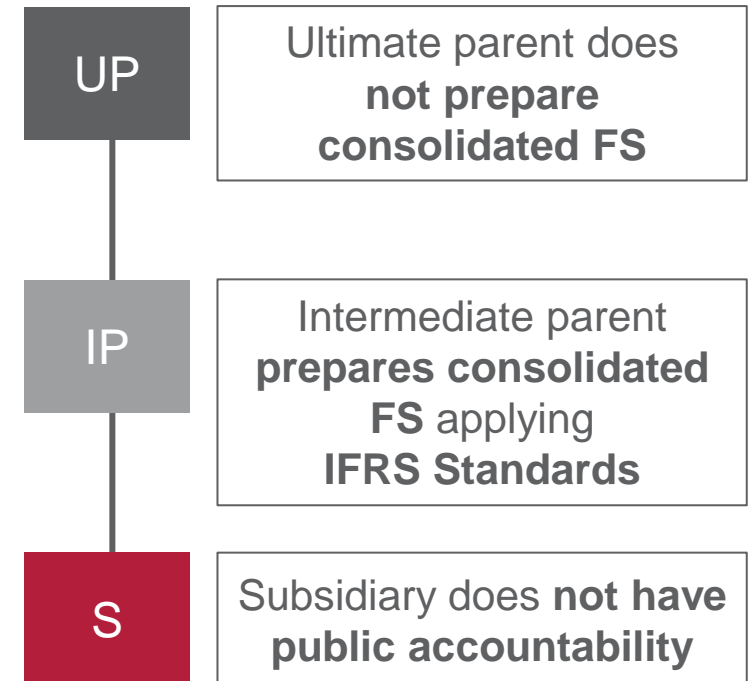
Eligible?

## Scenario 2



Eligible?

## Scenario 3



Eligible?

A grayscale world map is the background, showing continents and a grid of dotted lines. Overlaid on the left side are several thick, curved, overlapping lines that sweep across the map from the bottom left towards the top right.

# Developing the disclosure requirements

# Developing the disclosure requirements

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## 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 and are intended to meet information needs of users of financial statements of non-publicly accountable entities

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

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

# Developing the disclosure requirements

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**Is there a recognition or measurement difference between IFRS Standards and the *IFRS for SMEs* Standard?**

**Yes**

Use and tailor the disclosure requirements in IFRS Standards

Apply to the disclosure requirements in IFRS Standards the principles used to develop the disclosure requirements in the *IFRS for SMEs* Standard (slide 14)

**No**

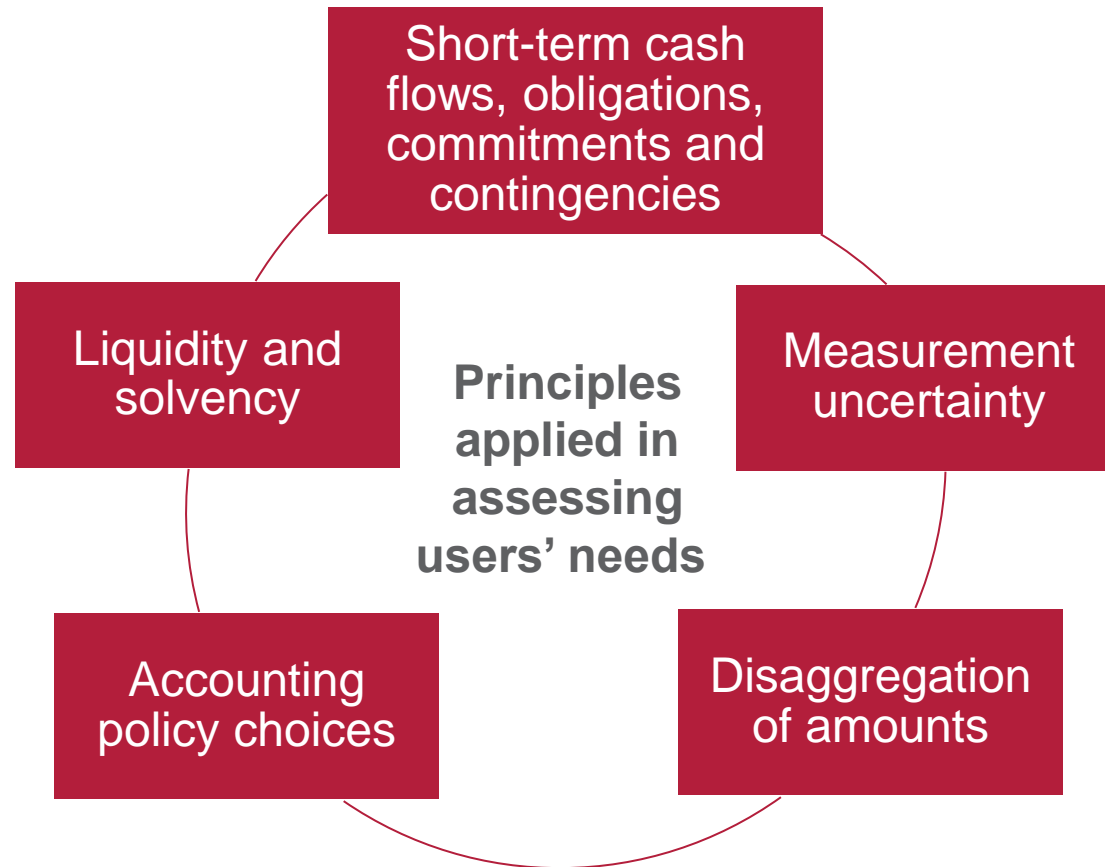
Use the disclosure requirements in the *IFRS for SMEs* Standard

Minor updates to:

- align terms and language with IFRS Standards
- update paragraph cross-references

In limited cases, the Board made exceptions to this approach

# Approach to tailoring



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*



# 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

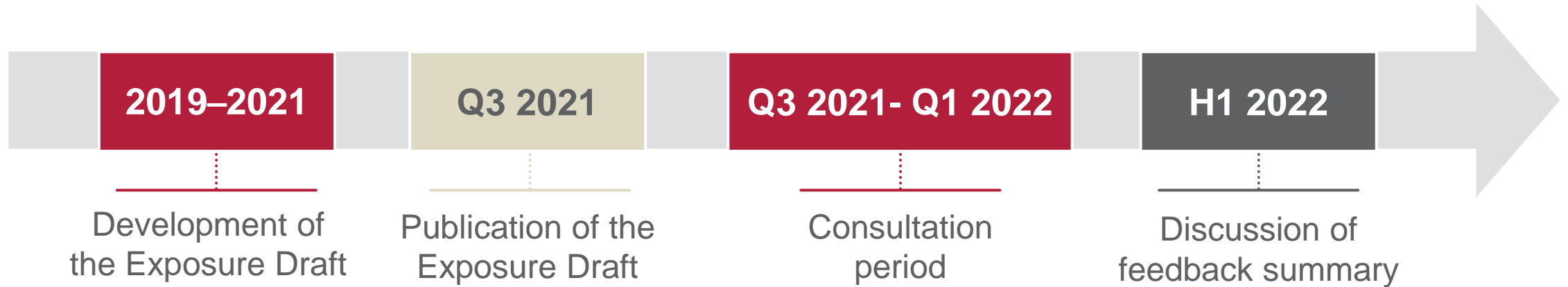


Go to the draft IFRS Standard (under the sub-heading IAS 2 *Inventories*) for disclosure requirements



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

# Timeline



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 Board’s proposals can be accessed [here](#).

## 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 21)

## Transition

The Exposure Draft does not include transition provisions in the draft IFRS Standard (see slides 21 and 22)

## Maintenance

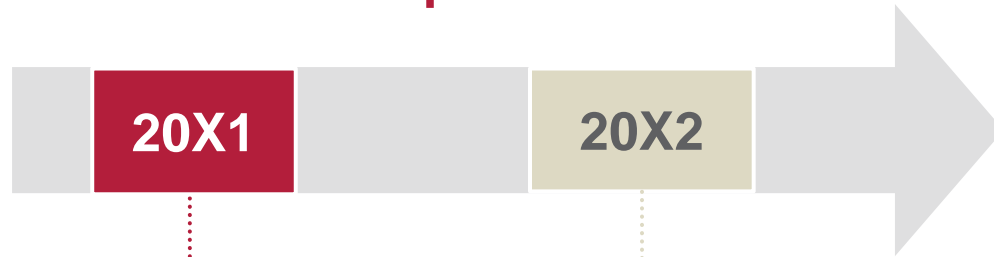
The Board will consider amendments to the draft IFRS Standard when it publishes an exposure draft of a new or amended IFRS Standard

# 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

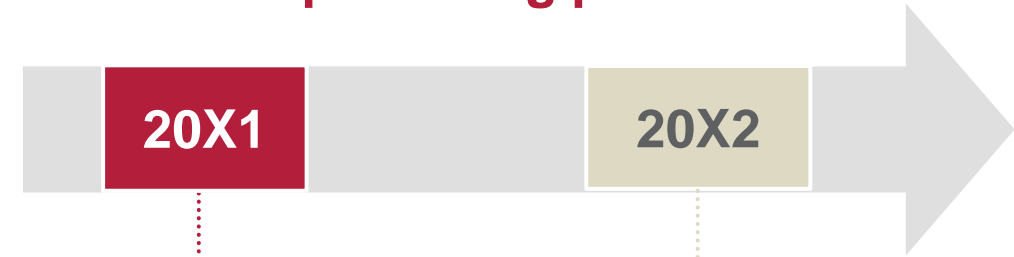


Applied IFRS Standard but *not* the draft IFRS Standard

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



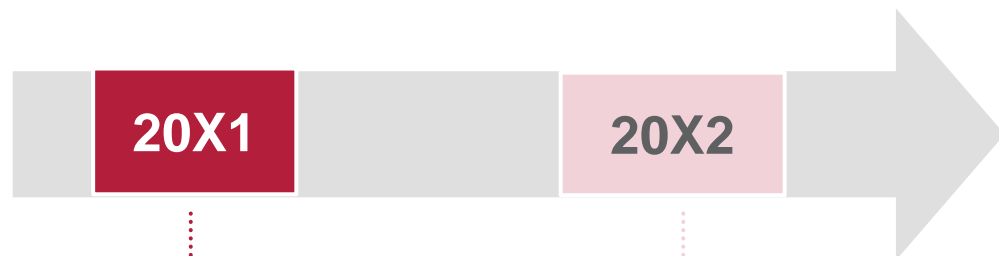
Applied *IFRS for SMEs* Standard or local GAAP

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



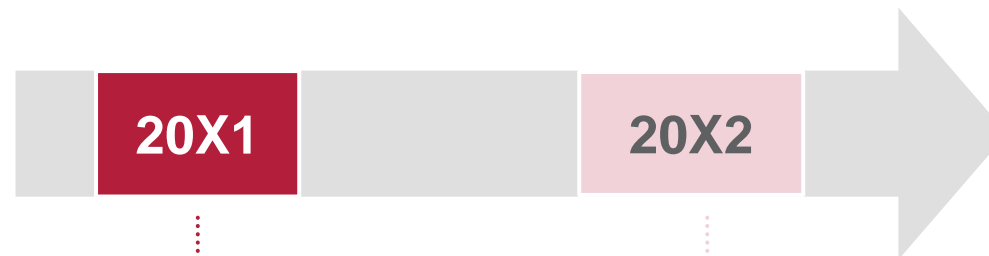
Applied IFRS Standard but *not* the draft IFRS Standard

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

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. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

# Discussion

# Questions for SMEIG

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## Scope

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

## Benefits

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

## Principles for developing disclosures

Do you have any comments on the principles the Board applied in developing the disclosures requirements in the draft IFRS Standard?

## Usefulness of financial statements

Do you agree that usefulness of financial statements is maintained for users by applying the principles in developing the disclosure requirements?

## Outreach

Would you be willing to participate in outreach activities?





# 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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