

STAFF PAPER

April 2022

IASB[®] meeting

Project	Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
Paper 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 reported in IASB[®] *Update*.

Purpose of this meeting

1. The International Accounting Standards Board (IASB) published Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) in July 2021. The Exposure Draft was open for comment for 180 days, which ended on 31 January 2022.
2. The purpose of this meeting is for the IASB to discuss the feedback from comment letters and outreach events on the Exposure Draft. The IASB will not be asked to make any decisions. Agenda papers for this meeting include:
 - (a) Agenda Paper 31A—feedback from comment letters; and
 - (b) Agenda Paper 31B—feedback from outreach events.
3. The papers for this meeting provide a summary of the feedback received. They do not provide a comprehensive record of all issues and recommendations raised by comment letter respondents and outreach participants. The staff will present detailed analyses of the main issues and recommendations at future meetings during the IASB's redeliberation, where the IASB would be asked for decisions (see paragraph 15).

Overview

4. This paper sets out:
 - (a) project background (paragraphs 5–11);
 - (b) terms used in the analysis of feedback (paragraphs 12–15); and
 - (c) next steps (paragraph 16).

Project background

5. The Exposure Draft sets out the proposal for a new IFRS Accounting Standard (draft Standard). The objective of the draft Standard is to permit a subsidiary (an eligible subsidiary) to apply reduced disclosure requirements when applying IFRS Accounting Standards¹ provided that:
 - (a) the subsidiary does not have public accountability; and
 - (b) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.
6. The IASB undertook the *Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures* project following suggestions, received in response to the Request for Views: *2015 Agenda Consultation*, that the IASB permits subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Respondents to the Request for Views said that applying the *IFRS for SMEs* Accounting Standard is unattractive to subsidiaries because there are recognition and measurement differences between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards. Subsidiaries reporting to their parent, for consolidation purposes, applying IFRS Accounting Standards would prefer for their own financial statements to also use IFRS Accounting Standards but with less onerous disclosure requirements.

¹ For purposes of the papers, IFRS Accounting Standards refers to IFRS Accounting Standards excluding the *IFRS for SMEs* Accounting Standard.

7. In developing the disclosure requirements in the draft Standard, the IASB used the *IFRS for SMEs* Accounting Standard as the starting point. This approach is appropriate because:
 - (a) eligible subsidiaries meet the definition of small and medium-sized entities (SMEs) in the *IFRS for SMEs* Accounting Standard and so can apply that Standard; and
 - (b) the disclosure requirements in the *IFRS for SMEs* Accounting Standard are reduced from IFRS Accounting Standards.
8. Using the disclosure requirements in the *IFRS for SMEs* Accounting Standard as the starting point, the IASB can be satisfied that the disclosure requirements are sufficient to meet the needs of users when there is no recognition and measurement difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard.
9. Similarly, where there are recognition and measurement differences, applying the principles in paragraph BC157 of the *IFRS for SMEs* Accounting Standard to tailor the disclosure requirements of the IFRS Accounting Standards, the IASB could be satisfied that the disclosure requirements in the draft Standard would be sufficient to meet user needs.
10. Applying the approach described in paragraph 7, the IASB was able to save time and resources by leveraging the work it had already completed in developing the disclosure requirements in the *IFRS for SMEs* Accounting Standard.
11. If the proposal progresses to a final IFRS Standard, the IASB has tentatively decided to consider amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard.

Terms used in the analysis of feedback

12. The IASB received 68 comment letters and IASB members and staff have participated in 24 outreach events with various types of stakeholders. Agenda papers 31A and 31B use the following terms to give a broad indication of the views in the comment letters and from outreach events:

<i>Term</i>	<i>Extent of response among respondents</i>
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

13. In determining which term to use, the staff considered not just the number of responses in question, but also other factors, such as whether a response reports the views of a single individual or the views of a broader group.
14. In addition, the staff assessed whether comments appeared to be concentrated in specific geographical areas or among particular types of respondents.
15. When summarising the feedback, the staff have also considered the nature of the comments and whether they are qualitatively significant irrespective of the number of respondents who shared such views.

Next steps

16. At future IASB meetings, the staff plan to present papers:
- (a) to facilitate the IASB’s redeliberation on the main issues relating to the scope of the draft Standard in conjunction with the discussion on the scope of the *IFRS for SMEs Accounting Standard* (expected in May 2022); and
 - (b) that discuss a plan for redeliberating the proposals covering the following topics:
 - (i) objective and scope of the draft Standard;
 - (ii) approach to developing disclosure requirements;
 - (iii) disclosure requirements; and
 - (iv) other matters including transition, interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards* and maintenance of the draft Standard.