

STAFF PAPER

May 2022

IASB[®] meeting

Project	Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
Paper topic	Cover paper	
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Introduction

1. The International Accounting Standards Board (IASB) published Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) in July 2021.
2. At its April 2022 meeting, the IASB discussed feedback from [comment letters](#) and [outreach events](#) on the Exposure Draft.¹

Purpose of this meeting

3. The purpose of this meeting is for the IASB to discuss feedback on the scope of the draft Standard. The staff analysis is in Agenda Paper 31A *Proposed scope of the draft Standard*.
4. Agenda Paper 31A includes the feedback on scope presented at the April 2022 meeting. In developing our analysis in Agenda Paper 31A, the staff have also considered the feedback from the following consultative groups:
 - (a) SME Implementation Group;²

¹ See [Agenda Paper 31 of the April 2022 IASB meeting](#) and the [IASB Update April 2022](#).

² See [Agenda Paper 9 of the September 2021 SMEIG meeting](#) and the [SMEIG Summary Note September 2021](#).

- (b) Global Preparers Forum (GPF);³
 - (c) Emerging Economies Group (EEG);⁴ and
 - (d) Accounting Standards Advisory Forum (ASAF).⁵
5. The description of public accountability in the scope of the draft Standard is the definition of public accountability and supporting guidance from paragraphs 1.3 and 1.4 in the *IFRS for SMEs Accounting Standard*. A subsidiary applying the draft Standard would also be eligible to apply the *IFRS for SMEs Accounting Standard*. Therefore, to facilitate the IASB’s redeliberation on the proposed scope of the Exposure Draft, the staff will ask the IASB to discuss Agenda Paper 31A together with the following papers for this meeting on the Second Comprehensive Review of the *IFRS for SMEs Accounting Standard* project:
- (a) Agenda Paper 30A *Towards an exposure draft—scope and name of the IFRS for SMEs Accounting Standard*, which discusses whether the scope and name of the *IFRS for SMEs Accounting Standard* remain appropriate; and
 - (b) Agenda Paper 30B *Towards an exposure draft—definition of public accountability*, which discusses whether the definition of public accountability needs further clarification.

Overview

6. This paper sets out:
- (a) project background (paragraphs 7–13);
 - (b) terms used in the analysis of feedback (paragraphs 14–17); and
 - (c) next steps (paragraph 18).

³ See [Agenda Paper 3 of the November 2021 GPF meeting](#) and the [GPF Summary Note November 2021](#).

⁴ See [Agenda Paper 1 of the December 2021 EEG meeting](#) and the [EEG Summary Note December 2021](#).

⁵ See [Agenda Paper 5 of the December 2021 ASAF meeting](#) and the [ASAF Summary Note December 2021](#).

Project background

7. 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 Standards⁶ 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.
8. 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.
9. 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.

⁶ For the purposes of Agenda Papers 31 and 31A, IFRS Accounting Standards refers to IFRS Accounting Standards (sometimes known as full IFRS Accounting Standards) excluding the *IFRS for SMEs* Accounting Standard.

10. 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.
11. 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.
12. Applying the approach described in paragraph 9, 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.
13. 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

14. The IASB received 68 comment letters and IASB members and staff have participated in 24 outreach events with various types of stakeholders. Agenda paper 31A uses 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

15. 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.
16. In addition, the staff assessed whether comments appeared to be concentrated in specific geographical areas or among particular types of respondents.
17. 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

18. At future IASB meetings, the staff plan to present papers that discuss a plan for redeliberating the proposals covering the following topics:
 - (a) objective and other matters related to scope of the draft Standard (including local endorsement and interaction with local laws and regulations);
 - (b) approach to developing disclosure requirements;
 - (c) disclosure requirements; and
 - (d) other matters including transition to and from the draft Standard, interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards* and maintenance of the draft Standard.