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## IASB<sup>®</sup> meeting

Date	<b>January 2023</b>
Project	<b>Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures</b>
Topic	<b>Cover paper</b>
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## Purpose of this meeting

1. At its [June 2022 meeting](#), the International Accounting Standards Board (IASB) agreed on a project plan for redeliberating the Exposure Draft [Subsidiaries without Public Accountability: Disclosures](#) (Exposure Draft) towards developing an IFRS Accounting Standard (Standard).
2. At this January 2023 meeting, the IASB will continue its redeliberations of the feedback on aspects of the proposed IFRS Accounting Standard (draft Standard) set out in the Exposure Draft.
3. This paper sets out:
  - (a) an overview of the agenda papers for this meeting (paragraphs 4–10);
  - (b) why the IASB added the project to its work plan (paragraphs 11–14);
  - (c) next steps (paragraphs 15–17); and
  - (d) Appendix A—IASB tentative decisions to date on developing the Standard.

## Overview of the agenda paper for this meeting

4. The agenda papers for this meeting are:
  - (a) Agenda Paper 31A *Transition matters—interaction between IFRS 1 and the Standard*;
  - (b) Agenda Paper 31B *Transition matters—changes in accounting policies*; and
  - (c) Agenda Paper 31C *Maintenance of the Standard*.

**Agenda Paper 31A Transition matters—interaction between IFRS 1 and the Standard**

5. Agenda Paper 31A discusses the feedback on the interaction between IFRS 1 *First-time Adoption of International Financial Reporting Standards* and the Standard.
6. The staff are recommending that the IASB proceed with the proposal to:
  - (a) include reduced disclosure requirements for IFRS 1 in the Standard; and
  - (b) explain the interaction between IFRS 1 and the Standard, as set out in paragraphs 12–14 of the draft Standard.

**Agenda Paper 31B Transition matters—changes in accounting policies**

7. Agenda Paper 31B discusses the feedback on whether electing or revoking an election to apply the draft Standard requires an eligible subsidiary to apply the requirements on changes in accounting policies in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and present a third statement of financial position as at the beginning of the earliest period presented as required by paragraph 40A of IAS 1 *Presentation of Financial Statements*.
8. The staff are recommending that the IASB clarifies in the Standard that an eligible subsidiary that elects, revokes an election or is no longer eligible to apply the Standard:
  - (a) does not apply the requirements in IAS 8 on changes in accounting policies; and
  - (b) is not required to present a third statement of financial position as at the beginning of the earliest period presented.

**Agenda Paper 31C Maintenance of the Standard**

9. Agenda Paper 31C discusses when to update the Standard for new disclosure requirements or amendments to disclosure requirements arising from new IFRS Accounting Standards or amendments to IFRS Accounting Standards.
10. The staff are recommending that the IASB confirm its proposal to consider amendments to the Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard as this facilitates consideration of the amendments to the Standard at the same time as the related amendments to IFRS Accounting Standards are being discussed.

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## Why the IASB added the project to its Work Plan

11. The Exposure Draft set out a proposal for a new IFRS Accounting Standard. The objective of the draft Standard was to permit a subsidiary to apply the recognition, measurement and presentation requirements of IFRS Accounting Standards and the reduced disclosure requirements of the draft Standard provided that<sup>1</sup>:
  - (a) the subsidiary does not have public accountability; and
  - (b) its ultimate or any intermediate parent produces consolidated financial statements that comply with IFRS Accounting Standards and are available for public use.
12. The IASB added the project *Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures* to its 2017–2021 Work Plan based on feedback to the Request for Views: *2015 Agenda Consultation*. Stakeholders—mainly preparers—requested that the IASB permit subsidiaries with a parent that applies IFRS Accounting Standards in its consolidated financial statements to apply IFRS Accounting Standards with reduced disclosure requirements.
13. Respondents to the Request for Views said that applying the *IFRS for SMEs* Accounting Standard can be unattractive to subsidiaries because there are recognition and measurement differences between the *IFRS for SMEs* Accounting Standard (or local accounting standards) and IFRS Accounting Standards.
14. Subsidiaries that report to a parent that applies IFRS Accounting Standards would prefer to apply IFRS Accounting Standards but with reduced disclosure requirements. This would enable these subsidiaries to reduce financial reporting costs because there would be no need to reconcile between information reported to a parent compliant with IFRS Accounting Standards and either the *IFRS for SMEs* Accounting Standard or local accounting standards.

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<sup>1</sup> For purposes of this paper, IFRS Accounting Standards refers to IFRS Accounting Standards excluding the *IFRS for SMEs* Accounting Standard.

**Next steps**

15. The IASB will continue to redeliberate the proposals in the Exposure Draft.
16. In particular, the staff will bring agenda papers to future IASB meetings on transition-related matters including:
  - (a) the status of application of amendments to disclosure requirements in IFRS Accounting Standards issued after 28 February 2021<sup>2</sup>; and
  - (b) the disclosure requirements on transition in other IFRS Accounting Standards.
17. Other key areas of the Exposure Draft still to be considered by the IASB include:
  - (a) the proposed disclosure requirements in the Standard; and
  - (b) effects analysis.

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<sup>2</sup> In light of the IASB's tentative decision in its [June 2022 meeting](#) to omit Appendix A in the draft Standard.

## Appendix A—IASB tentative decisions to date

Month	Decision
May 2022	<p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) confirm the scope of the draft Standard is subsidiaries without public accountability; and</li> <li>(b) review the scope after the draft Standard has been finalised, possibly during the post-implementation review.</li> </ul> <p>The IASB tentatively decided that if the draft Standard is finalised, it will:</p> <ul style="list-style-type: none"> <li>(a) clarify the description of ‘public accountability’ as set out in the Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard</i>.</li> <li>(b) clarify, using similar wording to that of paragraph 1.7 of the <i>IFRS for SMEs Accounting Standard</i>, that an intermediate parent is required to assess its eligibility to apply the draft Standard to its separate and individual financial statements on the basis of its own status. That is, the intermediate parent would be required to make this assessment without considering whether other group entities have public accountability or the group as a whole has it.</li> </ul>
June 2022	<p>The IASB decided to proceed with its proposal for a new IFRS Accounting Standard as set out in the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> and agreed on a project plan for developing the new Accounting Standard.</p> <p>The IASB also tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) include in the Standard disclosure requirements of IFRS Accounting Standards issued as at 28 February 2021; and</li> <li>(b) consider amendments to the disclosure requirements in IFRS Accounting Standards issued after 28 February 2021 after the Standard is issued.</li> </ul>
October 2022	<p><i>Objective of the draft IFRS Accounting Standard</i></p> <p>The IASB tentatively decided to confirm the proposed objective of the draft Standard.</p> <p><i>Approach to developing the proposed disclosure requirements</i></p> <p>The IASB discussed the feedback on the approach to developing the proposed disclosure requirements of the draft Standard. The IASB tentatively decided to modify its</p>

	<p>approach to ensure that the language used in the disclosure requirements is the same as the language in IFRS Accounting Standards</p> <p>The IASB also tentatively decided to explain in the Basis for Conclusions on the Standard:</p> <ul style="list-style-type: none"> <li>(a) why the disclosure requirements in the <i>IFRS for SMEs</i> Accounting Standard are the appropriate starting point;</li> <li>(b) how 'cost–benefit' is considered; and</li> <li>(c) the reason for the exceptions made to the approach to developing the proposed disclosure requirements.</li> </ul> <p><i>Addressing comments on the proposed disclosure requirements</i></p> <p>The IASB decided staff should analyse the comments received on the proposed disclosure requirements in the draft Standard in three steps:</p> <ul style="list-style-type: none"> <li>(a) Step 1—stratify the comments on the proposed disclosure requirements based on how the proposed disclosure requirements were developed;</li> <li>(b) Step 2—assess the comments received against a set of factors: the principles on users' information needs of non-publicly accountable entities' financial statements, cost and benefit, distribution of the comments received, overall usefulness of information and previous IASB discussions and decisions on the disclosure requirement; and</li> <li>(c) Step 3—recommend any changes to the proposed disclosure requirements to the IASB.</li> </ul> <p><i>Structure of the draft Standard</i></p> <p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> <li>(a) omit Appendix A proposed in the draft Standard.</li> <li>(b) replace the footnotes with cross-references to disclosure requirements that remain applicable in other IFRS Accounting Standards, under each IFRS Accounting Standard subheading.</li> </ul>
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<p>November 2022</p>	<p>The IASB tentatively decided to confirm that an entity will be permitted to apply the Standard if:</p> <ul style="list-style-type: none"> <li>(a) it is a subsidiary at the end of the reporting period.</li> <li>(b) it has an ultimate or intermediate parent that produces consolidated financial statements that: <ul style="list-style-type: none"> <li>(i) comply with IFRS Accounting Standards; and</li> <li>(ii) are available for public use.</li> </ul> </li> </ul>
<p>December 2022</p>	<p><i>IFRS Accounting Standards without reduced disclosure requirements</i></p> <p>The IASB tentatively decided to confirm that the disclosure requirements in IFRS 8 <i>Operating Segments</i>, IFRS 17 <i>Insurance Contracts</i> and IAS 33 <i>Earnings per Share</i> remain applicable for a subsidiary applying the Standard.</p> <p><i>Proposed reduced disclosure requirements in IAS 34</i></p> <p>The IASB tentatively decided to retain its proposal to include in the Standard reduced disclosure requirements for IAS 34 <i>Interim Financial Reporting</i>.</p> <p><i>Proposed statement of compliance</i></p> <p>The IASB tentatively decided to retain its proposal that a subsidiary applying the Standard be required to disclose that it has applied the Standard in the same note as its explicit and unreserved statement of compliance with IFRS Accounting Standards.</p>