REDUCED DISCLOSURE REQUIREMENTS FOR SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY

Introduction

On 26 July 2021, the IASB published the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

The objective is to develop a reduced-disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries without public accountability while allowing entities to apply measurement and recognition principles from full IFRS Standards.

More specifically, an entity would be permitted to apply the reduced-disclosure IFRS Standard in its consolidated, separate or individual financial statements if, at the end of its reporting period, it:

- is a subsidiary;
- does not have public accountability (i.e., its debt or equity instruments are not traded in a public market or it is not in the process of issuing such instruments for trading in a public market; and it does not hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses); and
- has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards.

The reduced-disclosure IFRS Standard would be part of full IFRS Standards and subject to endorsement in the European Union.

In the ED, the IASB proposes reduced disclosure requirements for those in the scope of the project. However, some disclosure requirements in other IFRS Standards would remain applicable when a subsidiary applies the draft Standard. More specifically, the disclosure requirements that are not listed in Appendix A of the ED would remain applicable (Appendix A of the draft Standard lists the disclosure requirements in IFRS Standards that are replaced when a subsidiary applies the draft Standard for reduced disclosure requirements). To ease application, the IASB decided to include those requirements from other IFRS Standards that remain applicable in a footnote to the subheading of the IFRS Standard to which they relate.

That means that all disclosure requirements are listed either in the main body of the ED or in a footnote. Further, the disclosure requirements in the following IFRS Standards remain applicable: IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts*, and IAS 33 *Earnings per Share*.

Additional background information can be found in the snapshot of the ED.

The survey refers to ‘full IFRS Standards’, which means IFRS as adopted by the European Union.

The survey has 12 questions and completion of the survey should take approximately 30 minutes.

The survey starts with two questions about the accounting requirements applied in your jurisdiction (Q1-Q2). Subsequently, the survey focuses on the expected costs and benefits from the application of the IASB’s draft Standard (Q3-7) and on the content of the exposure draft (Q8-11). Finally, the last question (Q12) focuses on the respondent’s overall assessment of whether it would apply a reduced disclosure IFRS Standard if published by the IASB. Multiple choice is available for questions 2 to 9.

If you have any questions or suggestions, please contact Filipe Alves and/or Wolfgang Kasparet.

In the following section we are asking you to give your general information.

General information

First name: ____

Last name: ____

Email: ____

Name of company: ____

Country of incorporation: ____

Sector of activities: ____

Number of subsidiaries: ____

Proposed survey questions to parent entities

Accounting requirements applied in your jurisdiction

Question 1: Which accounting standards do you currently apply to your consolidated financial statements?

- ○ Full IFRS Standards
- ○ Local GAAP
- ○ Full IFRS Standards and local GAAP
- ○ Other

  Which accounting standards? ____

Question 2: Which accounting standards do your subsidiaries currently apply to their individual, separate and sub-consolidated financial statements? (multiple choice is available)

- ○ Full IFRS Standards
- ○ Local GAAP
- ○ Full IFRS Standards and local GAAP
- ○ IFRS for SMEs
- ○ Other

  Which accounting standards? ____

Costs and Benefits

Questions on costs related to first-time implementation

Question 3: Do you expect significant initial implementation costs for your subsidiaries that would elect to apply the reduced disclosure IFRS Standard and adopt IFRS Standards for the first time (only for those having previously applied local GAAP or IFRS for SMEs for a subsidiary outside Europe)? (multiple choice is available)

- Yes, additional employee and/or training costs
- Yes, costs related to adjusting information systems
- Yes, costs related to adjusting the disclosures and providing comparative information as well as costs related to auditing this information
- Yes, additional costs not mentioned above are expected

  Which additional costs? ____
- No significant implementation costs are expected
- Not applicable (if you are already applying full IFRS Standards, please see question below)

Question 4: Do you expect significant initial implementation costs for your subsidiaries that would elect to apply the reduced disclosure IFRS Standard but already apply full IFRS Standards? (multiple choice is available)

- Yes, additional employee and/or training costs
- Yes, costs relating to adjusting information systems
- Yes, costs related to adjusting the existing disclosures and providing comparative information as well as costs related to auditing this information
- Yes, additional costs not mentioned above are expected

  Which additional costs? ____
- No significant implementation costs are expected.
- Not applicable (if you are applying local GAAP, please see question above)

Questions related to ongoing costs

Question 5: Do you expect significant additional ongoing costs for your subsidiaries for the subsequent years following the application of the reduced disclosure IFRS Standard? (multiple choice is available)

- Yes, significant ongoing costs are expected as less disclosures were required under local GAAP (i.e., more disclosures will be produced under the IASB's draft Standard)
- Yes, significant ongoing compliance costs are expected (e.g., need to prepare additional information for tax authorities)
- Yes, significant ongoing costs related to still having to produce the detailed IFRS disclosures for the group reporting package
- Yes, ongoing auditing costs will significantly increase (e.g., an additional amount of disclosures will be audited when comparing to local GAAP)
- Yes, other significant ongoing costs are expected

  Which ongoing costs? ____
- No significant change in ongoing costs is expected

Questions related to identification of cost-savings

Question 6: Do you expect significant cost-savings for your subsidiaries when preparing financial statements according to the proposed reduced disclosure IFRS Standard? (multiple choice is available)

- Yes, employee cost-savings are expected (e.g. less time spent preparing disclosures)
- Yes, a reduction in auditing costs is expected (e.g. because fewer disclosures need to be audited)
- Yes, reporting under IFRS Standards might reduce financing costs or costs of capital for subsidiaries
- Yes, it would eliminate the need to maintain additional accounting records
- Yes, other cost-savings are expected

  Which cost-savings? ____
- No cost-savings are expected (e.g. still having to produce the detailed IFRS disclosures for the group reporting package)

Questions related to identification of the benefits

Question 7: Do you expect any additional benefits (beyond the cost-savings) for your subsidiaries that elect to apply the proposed reduced disclosure IFRS Standard? (multiple choice is available)

- Yes, financial statements of subsidiaries will become more relevant and comparable on an international level
- Yes, accounting differences among entities of the group will be reduced
- Yes, users of financial statements prefer the use of IFRS Standards
- Yes, other benefits are expected

  Which benefits? ____
- No benefits are expected (besides cost-savings discussed above)

Content of the Exposure Draft

Questions on the structure of the ED

In the ED, the IASB proposes reduced disclosure requirements for those in the scope of the project. However, some disclosure requirements in other IFRS Standards would remain applicable when a subsidiary applies the draft Standard. More specifically, the disclosure requirements that are not listed in Appendix A of the ED would remain applicable (Appendix A of the draft Standard lists the disclosure requirements in IFRS Standards that are replaced when a subsidiary applies the draft Standard for reduced disclosure requirements). To ease application, the IASB decided to include those requirements from other IFRS Standards that remain applicable in a footnote to the subheading of the IFRS Standard to which they relate.

That means that all disclosure requirements are listed either in the main body of the ED or in a footnote. Further, the disclosure requirements in the following IFRS Standards remain applicable: IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts*, and IAS 33 *Earnings per Share*.

Question 8: Is the structure of the ED clear and easy to apply? (multiple choice is available)

- Yes, it is clear and easy to apply
- No, the role of the footnotes is not very clear in the ED
- No, the role of Appendix A is not very clear in the ED
- No, another section of the ED is unclear

  Which section? ____

- Difficult to assess at this stage

Questions on the scope

Question 9: The reduced disclosure requirements would only be applicable to subsidiaries without public accountability. A subsidiary is considered publicly accountable if 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 it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. In the current scope of the project, a subsidiary would also have to have an ultimate or intermediate parent that produces financial statements complying with full IFRS Standards.

Would you consider it beneficial if the scope of the ED was broadened to include: (multiple choice is available)

- o All subsidiaries, even those with public accountability
- o All entities without public accountability, even if not subsidiaries
- o Associates without public accountability
- o Joint Ventures without public accountability
- o Joint Operations without public accountability
- o Subsidiaries of investment entities
- o Separate financial statements of the parent entity
- o The scope of the ED should not be changed
- o Other

  Please explain: ____

Questions on IFRS 17 Insurance Contracts

Following the current disclosure requirements of the ED, eligible subsidiaries would have to apply a full set of disclosures according to IFRS 17 *Insurance Contracts*.

Question 10:

a) Do your subsidiaries issue any insurance contracts under IFRS 17?

- o No
- o Yes

  What kind of insurance contracts do you issue? ______________________________________

b) If you have answered ***Yes*** to the preceding question: Do you expect any benefits for your subsidiaries if the disclosure requirements for insurance contracts under IFRS 17 would also be reduced?

○ No

○ Difficult to assess at this stage

○ Yes

Which disclosure requirements in the current scope of IFRS 17 would you consider unnecessary for users of financial statements? ______________________________________

Questions related to disclosures

Question 11: Do you expect that the proposed disclosure requirements in the ED will result in sufficient information for users of your financial statements?

○ Yes, the disclosure requirements in the ED will contain sufficient information for users

○ No, a further reduction of disclosure requirements is necessary

Which disclosure requirements? ____

○ No, additional disclosure requirements are necessary

Which disclosure requirements? ____

○ Difficult to assess at this stage

Final Questions

Question 12:

a) Considering the costs and benefits, if the IASB decides to publish a reduced disclosure IFRS Standard, would your subsidiaries apply this draft Standard?

○ Yes, the proposed Standard is considered very helpful

○ Yes, depending on subsequent changes to the proposed Standard

Which changes? ____

○ No, the expected costs will outweigh the benefits of the proposed Standard

○ No, it will not be applied for another reason

Which reason? ____

○ Difficult to assess at this stage

b) If you have answered ***Yes*** to the preceding question: To which set of financial statements of your subsidiaries would you apply the reduced disclosure IFRS Standard?

○ To separate/individual financial statements of subsidiaries

○ To consolidated financial statements of subsidiaries

○ To separate and consolidated financial statements of subsidiaries