

STAFF PAPER

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Accounting Standards Advisory Forum

Project	SMEs that are subsidiaries		
Paper topic	Application in individual jurisdictions		
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum and does not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS[®] 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[®] Update*.

Introduction

1. In 2016, the International Accounting Standards Board (Board) included in its research pipeline a project on SMEs that are subsidiaries. That research project has now become active.

Background

2. In August 2015, the Board published a Request for Views: 2015 Agenda Consultation. Some respondents suggested that the Board consider permitting subsidiaries to apply IFRS Standards but with reduced disclosures. They argued that using the IFRS for SMEs Standard is not attractive to some of these subsidiaries because they need to report to their parent, for consolidation purposes, numbers that apply the recognition and measurement requirements of IFRS Standards. For their own financial statements, they would prefer to use those recognition and measurement requirements, but with less onerous disclosure requirements.
3. In 2016, the International Accounting Standards Board (Board) included in its research pipeline a project on this topic.
4. To avoid establishing a third regime (alongside IFRS Standards and the IFRS for SMEs Standard), the project added to the research pipeline is limited to assessing

whether it would be feasible to permit SMEs that are subsidiaries to apply the recognition and measurement requirements in IFRS Standards with the disclosure requirements in the IFRS for SMEs Standard.

5. That research project has now become active. The project is intended to provide the Board with evidence to help it decide whether to add a project to its work plan to develop a proposal to implement that approach.

Current developments in Australia

6. In Australia, Tier 2 entities¹ apply the full recognition and measurement requirements from IFRS Standards but with reduced disclosures. The Australian Accounting Standards Board (AASB) is currently working on a project to replace the Tier 2 disclosure requirements for for-profit private sector entities that do not have public accountability with some that are less onerous.
7. The AASB is currently considering whether it would be feasible to adapt the disclosure requirements in the *IFRS for SMEs* Standard for application by for-profit private sector entities that are not publicly accountable but applying recognition and measurement of IFRS Standards.
8. Staff at the AASB have started analysing the recognition and measurement differences between IFRS Standards and the *IFRS for SMEs* Standard and how this may be reflected in the new disclosure requirements. At its February 2019 Board meeting, the AASB decided to progress developing a separate IFRS for SMEs-based disclosure Standard. This would be a new Tier 2 disclosure Standard available to for-profit private sector entities that are not publicly accountable, while retaining the full recognition and measurement requirements of Australian Accounting Standards. The final staff analysis along with a draft Exposure Draft will be considered by the AASB at its next meeting in May 2019.

¹ Tier 2 entities are: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.

Questions for the Accounting Standards Advisory Forum

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1. Have you or national standard-setters in your group, developed standard(s) permitting subsidiaries or private entities to provide reduced disclosures when applying the recognition and measurement requirements of IFRS Standards?
2. If the Board developed and issued a Standard permitting SMEs that are subsidiaries to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the *IFRS for SMEs* Standard, would you or national standard-setters in your group permit use of the Standard? If not, why not?