Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

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Financial reporting

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OVERVIEW

- EFRAG FR TEG overall feedback
- Scope and materiality
- Proposed disclosures
- Transition and effective date

Overall feedback

Overall FR TEG feedback

- EFRAG FR TEG and EFRAG CFSS members expressed general support for IASB's redeliberations and direction of the project.
- Members considered that the upcoming Standard will simplify and reduce cost of financial reporting for subsidiaries and parent entities.
- It was noted that the IFRS Accounting Standard would provide benefits (reporting reliefs) even in jurisdictions that currently do not allow or require IFRS in annual reports.
- It will also enable relevant information to still be provided to users. TEG members requested in the standard to be published (or supporting guidance) to clearly identify the primary users of financial statements of subsidiaries to understand their information needs.

Scope and materiality

Scope and materiality

Scope

- Questions were raised on whether the IASB's recent improvements on the definition of public accountability will address the concerns from the insurance industry.
- Need to update EFRAG's analysis on the interaction of the forthcoming IFRS Accounting Standard with European legislation (EU Accounting Directive).

Materiality

- The users are often different from those that focus on consolidated financial statements prepared under full IFRS Standards, which can lead to a different materiality assessment.
- Hence, additional guidance to clearly identify users and their respective information needs would be helpful.

Proposed disclosure requirements

Proposed disclosures - general considerations

Interaction with the EU Accounting Directive

- Members noted that a number of disclosures required in the full IFRS Standards and in the EU Accounting Directive will not be required in the upcoming IFRS Accounting Standard.
- Considering this, EFRAG proposed a number of disclosures in its DCL. Some of them were incorporated in the Standard, but some others were not, raising the question on the potential impact on EFRAG's endorsement advice.
- Members suggested updating EFRAG's study on compatibility of the EU Accounting Directive with the forthcoming IFRS Accounting Standard.

Communication

- Need for having clear communication on how the IASB has taken into consideration the feedback received on the proposed disclosures (process), including explaining why some additional disclosures had been included while others had not (see the slide below).

EFRAG suggestions on specific standards' disclosures

IAS 27 and IAS 36

- Questions on the non-inclusion of disclosures proposed by EFRAG on the list of significant investments under IAS 27 and calculation of recoverable amount under IAS 36 as they were relevant for users. Yet, some members acknowledged the IASB's argument that users' needs for subsidiaries are different and more focused on short-term cash flow and liquidity.

IFRS 3

- EFRAG FR TEG noted that if the eligible subsidiary is a holding or has investments itself, the disclosures about business combinations not finalised or achieved in stages may be useful.

IFRS 7

- EFRAG TEG welcomed the disclosures on maturity analysis for derivatives and non-derivative financial liabilities that show the remaining contractual maturities.

IFRS 12

- EFRAG TEG members considered that disclosures on material subsidiaries, as required by IFRS 12, may be useful for users.

Transition and effective date

Transition and effective date - challenges

The IASB should consider issuing educational material to ease the transition process

Question about applicability of future IFRIC interpretations to entities applying this Standard

Interaction with Primary Financial Statements Standard - prohibit early application or mandate both to be early applied may be a solution

EFRAG FR TEG welcomed that the IASB will introduce the full disclosure requirements from recently issued IFRS Standards in its main body, as it will simplify preparers' work and endorsement

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