
Accounting Standards Advisory Forum meeting

Date	27 March 2023
Project	Subsidiaries without Public Accountability: Disclosures
Topic	Effects Analysis
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

Purpose of this session

For ASAF members to share their views on potential effects (costs and benefits) of applying the draft Standard set out in the [Exposure Draft *Subsidiaries without Public Accountability: Disclosures*](#) (Exposure Draft).

Questions for ASAF members

- What are your views on potential effects (costs and benefits) of applying the Standard as proposed in the Exposure Draft?
- Do you agree that the benefits of applying the Standard will outweigh the costs of applying it?

Background information

Background

Background

In July 2021, the IASB published the **Exposure Draft *Subsidiaries without Public Accountability: Disclosures***

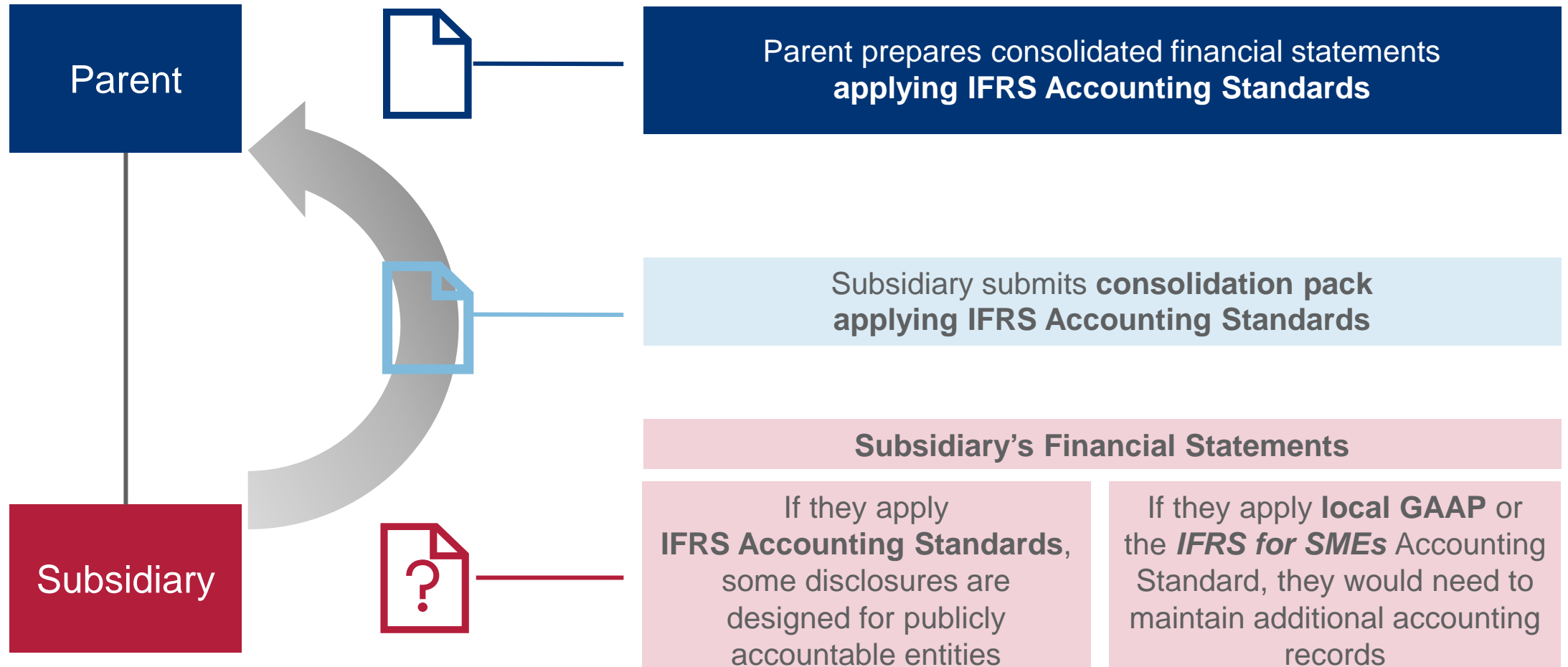
The Exposure Draft sets out the IASB's proposal for a new IFRS Accounting Standard that would permit eligible subsidiaries to apply IFRS Accounting Standards with a reduced set of disclosure requirements

Scope

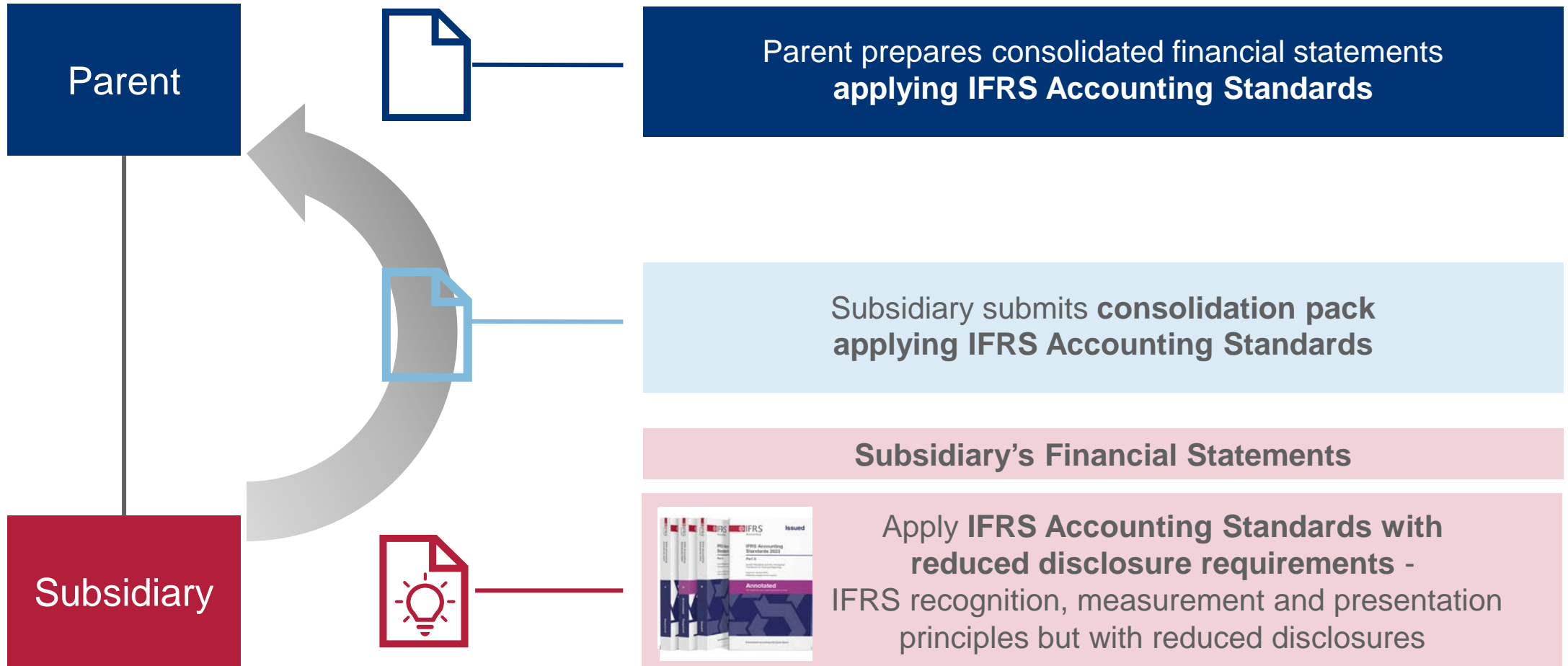
Voluntary application in consolidated or individual financial statements available to subsidiaries at the end of the reporting period:

- a) that do **not have public accountability**; and
- b) whose parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards

The problem



Proposed solution



Effects Analysis

Staff preliminary view—benefits exceed costs



The potential benefits^(slides 9-10) and costs^(slide 11) of applying the Standard depend on subsidiaries' circumstances^(slide 12)

Applying the Standard is optional—subsidiaries will opt to apply the Standard depending on their own circumstances

Therefore, it will only be applied when benefits outweigh the costs

Benefits identified in Exposure Draft¹

Reduced costs for preparers

- single set of accounting policies
- one set of accounting records
- reduced work for finance team
- reduced audit work

Tailored disclosures for users

- disclosures designed for non-publicly accountable entities
- financial statements tailored towards users' needs



A preparer said “we have hundreds of subsidiaries around the world that do not have public accountability, that individually report applying IFRS Standards and prepare general purpose financial statements for local requirements—these subsidiaries can benefit from these proposals”.

¹ See Paragraphs BC92-BC101 of the [Basis for Conclusions](#) on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

Feedback on benefits

Respondents said applying the Standard will:

- **reduce the risk of errors** occurring in the IFRS consolidation package
- **improve the overall quality** of consolidated financial statements because IFRS Accounting Standards used throughout the group (better knowledge of IFRS Accounting Standards by subsidiaries)

Costs of the proposals

Subsidiaries applying the proposals would incur the following costs:

- initial implementation costs - vary depending on whether transitioning from IFRS Accounting Standards or local GAAP
- ongoing costs depend on interaction with local regulations (eg in jurisdictions where the local GAAP is aligned with tax laws and legislation)

Feedback—other comments

The benefits of applying the Standard depend on if the subsidiary:

- is already applying IFRS Accounting Standards
- is material to the group for which it provides disclosures for consolidation purposes that otherwise are not required by the Standard

Thank you

A large, abstract geometric pattern on the right side of the slide, consisting of interconnected white and dark blue hexagonal shapes that create a complex, crystalline structure against the dark blue background.

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