

# Simplifying subsidiaries' reporting

Global IFRS Institute | Business combinations

2 September 2021



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**"This proposed new standard could reduce costs for subsidiaries in preparing their financial reporting, by avoiding either maintaining additional accounting records or providing disclosures that exceed users' needs."**

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## New IFRS standard proposed to reduce disclosures for qualifying subsidiaries

### Highlights

- What is the Board proposing?
- Which subsidiaries would qualify?
- Have your say by 31 January 2022

Currently, a subsidiary that prepares financial statements under IFRS® Standards provides all of the disclosures required by those standards, even if it has no public accountability. In addition, some subsidiaries may choose to apply the IFRS for SMEs standard or a local GAAP to avoid complex disclosures under IFRS Standards, but need to report to a parent company under those standards and so have to keep two sets of accounting records. This can be both complex and costly.

To address this and simplify the financial reporting for qualifying subsidiaries in a group, the International Accounting Standards Board (the Board) has issued proposals for a new standard that would allow qualifying subsidiaries to apply:

- the recognition, measurement and presentation requirements of IFRS Standards; and
- reduced disclosures, similar to those in the IFRS for SMEs standard.

### What is the Board proposing?

In its exposure draft (ED)<sup>1</sup>, the Board:

- sets out the disclosure requirements for qualifying subsidiaries that elect to apply the proposed new standard; and
- specifies those disclosure requirements in current IFRS Standards that would not apply.

The Board based its proposals on the IFRS for SMEs standard. Where the recognition and measurement requirements in the IFRS for SMEs standard differ from IFRS Standards, the Board has tailored the disclosure requirements in its proposed new standard.

1 Subsidiaries without Public Accountability: Disclosures

The proposed new standard contains no specific provisions for transition but would interact with IFRS 1 *First-time Adoption of International Financial Reporting Standards* as set out in the table below.

Subsidiary's financial statements for the immediately preceding period prepared under:	Would IFRS 1 apply?
IFRS for SMEs standard	Yes*
Local GAAP	Yes*
IFRS Standards	No

\*The disclosure requirements in the proposed new standard would apply; not those in IFRS 1.

## Which subsidiaries would qualify?

A company could apply the proposed new standard voluntarily in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it is a subsidiary (as defined in IFRS 10 *Consolidated Financial Statements*);
- it has no public accountability (as specified in paragraphs 1.3–1.4 of the IFRS for SMEs standard); and
- its parent prepares consolidated financial statements under IFRS Standards.

If a qualifying subsidiary were to apply the proposed new standard, then it would disclose this explicitly alongside its explicit and unreserved statement of compliance with IFRS Standards.

## Have your say by 31 January 2022

Read the exposure draft and don't miss your opportunity to have your say before 31 January 2022. For further information on the proposals, speak to your KPMG contact.

Publication name: *Simplifying subsidiaries' reporting*

Publication date: September 2021

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