European Financial Reporting Advisory Group

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

SUMMARY OF THE INPUTS RECEIVED FROM PREPARERS

EFRAG survey: Would you like

Introduction

About this report

EFRAG has conducted a questionnaire-based survey to gather the views of European constituents on *Subsidiaries without Public Accountability: Disclosures*. The survey consisted of two parts, one for subsidiaries and one for parent entities, both gathering the views of preparers.

About the Exposure Draft

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.

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Executive Summary

In November 2021 EFRAG launched its survey *Would you prefer less disclosures for subsidiaries?* to gather input from constituents for its Final Comment Letter (FCL) to the IASB's proposed Exposure Draft (ED) *Subsidiaries without Public Accountability: Disclosures*.

The survey was targeted at preparers - subsidiaries or parent entities. The feedback from preparers' responses is used to inform EFRAG on the costs and benefits and some of the content of the IASB's proposals. Preparers were able to respond to the survey until 20 January 2022. Nine parent entities and five subsidiaries responded to the surveys.

EFRAG is now issuing a summary of the feedback received from preparers participating. The exact wording of the questions and detailed responses can be found in appendix 1 (parents) and appendix 2 (subsidiaries).

Use of this summary of the inputs received

This summary has been prepared as a formal record of the responses received. It summarises the messages received from constituents and notes any key themes identified. The feedback received on the questionnaire will be used by EFRAG in drafting its Final Comment letter to the IASB.

Definition of terms

This summary uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

The % in this document refer to the total number of respondents to the relevant question, where otherwise not differently clarified.

Term	Extent of response among respondents
Almost all	90% - 100%
Most	75% - 90%
Majority	50% - 75%
Many, significant	25% - 50%
Some, others	0% - 25%

Key messages of the responses received

EFRAG has received a total of 14 responses to its surveys (nine parents and five subsidiaries - more details in Appendices 1 and 2). The overall key messages of the feedback from European preparers are summarised as follows:

- most entities expect significant **ongoing cost-savings** at both subsidiary and parent level, particularly in terms of reduction of costs with employees, reduction in auditing costs and elimination of the need to maintain additional accounting records;
- only one parent entity and one subsidiary considered that **no significant cost-savings** are expected (e.g. still having to produce the detailed IFRS disclosures for the group reporting package);
- many subsidiaries and parent entities highlighted the **benefit of preparing financial statements under IFRS**, as users of financial statements prefer the use of IFRS Standards;
- for subsidiaries that are **currently applying full IFRS Standards**, the initial **implementation costs** were assessed to be insignificant;
- for subsidiaries that would apply the reduced disclosure IFRS Standard and **adopt IFRS Standards for the first time** (e.g. were previously applying local GAAP), the majority of the respondents identified one or more areas where significant **implementation costs** were expected (the questionnaire addressed implementation costs in general, without splitting costs for recognition and measurement and disclosures);
- most participants of the survey considered that the current **scope of the project** should be broader but had mixed views on which entities should then be included. Nonetheless, many parent entities agreed that the scope should at least include associates, joint ventures and joint operations without public accountability; and
- many parent entities and subsidiaries considered the proposed Standard to be very helpful. However, there was mixed feedback about a potential application of the proposed Standard. Several respondents highlighted in their comments that applicability depends on whether IFRS Standards were allowed for annual accounts in local jurisdiction, reflecting the different use of the options in Regulation (EC) No 1606/2002.

Summary of the responses received to the survey for parent entities[1]

General information (Q1-Q3)

EFRAG has received 9 responses to its survey for parent entities.

Respondents to the survey stemmed from diverse European background as almost each response was provided by an entity from a different EU member state. The survey also attracted respondents from a wide range of economic sectors.

The participants provided an estimation of their number of subsidiaries which ranged from 7 subsidiaries to more than 350 with most groups (75%) consisting of 100 subsidiaries or less (Q1).

Most respondents (88.9%) **applied full IFRS Standards to their consolidated financial statements** with some (22.2%) simultaneously applying local GAAP (Q2).

Most respondents (77.8%) had subsidiaries that **applied** either **only local GAAP** or **local GAAP in combination with full IFRS Standards** to their **individual, separate and/or subconsolidated financial statements**. Many (33.3%) participants had subsidiaries that solely applied full IFRS Standards to their financial statements, while some (22.2%) indicated that they had subsidiaries that applied the *IFRS for SMEs* Standard (Q3).[2]

Costs and benefits (Q4-Q10)

In the questions relating to costs and benefits, the respondents were asked to assess the potential impact they expected when applying the IASB's proposals to the financial statements of their subsidiaries.

For subsidiaries that would apply the reduced disclosure IFRS Standard and **adopt IFRS Standards for the first time** (i.e., were previously applying local GAAP or the *IFRS for SMEs* Standard), many respondents (37.5%) did not expect significant implementation costs. However, the majority of respondents (62.5%) identified one or more areas where **significant implementation costs** were expected (Q4+Q5).[3]

For subsidiaries that were already applying IFRS Standards, most respondents (75%) expected **no significant implementation costs** when applying the IASB's proposals for the first time (Q6).[4]

When assessing the expected ongoing costs after initial application of the IASB's proposals, most of the respondents (77,8%) indicated that they do **not expect significant additional ongoing costs** (Q7).

In terms of **expected cost-savings**, most respondents (88.9%) estimated that there is one or more area where costs will be saved. Many respondents expected a reduction in costs regarding employees

[1] The exact wording of the questions and detailed responses can be found in appendix 1.
[2] Multiple answers were available to the respondents.
[3] Respondents had the option to deem this question not to be applicable to their situation. These responses (1) were excluded from the interpretation of results.
[4] Respondents had the option to deem this question not to be applicable to their situation. These responses (1) were excluded from the interpretation of results.

and auditing (44.4% each) as well as a reduction of costs due to eliminating the need of maintaining additional accounting records (33.3%) (Q8+Q9).

Q10: The respondents to the survey for parent entities were split when assessing whether they expect any **additional benefits** beyond cost-savings as the majority (55.6%) expected additional benefits while many others (44.4%) did not (Q10).

Content of the ED (Q11-Q18)

In the section relating to the content of the ED, respondents provided input on general impacts of the ED.

The majority (55.6%) of respondents expected the disclosure requirements in the **ED to be clear and easy to apply**, while the other respondents were not able to assess the applicability at this stage (Q11).

Most participants of the survey (77.8%) considered that the **current scope of the project should be broader**. However, there was no consensus on how the scope should be broadened. Nonetheless, a significant amount of responses (44.4%) were in favor of broadening the scope to include associates, joint ventures and joint operations without public accountability (Q12).

Most of the respondents (88.9%) stated that they do **not have subsidiaries that issue any contracts** under IFRS 17 *Insurance Contracts*. The only participant who had a subsidiary that issues insurance contracts (captive insurer serving group purposes) commented that it would be difficult to assess at this stage whether there will be any benefit for his subsidiary if the disclosure requirements in IFRS 17 would also be reduced (Q13-Q15).

Many respondents (44.4%) expected the **ED to contain sufficient information for users**, while a significant number of respondents (44.4%) was not able to make such an assessment at this stage. One participant (11.1%) commented that disclosures regarding financial instruments should be reduced (Q16+Q17).

In their final assessment, many respondents (44.4%) expected to **apply the proposed ED to** the **separate financial statements of their subsidiaries** while an equal number of respondents (44.4%) was not able to make such an assessment at this stage. One respondent (11.1%) considered the proposed standard very helpful but highlighted that it will not be applied until local law allowed for IFRS in the annual accounts (Q18).

Summary of the responses received to the survey for subsidiaries[5]

General information (Q1-Q5)

EFRAG has received 5 responses to its survey for subsidiaries.

Respondents to the survey stemmed from diverse background as all of them operated in different economic sectors and only two respondents shared their country of origin (Q1).

All of the subsidiaries (100%) that responded to the survey had an **ultimate parent** that **prepared consolidated financial statements under IFRS Standards** and most of them (80%) also **submitted an IFRS reporting package** to their parent. The majority of participants (60%) indicated in their

[5] The exact wording of the questions and detailed responses can be found in appendix 2.

responses that they either **apply full IFRS** to their **annual financial statements** or **full IFRS in addition to local GAAP** (Q2-Q5).

Costs and benefits (Q6-Q11)

Most (80%) of the respondents to the survey expected that there will be **no significant implementation costs** for preparers (Q6+Q7).

After initial implementation, all of the respondents (100%) shared their expectation that there will be **no significant change in ongoing costs** (Q8).

Most of the respondents (80%) also agreed by assessing that with the proposed disclosure requirements there will be **significant cost-savings** for subsidiaries. These respondents mainly expected employee cost-savings (80%) and a reduction in auditing costs (60%) (Q9+Q10).

The majority of respondents (60%) also **expected benefits** beyond cost-savings, especially the benefit of using IFRS Standards as users tend to prefer them (40%) (Q11).

Content of the ED (Q12-Q18)

The majority of respondents (60%) agreed in their assessment that it is **difficult to predict** whether the **ED will be clear and easy to apply** and did not express a clear view about the assessment of the potential impact on the disclosures (Q12+Q13).

Many participants (40%) expected the proposed **ED to reduce the disclosures in their notes** but estimated the impact to be less than 20% of the total number of disclosures. A significant amount of the respondents (40%) also found such an assessment difficult at this stage (Q14).

Most of the respondents (80%) assessed that the **disclosure requirements** will be **sufficient for the users** of their financial statements (Q15).

None of the respondents **issued insurance contracts** under IFRS 17 (Q16).

In their final assessment, the majority of respondents (60%) replied that they did **not expect the ED to be adopted**. In their comments, they highlighted that application of the ED depended on their local jurisdiction and whether IFRS Standards would be allowed for annual accounts. Another respondent highlighted that there was already a reduced disclosure option in local GAAP which would be preferred to the ED (Q17+Q18).

The Appendices provide detailed information on the 9+5 (14 total) responses EFRAG has received. This section will be split into two separate reports as some of the individual questions and therefore also the answers differed between the two surveys.

Appendix 1

Report for EFRAG Survey on Subsidiaries without public accountability – questions for parent entities

Appendix 2

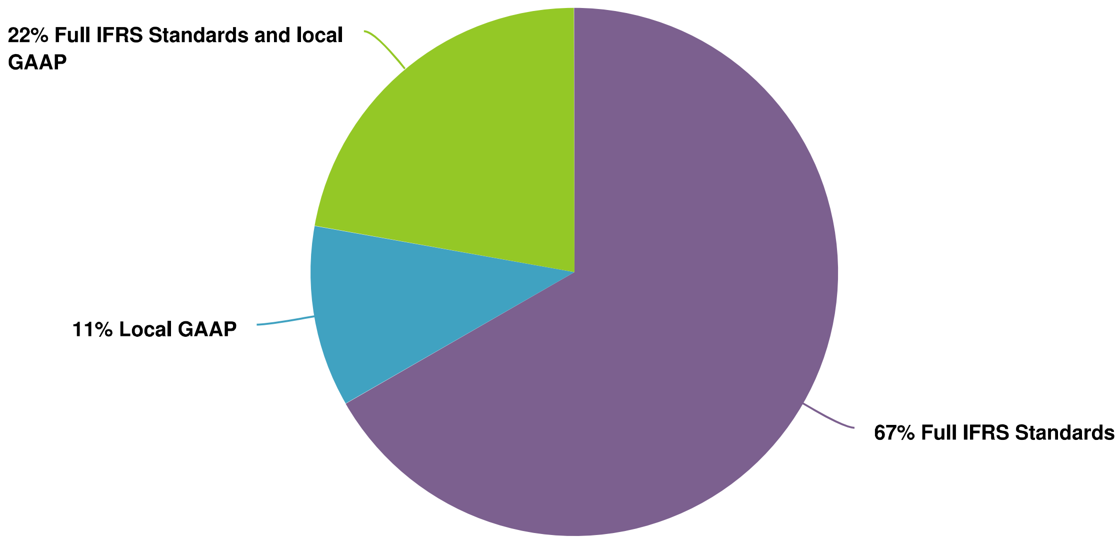
Report for EFRAG Survey on Subsidiaries without public accountability – questions for subsidiaries

Report for EFRAG Survey on Subsidiaries without public accountability - questions for parent entities

Response Counts

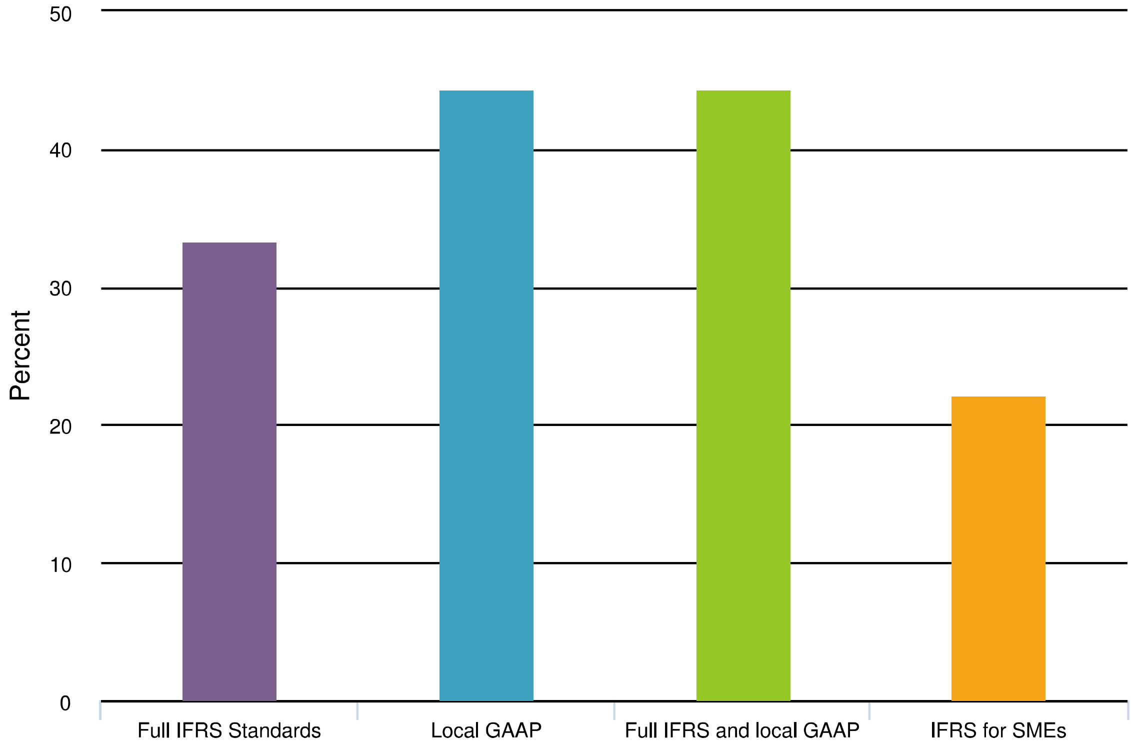
Completion Rate:	**100%**	
	Complete	9
		Totals: 9

2. Which accounting standards do you currently apply to your consolidated financial statements?



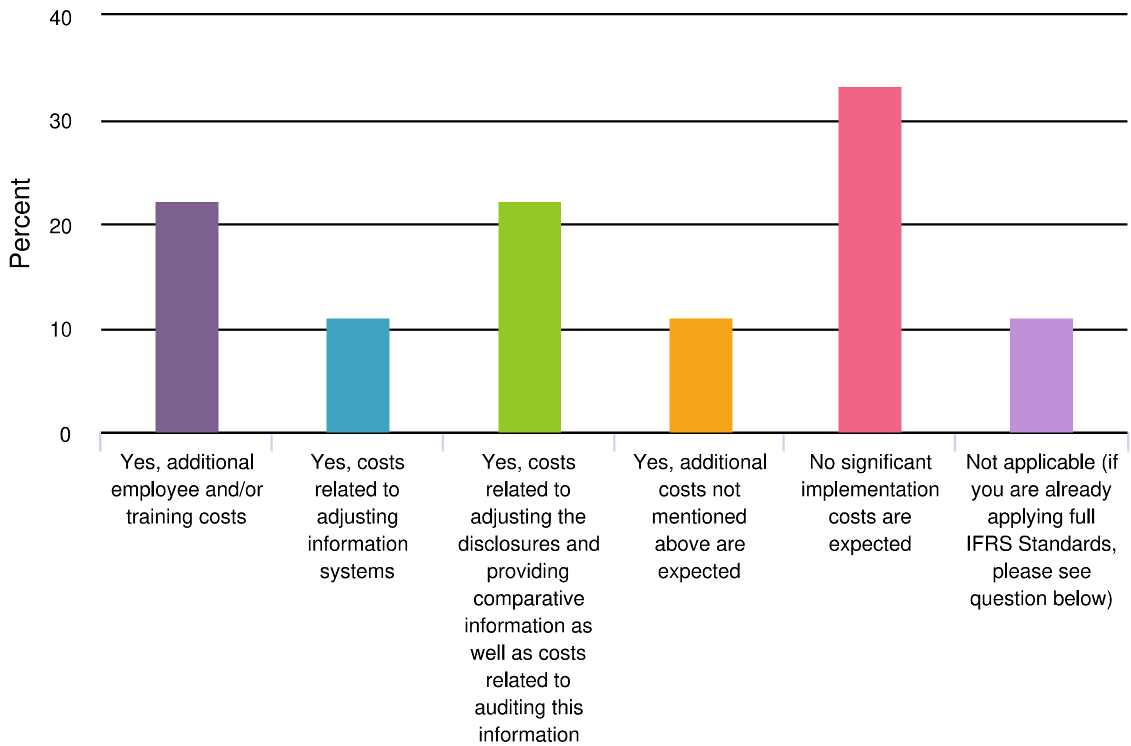
Value	Percent	Responses
Full IFRS Standards	66.7%	6
Local GAAP	11.1%	1
Full IFRS Standards and local GAAP	22.2%	2
		Totals: 9

3. Which accounting standards do your subsidiaries currently apply to their individual, separate and sub-consolidated financial statements?



Value	Percent	Responses
Full IFRS Standards	33.3%	3
Local GAAP	44.4%	4
Full IFRS and local GAAP	44.4%	4
IFRS for SMEs	22.2%	2

4. 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)?

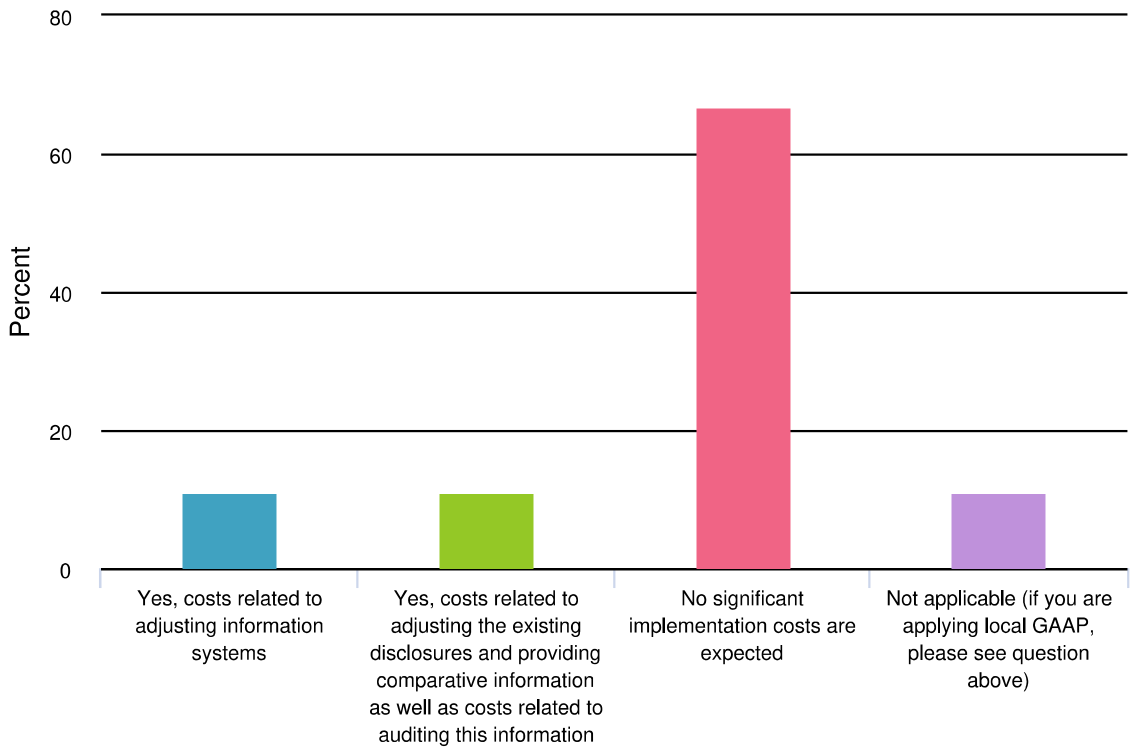


Value	Percent	Responses
Yes, additional employee and/or training costs	22.2%	2
Yes, costs related to adjusting information systems	11.1%	1
Yes, costs related to adjusting the disclosures and providing comparative information as well as costs related to auditing this information	22.2%	2
Yes, additional costs not mentioned above are expected	11.1%	1
No significant implementation costs are expected	33.3%	3
Not applicable (if you are already applying full IFRS Standards, please see question below)	11.1%	1

5. Which additional costs?

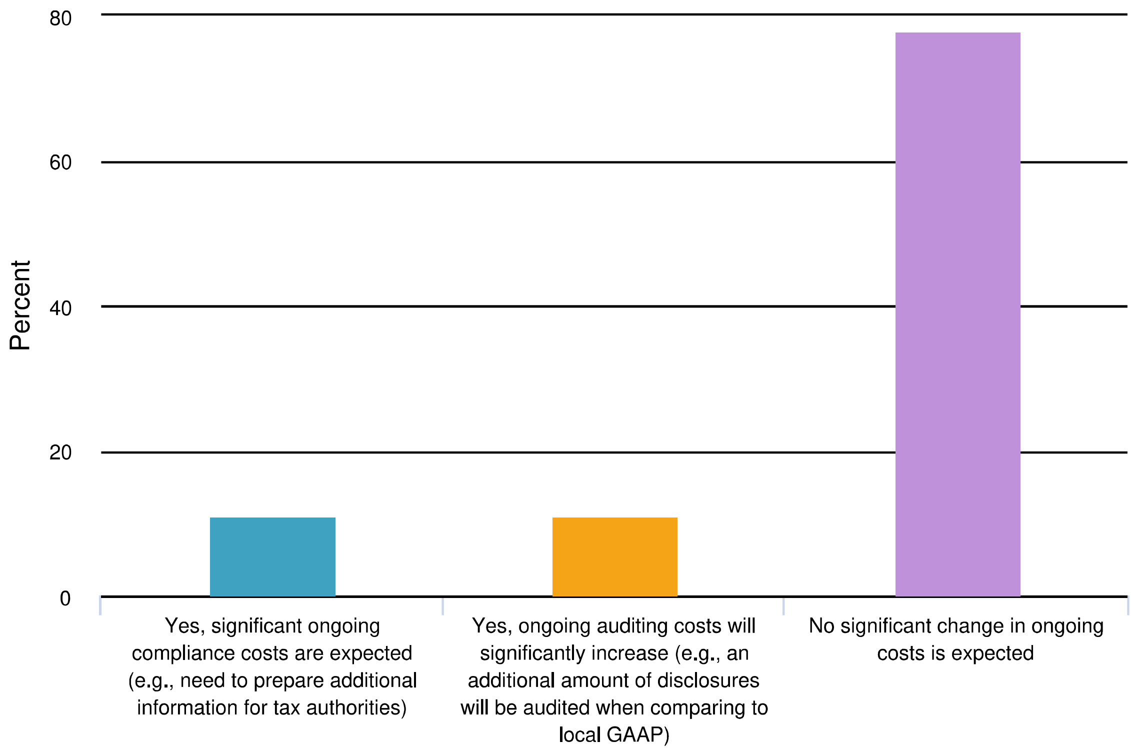
ResponseID	Response
17	Cost of advisory

6. 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?



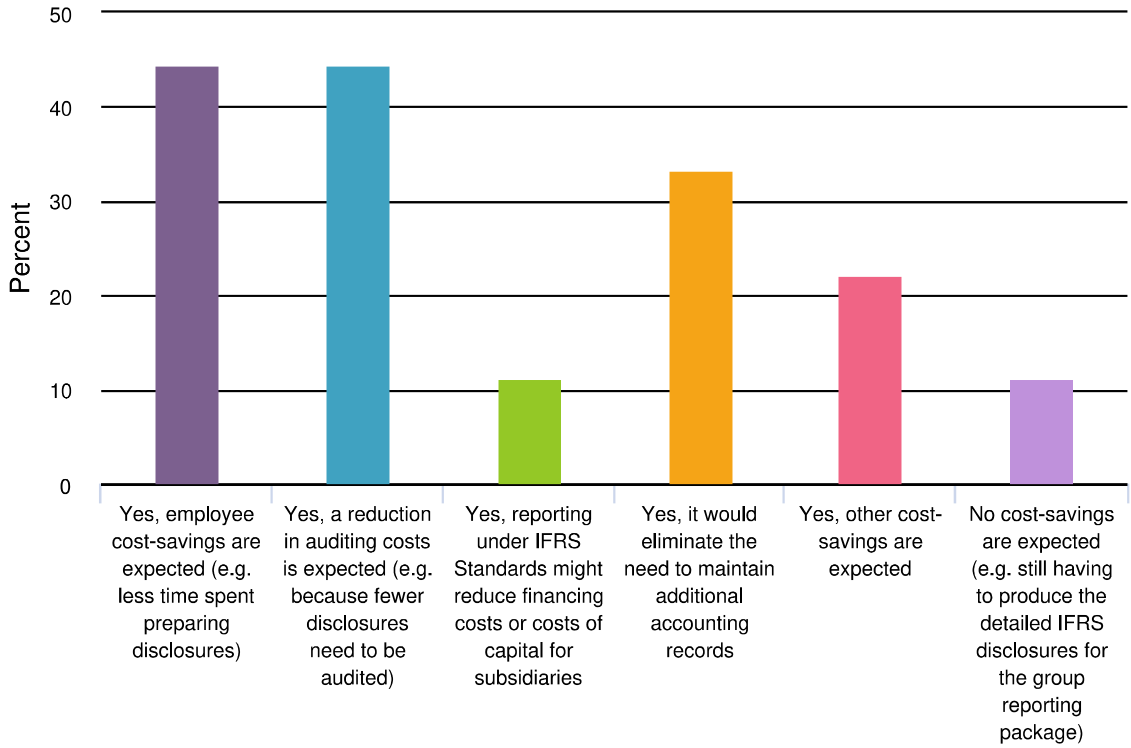
Value	Percent	Responses
Yes, costs related to adjusting information systems	11.1%	1
Yes, costs related to adjusting the existing disclosures and providing comparative information as well as costs related to auditing this information	11.1%	1
No significant implementation costs are expected	66.7%	6
Not applicable (if you are applying local GAAP, please see question above)	11.1%	1

7. Do you expect significant additional ongoing costs for your subsidiaries for the subsequent years following the application of the reduced disclosure IFRS Standard?



Value	Percent	Responses
Yes, significant ongoing compliance costs are expected (e.g., need to prepare additional information for tax authorities)	11.1%	1
Yes, ongoing auditing costs will significantly increase (e.g., an additional amount of disclosures will be audited when comparing to local GAAP)	11.1%	1
No significant change in ongoing costs is expected	77.8%	7

8. Do you expect significant cost-savings for your subsidiaries when preparing financial statements according to the proposed reduced disclosure IFRS Standard?

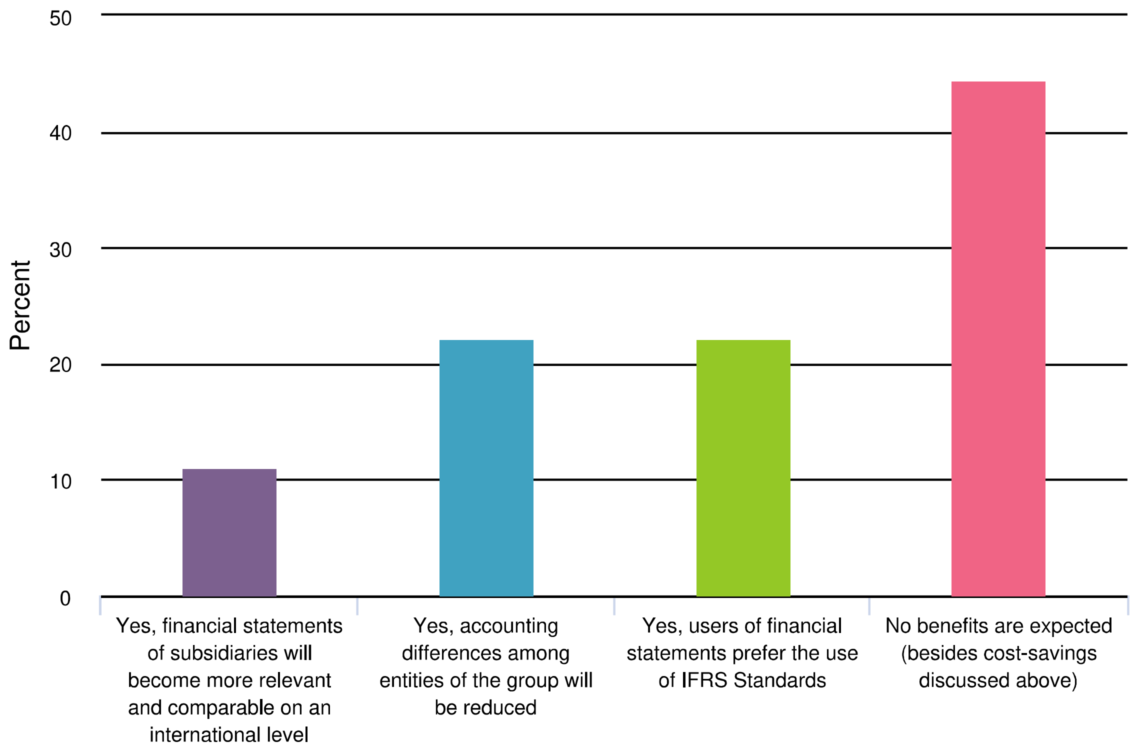


Value	Percent	Responses
Yes, employee cost-savings are expected (e.g. less time spent preparing disclosures)	44.4%	4
Yes, a reduction in auditing costs is expected (e.g. because fewer disclosures need to be audited)	44.4%	4
Yes, reporting under IFRS Standards might reduce financing costs or costs of capital for subsidiaries	11.1%	1
Yes, it would eliminate the need to maintain additional accounting records	33.3%	3
Yes, other cost-savings are expected	22.2%	2
No cost-savings are expected (e.g. still having to produce the detailed IFRS disclosures for the group reporting package)	11.1%	1

9. Which cost-savings?

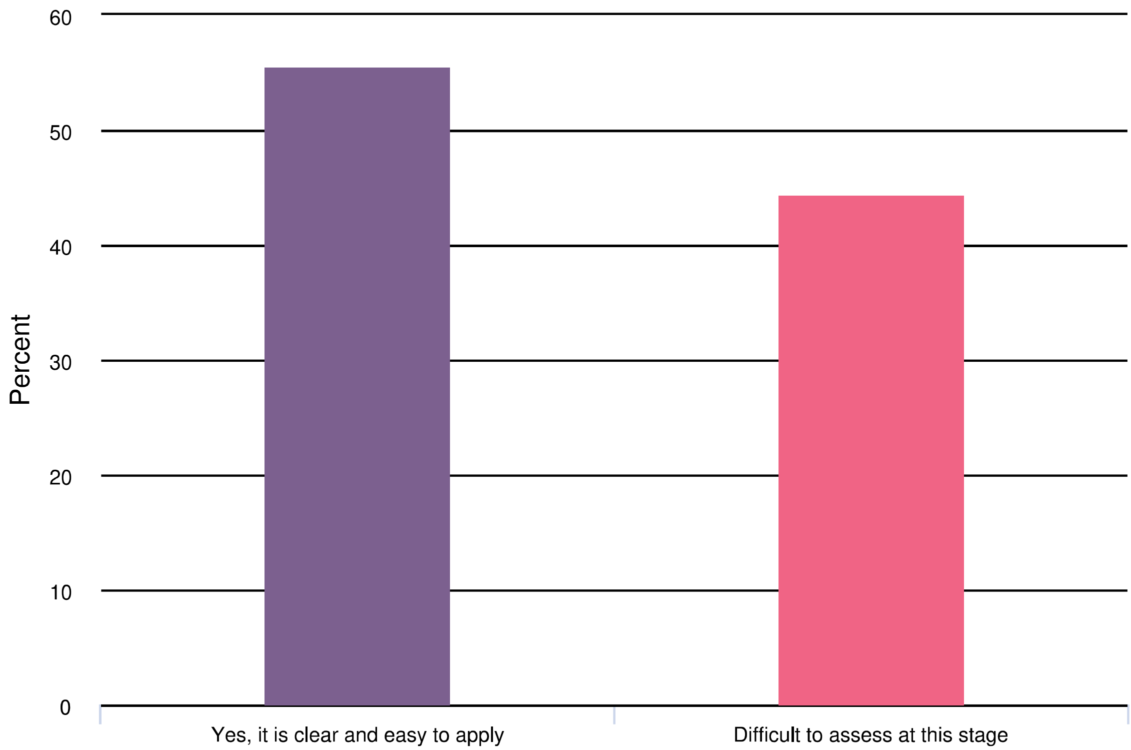
ResponseID	Response
23	IT costs

10. Do you expect any additional benefits (beyond the cost-savings) for your subsidiaries that elect to apply the proposed reduced disclosure IFRS Standard?



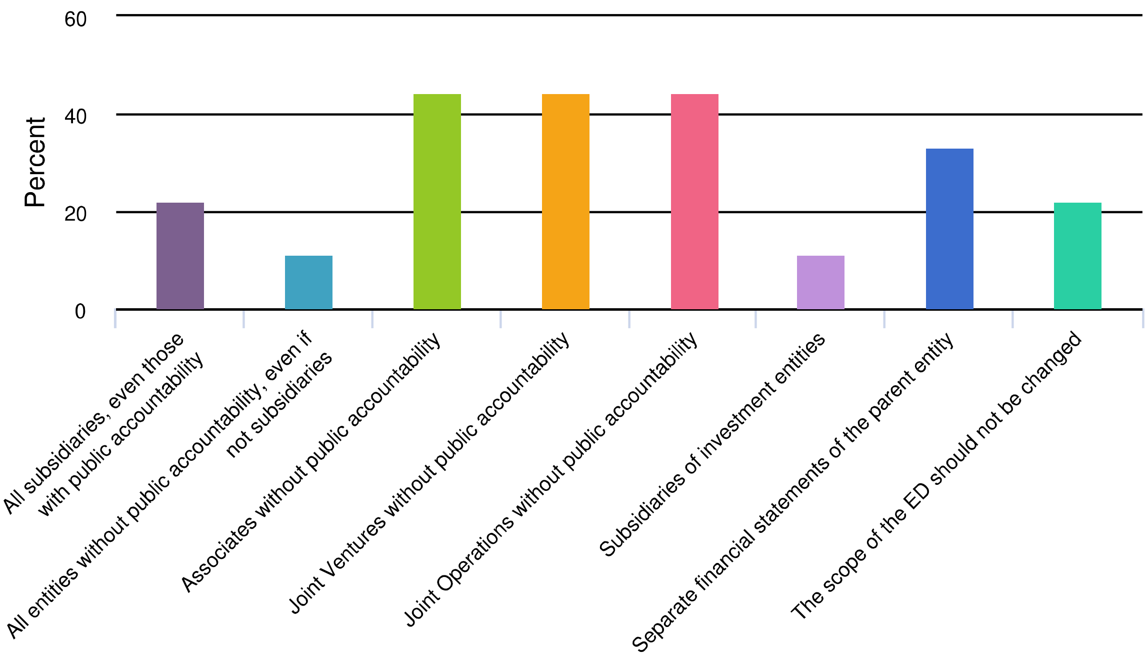
Value	Percent	Responses
Yes, financial statements of subsidiaries will become more relevant and comparable on an international level	11.1%	1
Yes, accounting differences among entities of the group will be reduced	22.2%	2
Yes, users of financial statements prefer the use of IFRS Standards	22.2%	2
No benefits are expected (besides cost-savings discussed above)	44.4%	4

11. Is the structure of the ED clear and easy to apply?



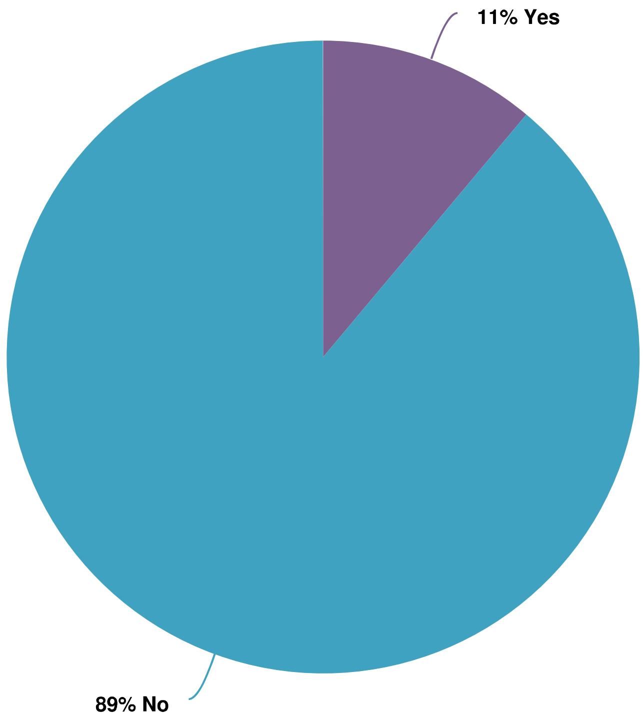
Value		Percent	Responses
Yes, it is clear and easy to apply		55.6%	5
Difficult to assess at this stage		44.4%	4

12. Would you consider it beneficial if the scope of the ED was broadened to include:



Value	Percent	Responses
All subsidiaries, even those with public accountability	22.2%	2
All entities without public accountability, even if not subsidiaries	11.1%	1
Associates without public accountability	44.4%	4
Joint Ventures without public accountability	44.4%	4
Joint Operations without public accountability	44.4%	4
Subsidiaries of investment entities	11.1%	1
Separate financial statements of the parent entity	33.3%	3
The scope of the ED should not be changed	22.2%	2

13. Do your subsidiaries issue any insurance contracts under IFRS 17?



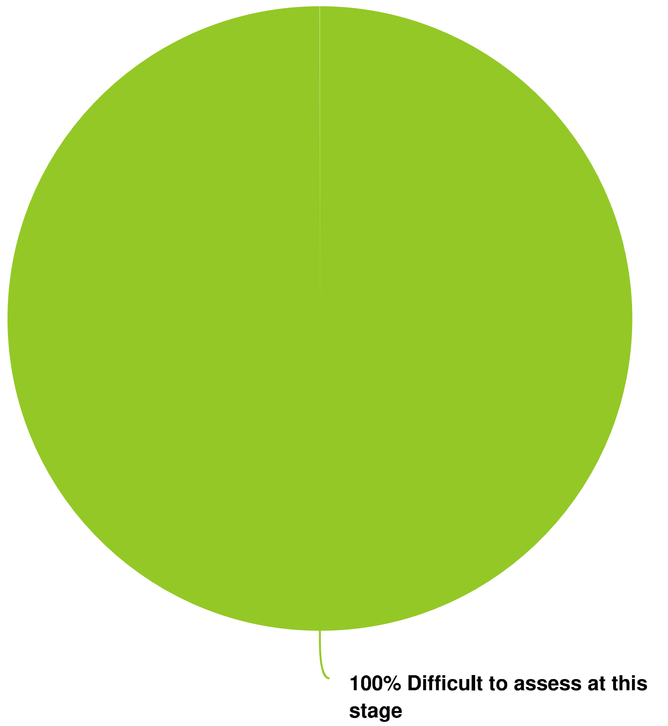
Value		Percent	Responses
Yes		11.1%	1
No		88.9%	8

Totals: 9

14. What kind of insurance contracts do you issue?

ResponseID	Response
21	A captive insurance company serving the group with mainly property damage insurance contracts.

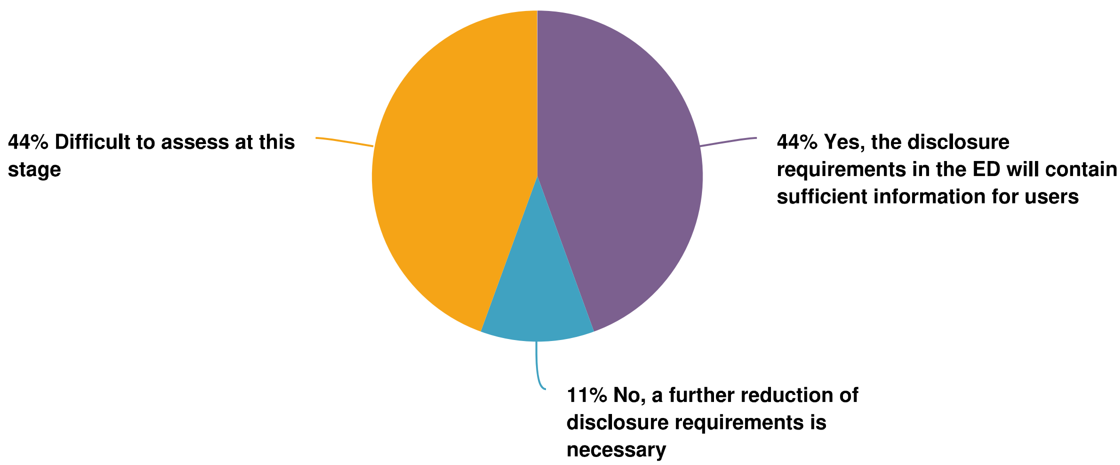
15. Do you expect any benefits for your subsidiaries if the disclosure requirements for insurance contracts under IFRS 17 would also be reduced?



Value		Percent	Responses
Difficult to assess at this stage		100.0%	1

Totals: 1

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



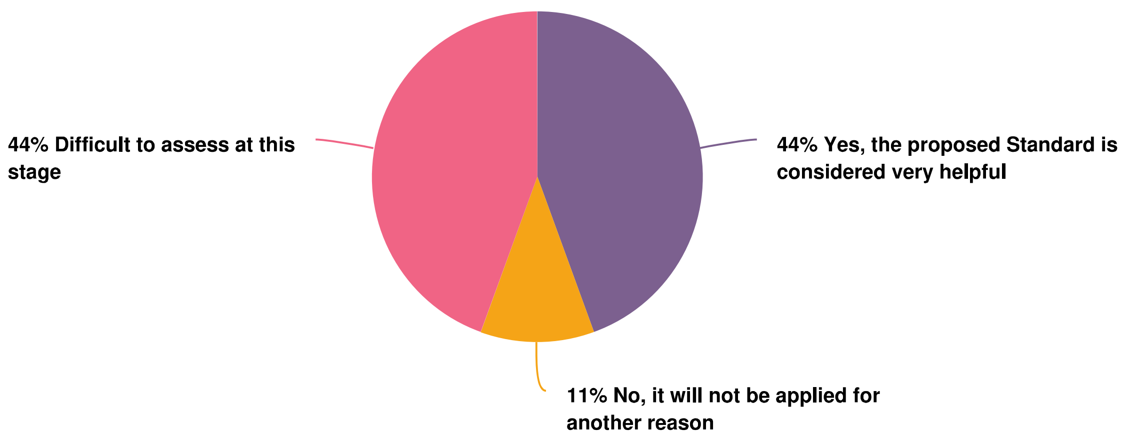
Value	Percent	Responses
Yes, the disclosure requirements in the ED will contain sufficient information for users	44.4%	4
No, a further reduction of disclosure requirements is necessary	11.1%	1
Difficult to assess at this stage	44.4%	4

Totals: 9

17. Which disclosure requirements?

ResponseID	Response
22	In particular disclosures regarding financial instruments

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



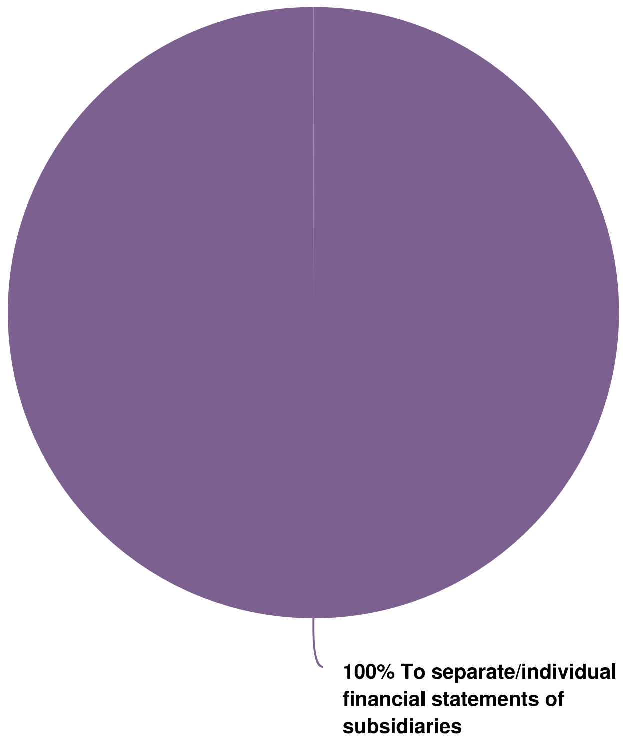
Value	Percent	Responses
Yes, the proposed Standard is considered very helpful	44.4%	4
No, it will not be applied for another reason	11.1%	1
Difficult to assess at this stage	44.4%	4

Totals: 9

19. Which reason?

ResponseID	Response
23	It will not be applied until local law allows IFRS in separate financial statements but the proposed Standard is considered very helpful as it could foster the transition from local GAAP to IFRS from a legislative point of view.

20. To which set of financial statements of your subsidiaries would you apply the reduced disclosure IFRS Standard?

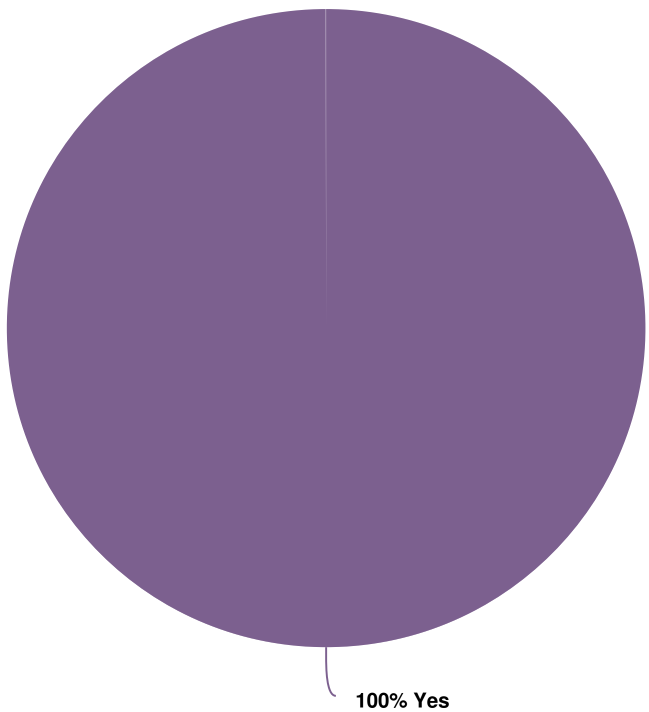


Value		Percent	Responses
To separate/individual financial statements of subsidiaries		100.0%	4

Totals: 4

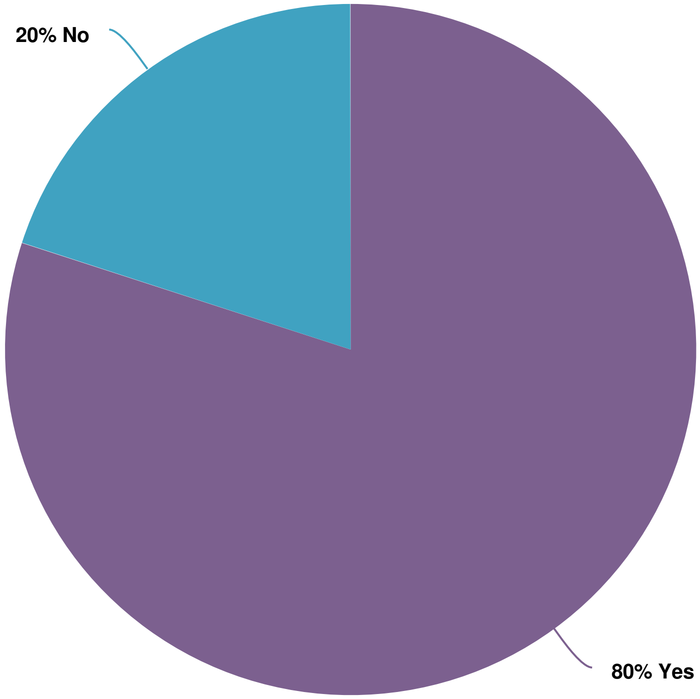
Report for EFRAG Survey on Subsidiaries without public accountability - questions for subsidiaries

1. Does your parent entity prepare consolidated financial statements under IFRS Standards?



Value	Percent	Responses
Yes	100.0%	5
		Totals: 5

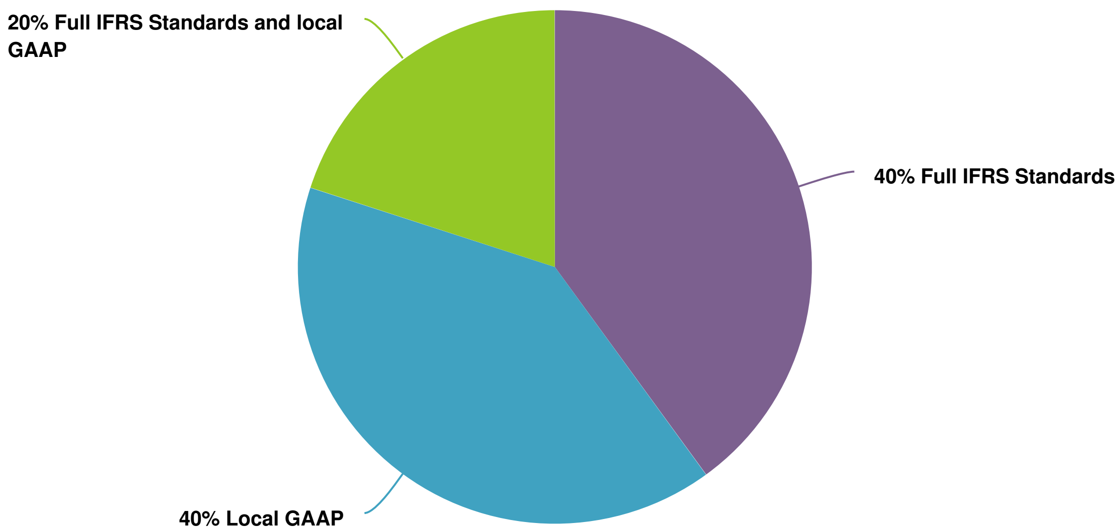
2. Do you submit an IFRS reporting package to your parent?



Value		Percent	Responses
Yes		80.0%	4
No		20.0%	1

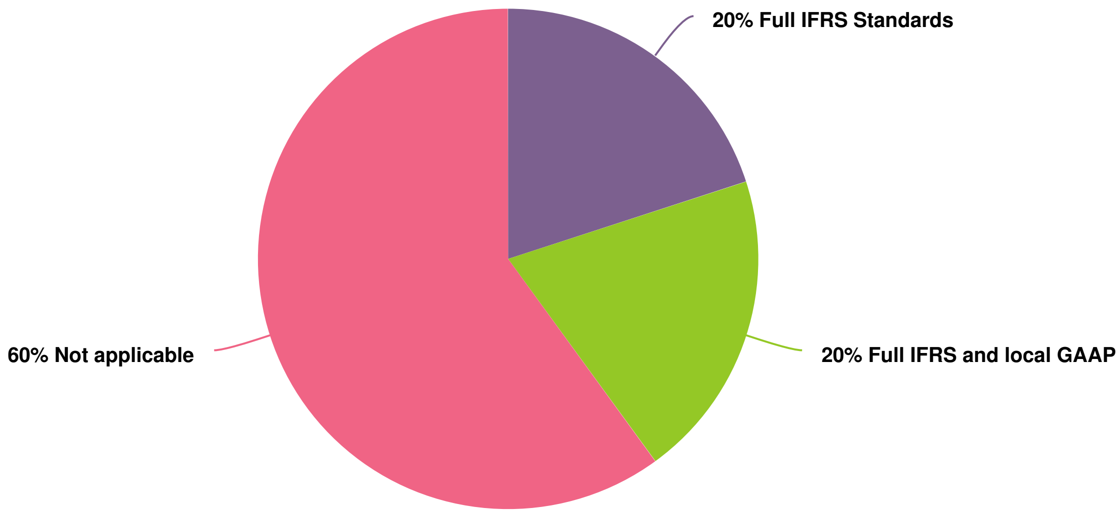
Totals: 5

3. Which accounting standards do you currently apply to your individual or separate financial statements?



Value	Percent	Responses
Full IFRS Standards	40.0%	2
Local GAAP	40.0%	2
Full IFRS Standards and local GAAP	20.0%	1
		Totals: 5

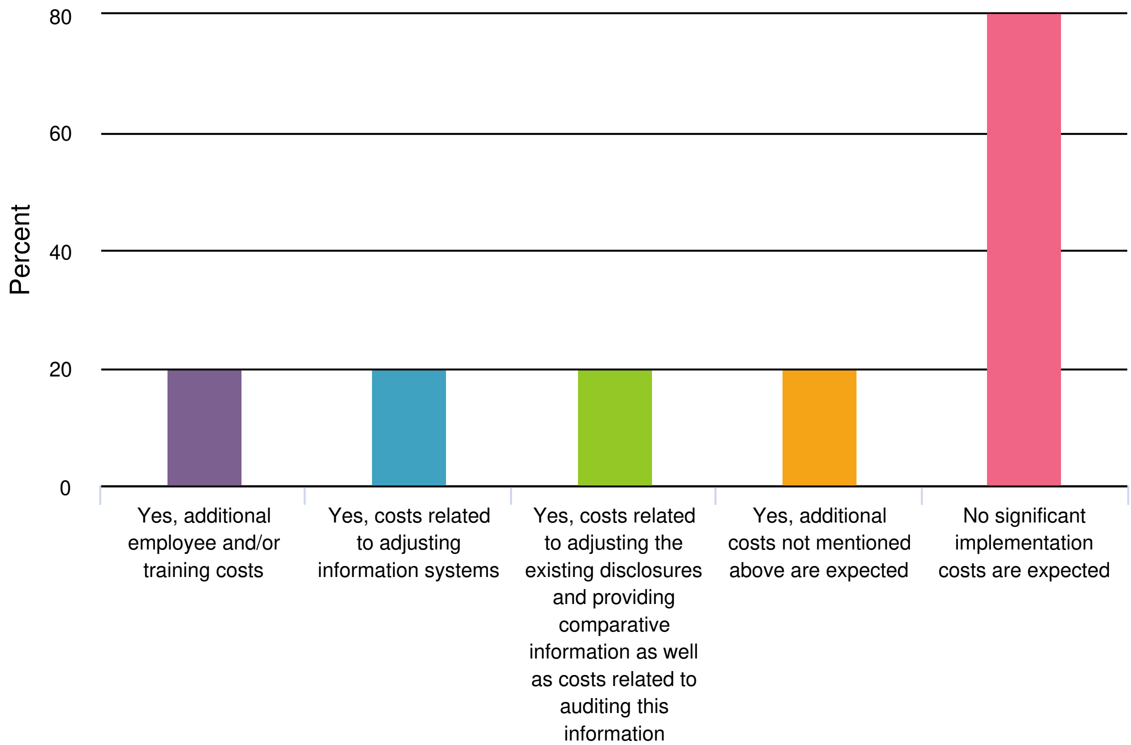
4. If you are a subsidiary as well as a parent, which accounting standards are you currently applying to your consolidated financial statements?



Value		Percent	Responses
Full IFRS Standards		20.0%	1
Full IFRS and local GAAP		20.0%	1
Not applicable		60.0%	3

Totals: 5

5. Do you expect significant initial implementation costs when first applying the reduced disclosure IFRS Standard?

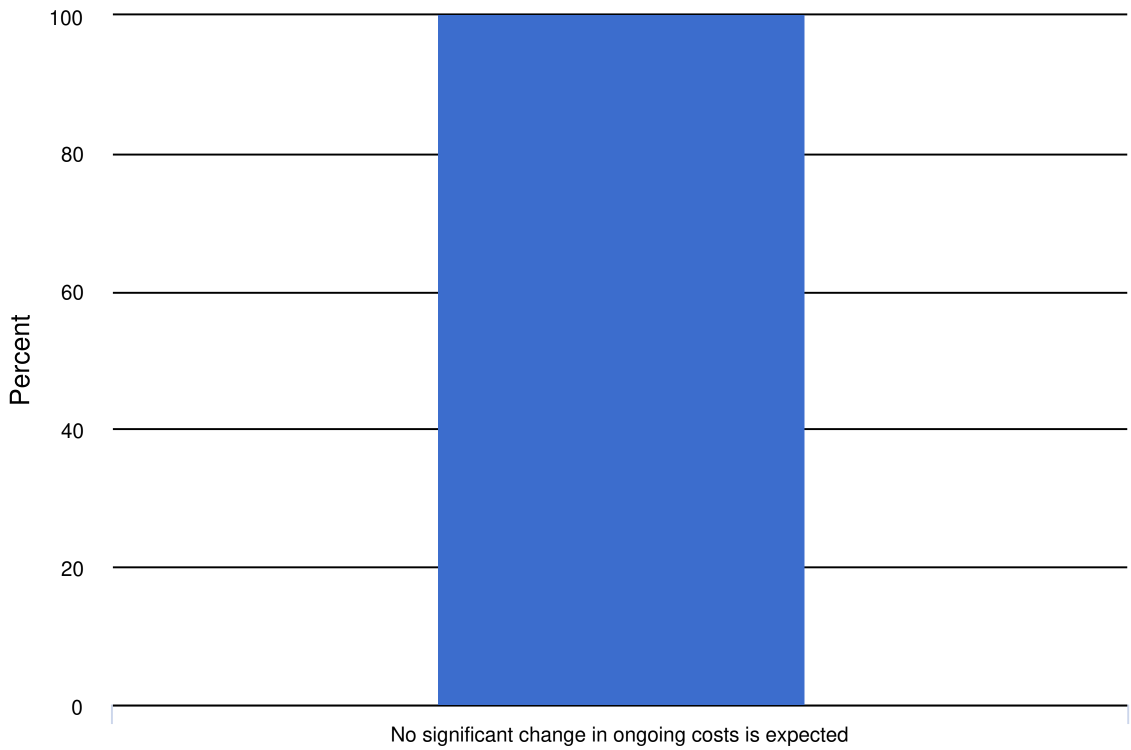


Value	Percent	Responses
Yes, additional employee and/or training costs	20.0%	1
Yes, costs related to adjusting information systems	20.0%	1
Yes, costs related to adjusting the existing disclosures and providing comparative information as well as costs related to auditing this information	20.0%	1
Yes, additional costs not mentioned above are expected	20.0%	1
No significant implementation costs are expected	80.0%	4

6. Which additional costs?

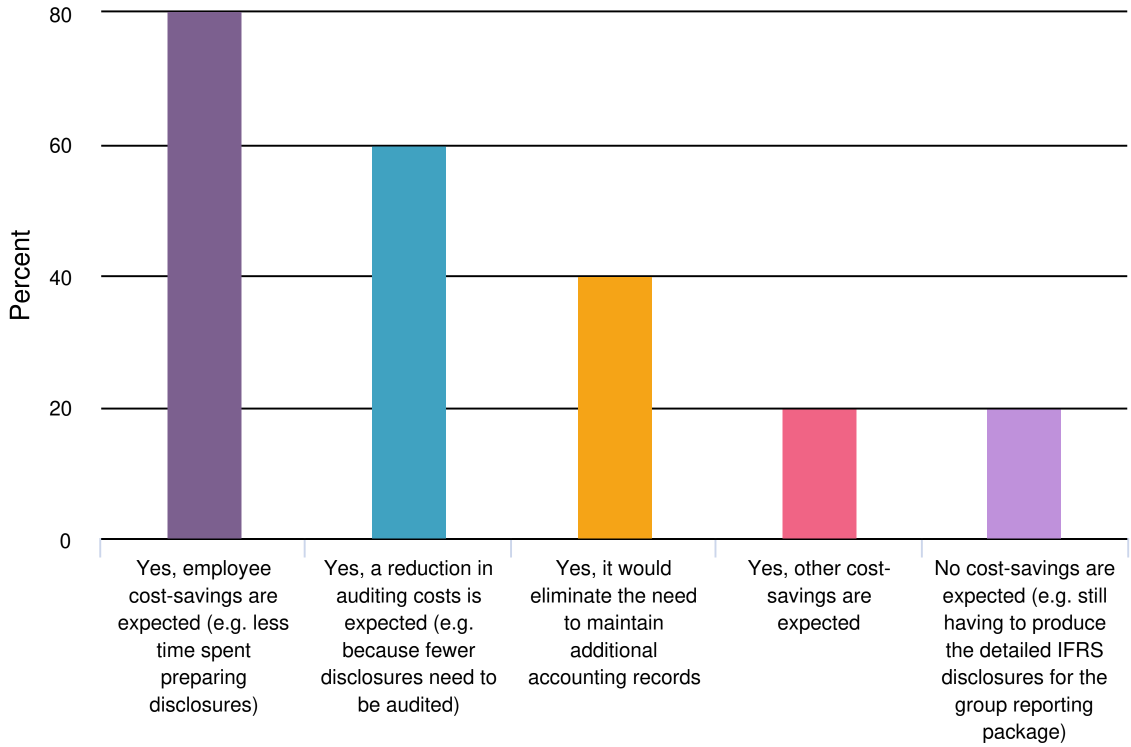
ResponseID	Response
14	Possible resistance from internal departments.

7. Do you expect significant additional ongoing costs in the subsequent years following the application of the reduced disclosure IFRS Standard?



Value		Percent	Responses
No significant change in ongoing costs is expected		100.0%	5

8. Do you expect significant cost-savings when preparing financial statements according to the proposed reduced disclosure IFRS Standard?

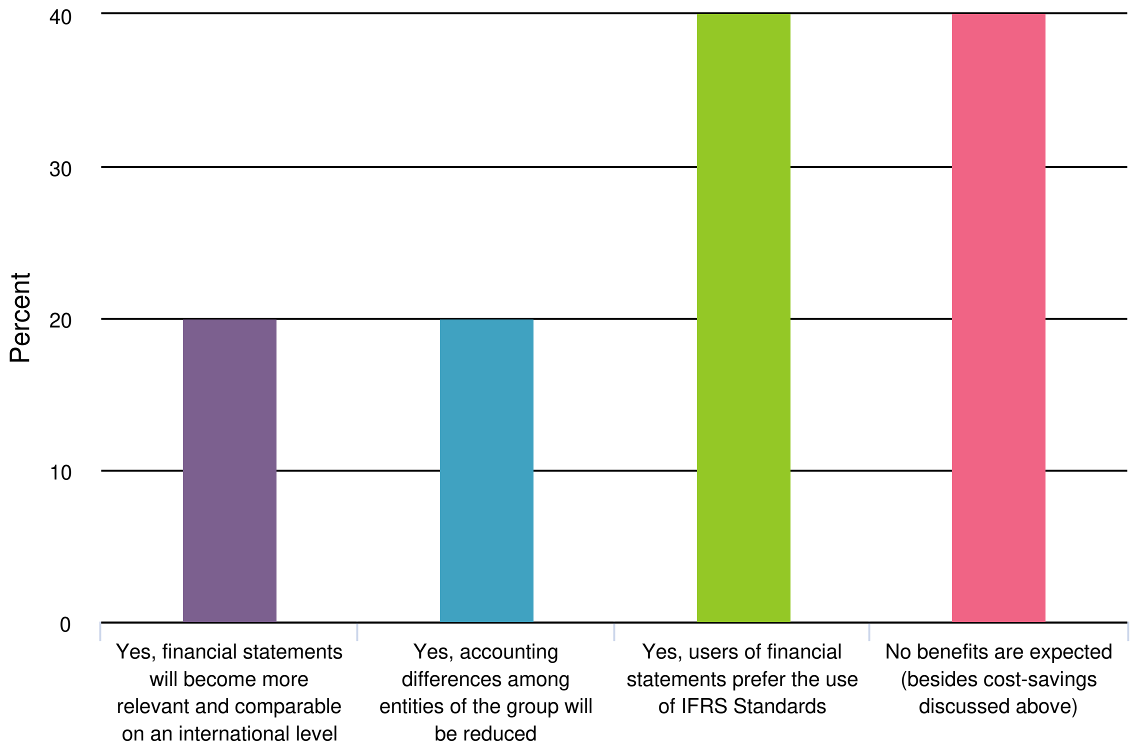


Value	Percent	Responses
Yes, employee cost-savings are expected (e.g. less time spent preparing disclosures)	80.0%	4
Yes, a reduction in auditing costs is expected (e.g. because fewer disclosures need to be audited)	60.0%	3
Yes, it would eliminate the need to maintain additional accounting records	40.0%	2
Yes, other cost-savings are expected	20.0%	1
No cost-savings are expected (e.g. still having to produce the detailed IFRS disclosures for the group reporting package)	20.0%	1

9. Which cost-savings?

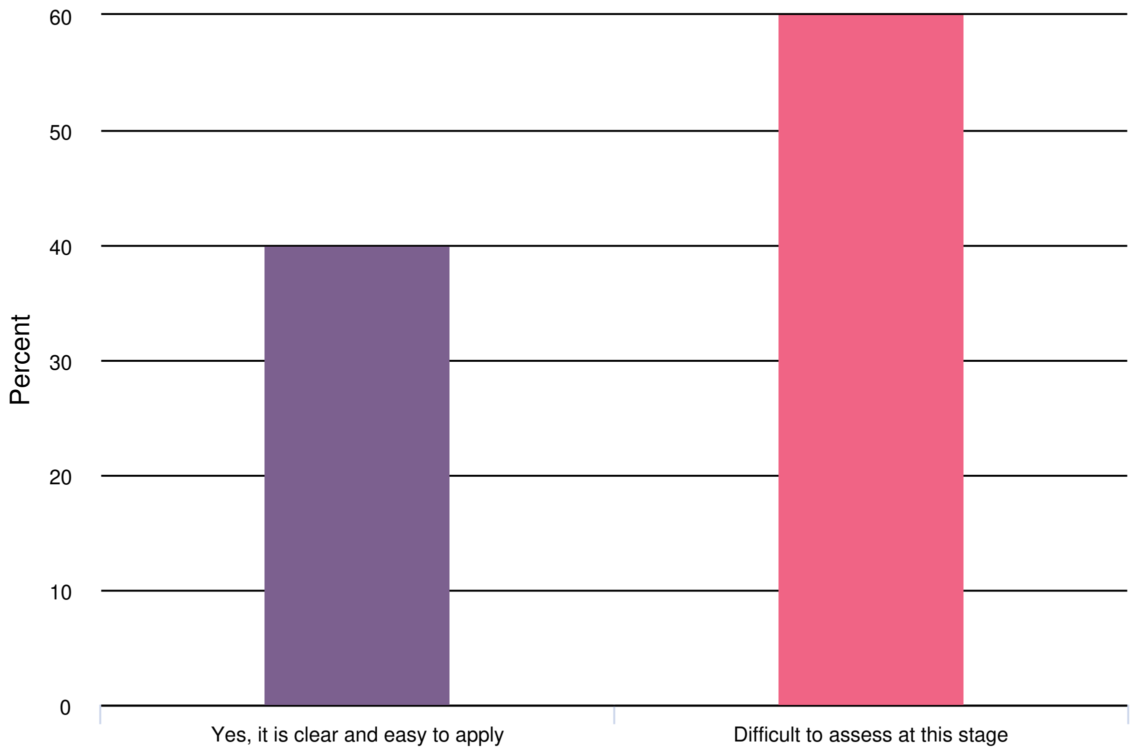
ResponseID	Response
11	IT costs

10. Do you expect any additional benefits (beyond the cost-savings) when electing to apply the proposed reduced disclosure IFRS Standard?



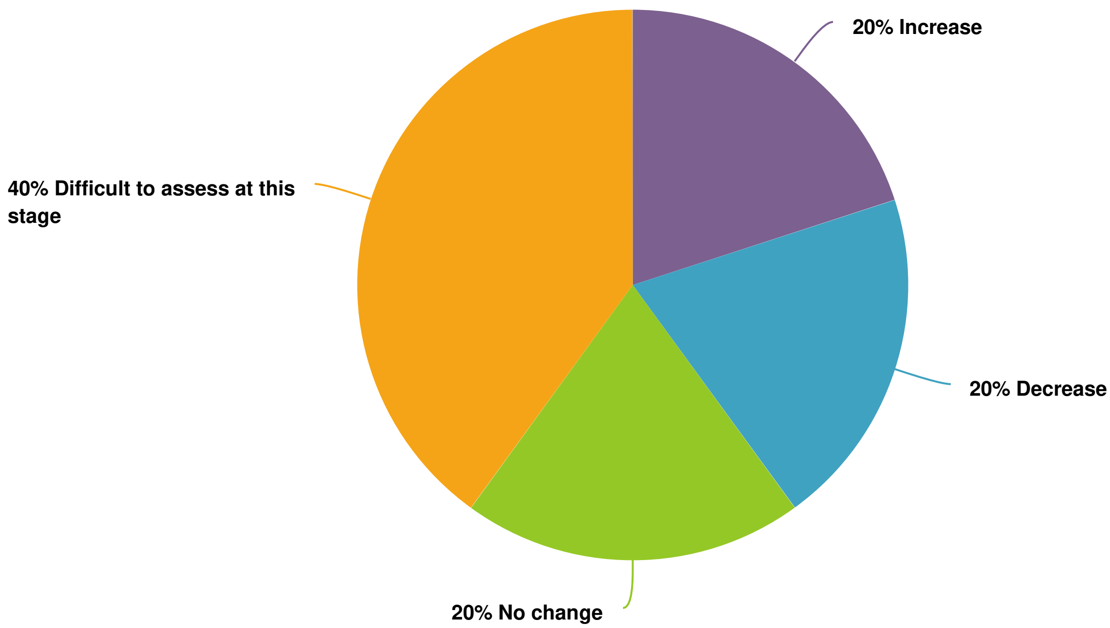
Value	Percent	Responses
Yes, financial statements will become more relevant and comparable on an international level	20.0%	1
Yes, accounting differences among entities of the group will be reduced	20.0%	1
Yes, users of financial statements prefer the use of IFRS Standards	40.0%	2
No benefits are expected (besides cost-savings discussed above)	40.0%	2

11. Is the structure of the ED clear and easy to apply?



Value		Percent	Responses
Yes, it is clear and easy to apply		40.0%	2
Difficult to assess at this stage		60.0%	3

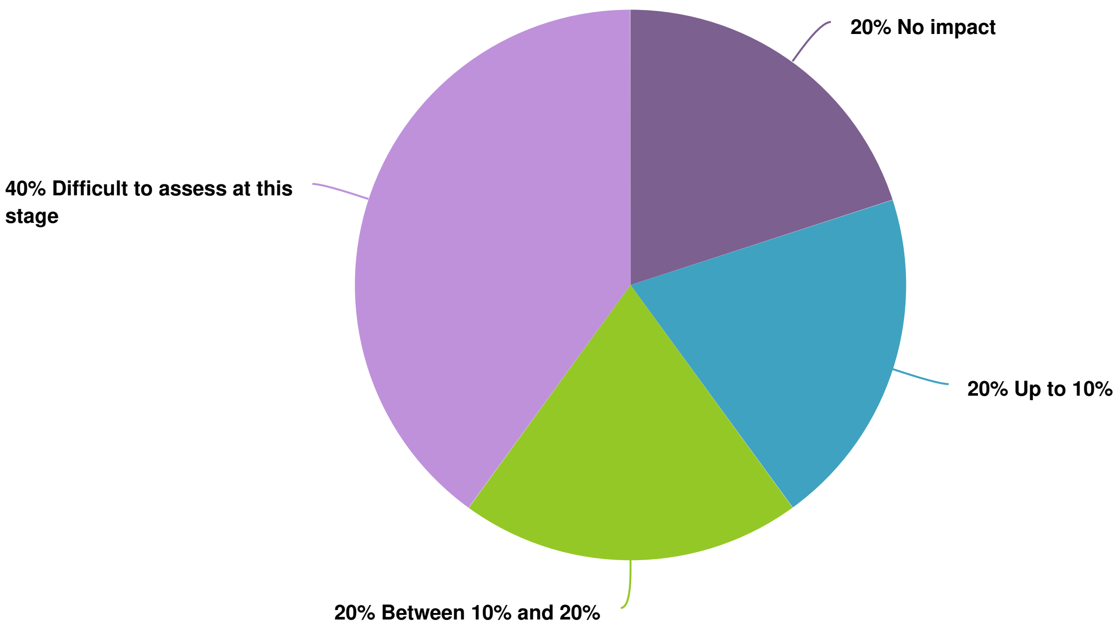
12. If you apply the proposed reduced disclosure requirements of the ED – would you expect an increase or decrease of disclosures compared to your current situation?



Value		Percent	Responses
Increase		20.0%	1
Decrease		20.0%	1
No change		20.0%	1
Difficult to assess at this stage		40.0%	2

Totals: 5

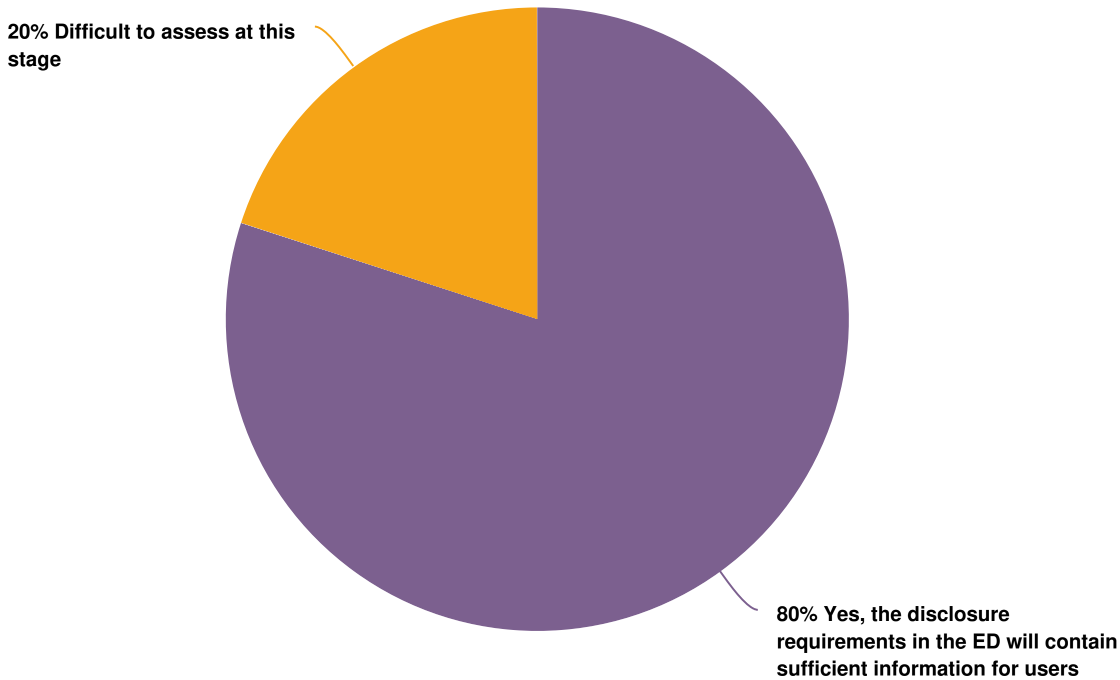
13. What impact would you expect on disclosures in your financial statements when compared to applying full IFRS Standards? (relative reduction in number of pages)



Value	Percent	Responses
No impact	20.0%	1
Up to 10%	20.0%	1
Between 10% and 20%	20.0%	1
Difficult to assess at this stage	40.0%	2

Totals: 5

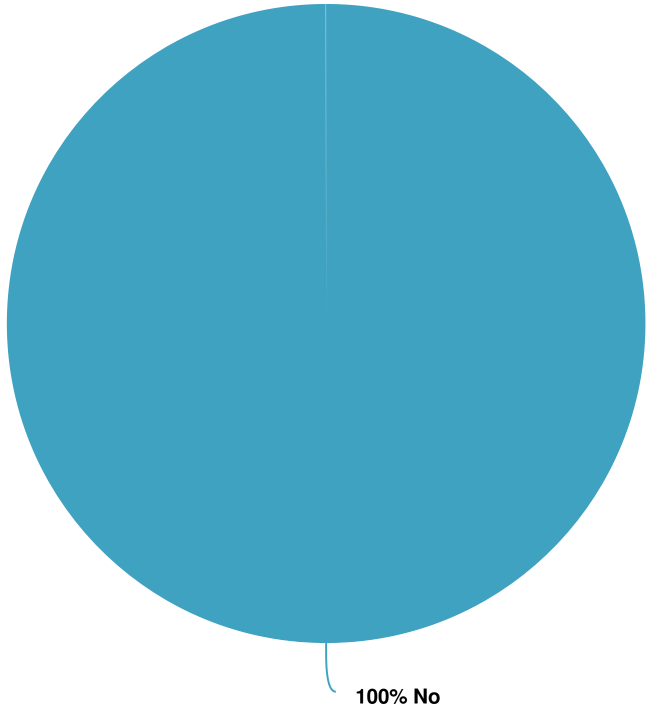
14. Do you expect that the proposed disclosure requirements in the ED will result in sufficient information for users of your financial statements?



Value	Percent	Responses
Yes, the disclosure requirements in the ED will contain sufficient information for users	80.0%	4
Difficult to assess at this stage	20.0%	1

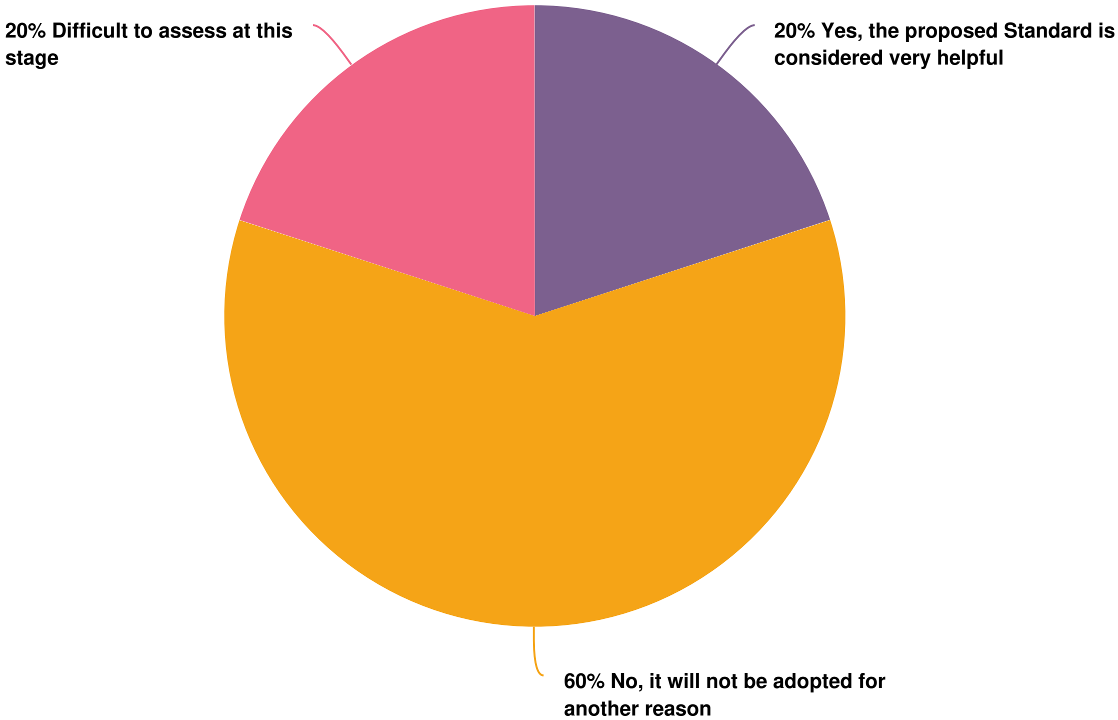
Totals: 5

15. Do you issue any insurance contracts under IFRS 17?



Value		Percent	Responses
No		100.0%	5
			Totals: 5

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



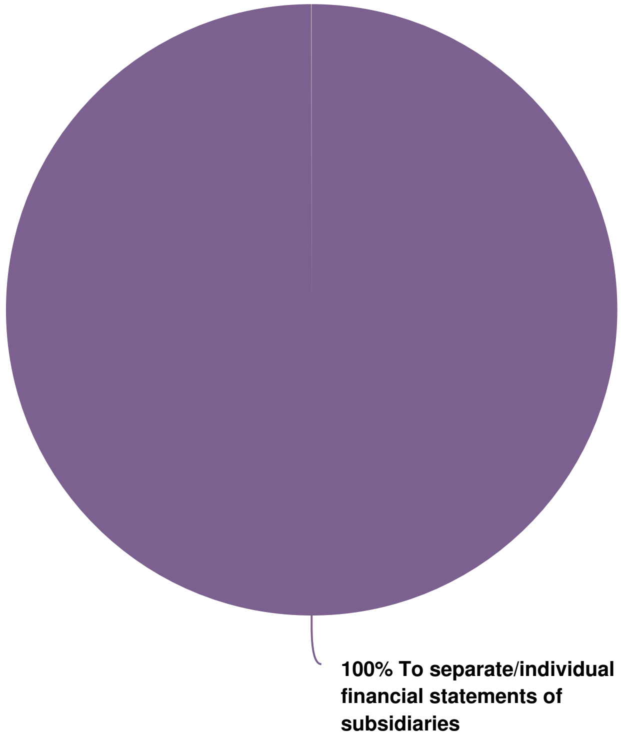
Value	Percent	Responses
Yes, the proposed Standard is considered very helpful	20.0%	1
No, it will not be adopted for another reason	60.0%	3
Difficult to assess at this stage	20.0%	1

Totals: 5

17. Which reason?

ResponseID	Response
5	We would stick to Full IFRSs as we will gather the information for the parent company and other stakeholders (e.g. banks) anyway. The situation might be different, if local (Austrian) GAAP would allow IFRSs to be applied for statutory accounts.
11	It will not be applied until local law allows IFRS in separate financial statements but the proposed Standard is considered very helpful as it could foster the transition from local GAAP to IFRS from a legislative point of view.
14	The subsidiaries are applying FRS 101 which contains significant disclosure exemptions and accordingly less disclosures when compared to the ED.

18. To which set of financial statements of your subsidiaries would you apply the reduced disclosure IFRS Standard?



Value		Percent	Responses
To separate/individual financial statements of subsidiaries		100.0%	1

Totals: 1