Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Exposure Draft: "Subsidiaries without Public Accountability: Disclosures"

Dear IASB Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft ED/2021/7: "Subsidiaries without Public Accountability: Disclosures" (the ED).

This response summarizes the points of view of the members of the different countries of GLASS', which has been prepared in accordance with the following due process.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in November 2021. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during conference calls. In those calls the TWG developed a final document based on the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall Comments

GLASS agrees with the objective of the draft Standard to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement, and presentation requirements in IFRS Standards.

Notwithstanding, GLASS is concerned that the creation of new options could affect the comparability of information between similar entities. Despite this concern, in GLASS' opinion, if this draft Standard results in an IFRS Standard, the option to prepare simplified notes should be available to any entity without public accountability that applies IFRS Standards, and not only to subsidiaries that are part of a group that prepares its consolidated financial statements in accordance with IFRS Standards.

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[1] The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB, and to generate proposals originated from the regional initiatives. Therefore, GLASS aims to have a unified regional opinion before the IASB. GLASS is constituted by: Argentina (Chairman), Bolivia, Brazil (Vice Chairman), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).

Specific Comments

Attached please find our specific responses to the questions presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

Jorge José Gil
President
Group of Latin American Accounting Standard Setters (GLASS)

GLENIF
GLASS

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Group of Latin American
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Group of Latin American Accounting Standard Setters (GLASS)

GLASS Comment letter on the Exposure Draft ED/2021/7: Subsidiaries without Public Accountability: Disclosures

Question 1—Objective
Paragraph 1 of the draft Standard proposes that the objective of the draft Standard Subsidiaries without Public Accountability: Disclosures is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement, and presentation requirements in IFRS Standards. Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

Response:

GLASS agrees with the objective set out in paragraph 1 of the draft Standard, but with an alternative scope (as you'll be able to notice in our response to question 2).
Notwithstanding, GLASS is concerned that the creation of new options could affect the comparability of information between similar entities.

Question 2—Scope
Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22 of the Basis for Conclusions explain the Board's reasons for that proposal. Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

Response:
Despite the concern identified at the end of question 1, in GLASS' opinion, if this draft Standard results in an IFRS Standard, the option to prepare simplified notes should be available to any entity without public accountability that applies IFRS Standards, and not only to subsidiaries that are part of a group that prepares its consolidated financial statements in accordance with IFRS Standards. The rationale behind this opinion is as follows:

a) The draft Standard seeks to provide an option for preparing notes to financial statements tailored to the needs of users of a particular type of entity (a subsidiary of a group that prepares its consolidated financial statements in accordance with IFRS Standards, without public accountability).
b) However, the main argument behind the project concerns the needs of users of the financial statements of an entity without public accountability (i.e., the fact that the entity is a subsidiary appears to be irrelevant).
c) Therefore, GLASS does not observe any compelling arguments for not allowing the option to all entities, whether a subsidiary or not, to the extent that they do not have public accountability.

On the other hand, the Basis for Conclusions states that the scope is limited to subsidiaries because entities that are not subsidiaries could apply the IFRS for SMEs Standard. This argument does not seem to be sufficient because:

a) A subsidiary that is part of a group that prepares its financial statements in accordance with IFRS Standards may choose to apply the IFRS for SMEs Standard in its own financial statements [IFRS for SMEs Standard, S1.6].
b) In some jurisdictions where the use of the IFRS for SMEs Standard is not allowed, the following may occur:
   (I). An entity that meets the definition of an SME and is a subsidiary of a group that applies IFRS Standards would have the option; but
   (II). Another entity that meets the definition of an SME but is not part of a group would not have the option.
c) In many countries, additional criteria have been added to apply the IFRS for SMEs Standard (e.g., a revenue-based threshold). This could lead to:
   (I). Certain entities that are subsidiaries that meet the Project's definition of an SME do have the option.
   (II). Certain entities that are not subsidiaries and meet the Project's definition of an SME do not have the option.

However, one GLASS member does not object to the scope of the draft Standard, considering that what is not disclosed in the financial statements of a subsidiary that applies this option is disclosed in the consolidated financial statements that its parent makes available to the public.

Question 3—Approach to developing the proposed disclosure requirements
Paragraphs BC23–BC39 of the Basis for Conclusions explain the Board's reasons for its approach to developing the proposed disclosure requirements. Do you agree with that approach? Why or why not? If not, what approach would you suggest and why?

Response:

GLASS agrees with the approach proposed by the IASB to develop the proposed disclosure requirements.

Question 4—Exceptions to the approach
Paragraphs BC40–BC52 of the Basis for Conclusions explain the Board's reasons for the exceptions to its approach to developing the proposed disclosure requirements. Exceptions (other than paragraph 130 of the draft Standard) relate to: • disclosure objectives (paragraph BC41); • investment entities (paragraphs BC42–BC45); • changes in liabilities from financing activities (paragraph BC46); • exploration for and evaluation of mineral resources (paragraphs BC47–BC49); • defined benefit obligations (paragraph BC50); • improvements to disclosure requirements in IFRS Standards (paragraph BC51); and • additional disclosure requirements in the IFRS for SMEs Standard (paragraph BC52). (a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made? (b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 Statement of Cash Flows. (i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

(ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

Response:

a) GLASS agrees with the proposed exceptions.

b) Regarding matters relating to paragraph 130 of the draft Standard, GLASS' comments are as follows:

(I). With respect to the simplified version of the note on financing activities, the requested subsidiaries have stated that the proposed information to be provided is not different from that presented in their financial statements.

(II). Respondents to the GLASS surveys have stated that they regularly include in their consolidated financial statements a reconciliation between the opening and closing balances of the statement of financial position for liabilities arising from financing activities.

Question 5—Disclosure requirements about transition to other IFRS Standards
Any disclosure requirements specified in an IFRS Standard or an amendment to an IFRS Standard about the entity's transition to that Standard or amended Standard would remain applicable to an entity that applies the Standard. Paragraphs BC57–BC59 of the Basis for Conclusions explain the Board's reasons for this proposal. Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?

Response:

GLASS agrees with this proposal.

Question 6—Disclosure requirements about insurance contracts
The draft Standard does not propose to reduce the disclosure requirements of IFRS 17 Insurance Contracts. Hence an entity that applies the Standard and applies IFRS 17 is required to apply the disclosure requirements in IFRS 17. Paragraphs BC61–BC64 of the Basis for Conclusions explain the Board's reasons for not proposing any reduction to the disclosure requirements in IFRS 17. (a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements. (b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable

Response:

a) GLASS agrees that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17 because entities that will apply IFRS 17 rarely meet the condition of entities without public accountability.

b) GLASS is not aware of any entities that issue insurance contracts that may fall within the scope of this draft Standard.

Question 7—Interaction with IFRS 1 First-time Adoption of International Financial Reporting Standards

Paragraphs 23–30 of the draft Standard propose reduced disclosure requirements that apply to an entity that is preparing its first IFRS financial statements and has elected to apply the Standard when preparing those financial statements.

If a first-time adopter of IFRS Standards elected to apply the draft Standard, the entity would:

- apply IFRS 1, except for the disclosure requirements in IFRS 1 listed in paragraph A1(a) of Appendix A of the draft Standard; and
- apply the disclosure requirements in paragraphs 23–30 of the draft Standard.

This approach is consistent with the Board's proposals on how the draft Standard would interact with other IFRS Standards.

However, IFRS 1 differs from other IFRS Standards—IFRS 1 applies only when an entity first adopts IFRS Standards and sets out how a first-time adopter of IFRS Standards should make that transition.

(a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

Paragraphs 12–14 of the draft Standard set out the relationship between the draft Standard and IFRS 1.

(b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

Response:

a) GLASS agrees to add reduced disclosure requirements from IFRS 1, because it is consistent with the rest of the rationale behind the draft Standard's thesis.

b) GLASS agrees with this proposal.

Question 8—The proposed disclosure requirements

Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7:

(a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why?

(b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why?

(c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Response:

During the period of interaction with its stakeholders, GLASS' members did not receive any comments that it could include in this letter to respond to this question. However, GLASS is working on an exhaustive analysis of the requirements, and any relevant findings or possible contributions that it believes could enhance the draft Standard, we will inform the IASB.

Question 9—Structure of the draft Standard

Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. These disclosure requirements are organised by IFRS Standard and would apply instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A. Disclosure

requirements that are not listed in Appendix A that remain applicable are generally indicated in the draft Standard by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the draft Standard.
Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

Response:

GLASS agrees with the proposed structure. However, it believes that, in IFRS Standards Navigator, under the option "Annotation", it would be useful to introduce, standard-by-standard, a transcription of the requirements for an entity that applies IFRS Standards with the option of reduced disclosures (we emphasize that we are not suggesting the incorporation of a reference through a hyperlink, but the transcription of the text, as is done with any IFRS IC agenda decision).

Question 10—Other comments
Do you have any other comments on the proposals in the draft Standard or other matters in the Exposure Draft, including the analysis of the effects (paragraphs BC92–BC101 of the Basis for Conclusions)?

Response:

No other specific comments were received.