RÉPUBLIQUE FRANÇAISE

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AUTORITÉ DES NORMES COMPTABLES

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PDC n°2

Prof Dr Andreas Barckow
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IASB Exposure Draft DE/2021/7 *Subsidiaries without Public Accountability: Disclosures*

Dear Andreas,

I am writing to you on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned IASB (Board) Exposure-Draft (ED). ANC welcomes the opportunity to comment on the Board's proposals included in this document. This letter sets out the most important matters that interested stakeholders involved in ANC's due process have identified.

We welcome the objective of this ED to reduce costs for subsidiaries without public accountability that report for consolidation purposes to a parent entity applying IFRS Standards *while* maintaining the usefulness of financial statements for users of those subsidiaries' financial statements. By developing this project, the Board is responding to some stakeholders' feedback to the *2015 Agenda Consultation* and aims to address specific cost/benefits considerations of a specific population of entities applying IFRS Standards.

We expect the Board's proposals to apply only in rare circumstances for entities preparing their financial statements in our jurisdiction—this is mostly because our legal framework does not allow the use of IFRS Standards in individual financial statements. However, French groups that have a global footprint may elect to apply the Board's proposals (if finalised) to the individual financial statements of their subsidiaries located in jurisdictions allowing or requiring the use of IFRS Standards in those financial statements.

Having this in mind, we commented only on Question 2 of the ED—ie whether the ED's proposed scope is appropriate.

We agree with the proposed scope as set out in paragraphs 6–8 of the ED for the reasons described in paragraphs BC12–BC22 of this due process document.

We disagree with some stakeholders' view that the scope of the ED should be extended to some publicly accountable entities. This project builds on the disclosures specified in *IFRS for SMEs* that were developed having solely in mind (i) the cost/benefit considerations of entities that have no public accountability and (ii) the information needs of those using the financial statements of such entities. We think any such scope extension would be a fundamental change that would require the Board to revise its approach to the project. We acknowledge the merits of thinking about simplified disclosures for small-sized entities that apply IFRS Standards. However, we think this should be the purpose of a different research/standard-setting project. We understand that stakeholders have not identified any such project being a priority for the Board in the context of the *2021 Third Agenda Consultation* and thus, see no compelling reason to consider this way forward. We also note that the Board, as part of its *Disclosures Initiative* project, has undertaken several standard-setting projects that helped make financial information more useful and improved the way financial information is communicated to users of IFRS financial statements.

We appreciate the views of those supporting an extension the proposed scope to any entity that has no public accountability, irrespective of whether it is a subsidiary meeting the eligibility conditions in paragraph 6 of the ED. However, we do not support any such extension for the reasons set out in paragraph BC16 of the ED. In particular, we would like to put emphasis on the following points:

- an entity that is a SME may elect to apply *IFRS for SMEs*. If this entity instead elects to apply IFRS Standards, there is a strong presumption this is to respond to its users' information needs. This presumption equally applies if the legal framework applicable in the entity's jurisdiction were to require the entity to use IFRS Standards—this may be because the jurisdictional law assumes that IFRS Standards (rather than *IFRS for SMEs*) provide useful information to all of the entity's users. In other words, the disclosures specified in *IFRS for SME* (tailored or not) are unlikely to satisfy the information needs of the entity's users.
- some might well argue that the proposals in the ED introduce a new variation of international reporting Standards alongside IFRS and *IFRS for SMEs*. As set out in the ED, this new variation would be applicable to a narrow scope population of entities with specific cost-benefit considerations. A scope's extension might result in entities without public accountability opting (if permitted by the law) for either *IFRS for SMEs* or 'IFRS with reduced disclosures' as proposed this ED. This may result in a pervasive loss of comparability—or may increase that loss of comparability when the jurisdictional framework permits, for example, the use of IFRS or local GAAPs in individual financial statements. Overall, we think desirable to keep the 'supply' of reporting standards under control.
- as outlined in paragraph BC16(f), the ED includes a new approach to disclosures requirements. There is a need to test this approach on a limited population of entities before considering a scope extension. We think essential to ensure the proposed disclosures satisfy entities' users and stakeholders' (including non-controlling shareholders) information needs.

Should you need any further information, please do not hesitate to contact me.

Yours sincerely,

Patrick de Cambourg