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IFRS® Standards
Exposure Draft ED/2021/7

Subsidiaries without Public Accountability: Disclosures

Comments to be received by 31 January 2022

IASB®

Exposure Draft

Subsidiaries without Public Accountability: Disclosures

Comments to be received by 31 January 2022

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APPROVAL BY THE BOARD OF EXPOSURE DRAFT *SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES* PUBLISHED IN JULY 2021

BASIS FOR CONCLUSIONS (see separate booklet)

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[Draft] IFRS X *Subsidiaries without Public Accountability: Disclosures* is set out in paragraphs 1–213 and appendices A–C. All the paragraphs have equal authority. Terms are defined in the Glossary for IFRS Standards. Defined terms are set out in ***bold italics*** the first time they are used in the [draft] Standard. The [draft] Standard should be read in the context of its objective, the Basis for Conclusions, the *Preface to IFRS Standards* and the *Conceptual Framework for Financial Reporting*.

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Introduction

About the Exposure Draft

This Exposure Draft sets out the proposal of the International Accounting Standards Board (Board) for a new IFRS Standard *Subsidiaries without Public Accountability: Disclosures* (draft Standard). The draft Standard would permit a subsidiary to apply reduced disclosure requirements when applying IFRS Standards in its financial statements provided that:[1]

(a) the subsidiary does not have public accountability; and

(b) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Standards (see paragraph 6(c) of the draft Standard).

The description of public accountability, contained in paragraphs 7 and 8 of the draft Standard, is from paragraphs 1.3 and 1.4 of the *IFRS for SMEs*® Standard.

The Exposure Draft was developed considering all IFRS Standards issued as at 28 February 2021 and exposure drafts published as at 1 January 2021, except for the Exposure Draft *General Presentation and Disclosures*.

Why is the Board publishing this Exposure Draft?

For consolidation purposes, a subsidiary applies the recognition and measurement requirements in IFRS Standards when reporting to a parent that applies IFRS Standards. The Board received feedback that some of these subsidiaries would prefer to prepare their financial statements applying IFRS Standards, but with reduced disclosure requirements. Although the *IFRS for SMEs* Standard has fewer disclosure requirements than IFRS Standards, the Board understands that the *IFRS for SMEs* Standard may be unattractive to some subsidiaries because the Standard's recognition and measurement requirements differ from those in IFRS Standards. Consequently, a subsidiary reporting to a parent that prepares consolidated financial statements that comply with IFRS Standards would be required to maintain additional accounting records if it applies the *IFRS for SMEs* Standard in its own financial statements.

Before responding to the feedback, the Board investigated:

(a) whether it could use the disclosure requirements from the *IFRS for SMEs* Standard to develop the draft Standard;

(b) whether the financial statements would remain useful if it used the disclosure requirements of the *IFRS for SMEs* Standard in conjunction with the recognition and measurement requirements in IFRS Standards; and

(c) whether such a Standard would be adopted and applied.

1 This Exposure Draft uses 'IFRS Standards' instead of 'IFRSs', which is the term used in some IFRS Standards, such as IAS 1 *Presentation of Financial Statements*. The Exposure Draft *General Presentation and Disclosures*, published in December 2019, proposed replacing 'IFRSs' with 'IFRS Standards'.

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Based on its findings, the Board concluded that an IFRS Standard with reduced disclosure requirements would:

(a) save costs for preparers—subsidiaries eligible to apply the draft Standard would apply the recognition and measurement requirements their parent applied in consolidated financial statements that comply with IFRS Standards. These subsidiaries would avoid the need to maintain additional accounting records, and could apply reduced disclosure requirements in their financial statements.

(b) maintain the usefulness of financial statements to the users of eligible subsidiaries' financial statements by providing disclosures only designed for these users, while eliminating disclosures not designed for them.

(c) be applied by subsidiaries without public accountability in jurisdictions that permit or require IFRS Standards to be applied when preparing the general purpose financial statements of entities.

Summary of the Exposure Draft's proposals

The Exposure Draft proposes a new IFRS Standard that would:

(a) be optional for a subsidiary that is eligible to apply it;

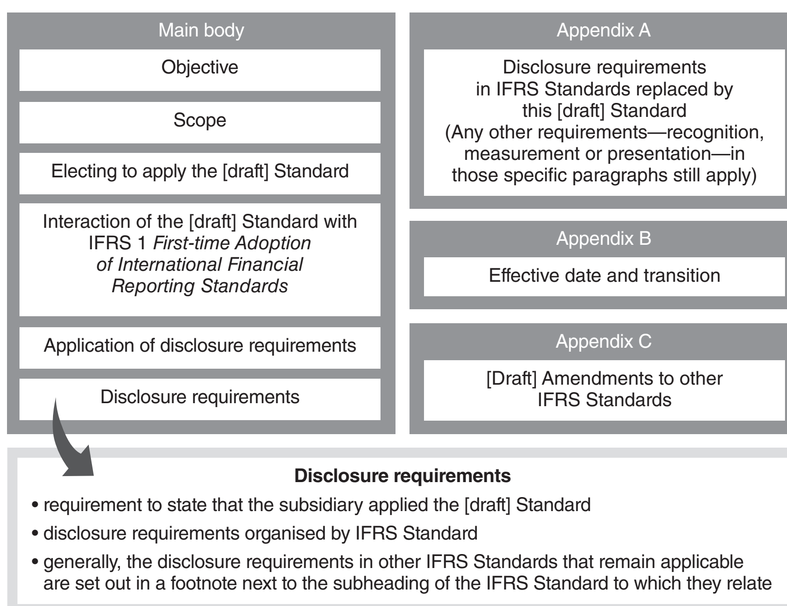
(b) set out disclosure requirements for a subsidiary that elects to apply the Standard; and

(c) specify the disclosure requirements in other IFRS Standards that do not apply and are replaced if a subsidiary elects to apply the draft Standard.

An eligible subsidiary that elects to apply the draft Standard would apply IFRS Standards except for the disclosure requirements listed in Appendix A of the draft Standard—instead the subsidiary would apply the disclosure requirements of the draft Standard.

The structure of the draft Standard is shown in Diagram 1.

Diagram 1—Structure of the draft Standard



In developing the proposed disclosure requirements, the Board:

(a) started with the disclosure requirements in the *IFRS for SMEs* Standard; and

(b) tailored those disclosure requirements, by applying the principles for setting disclosure requirements in the *IFRS for SMEs* Standard, when the recognition and measurement requirements in the *IFRS for SMEs* Standard differed from those in IFRS Standards.

The Board's overall approach in developing the proposed disclosure requirements is summarised in Diagram 2.

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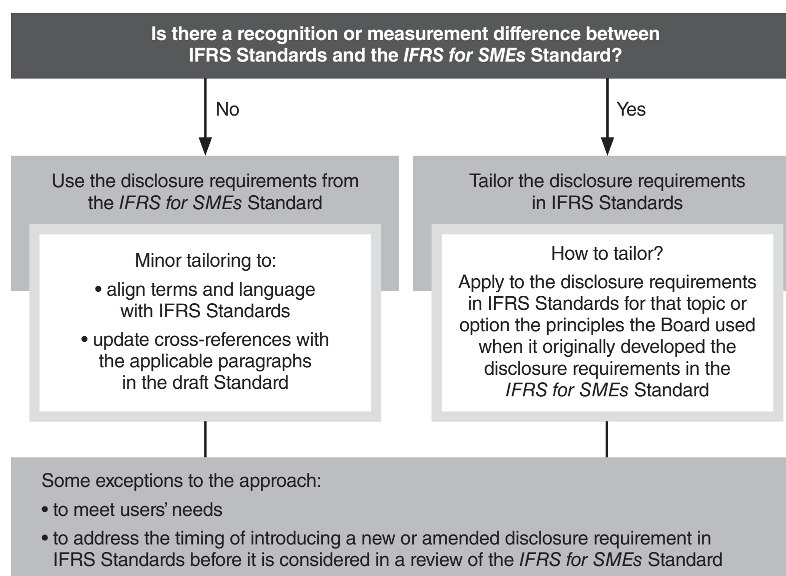
Diagram 2—Developing the proposed disclosure requirements



Maintaining a future IFRS Standard

If the Board's proposals in the Exposure Draft proceed to a final IFRS Standard, the Board will need to consider updating the new IFRS Standard *Subsidiaries without Public Accountability: Disclosures* for any new or amended disclosure requirements arising from new IFRS Standards or amendments to IFRS Standards.

The Board plans to propose amendments to update the new IFRS Standard in exposure drafts that propose new or amended disclosure requirements for IFRS Standards.

Next steps

The Board will consider comment letters and other feedback from its consultations on the proposals in the Exposure Draft and will then decide whether to issue an IFRS Standard.

Invitation to comment

The Board invites comments on Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, particularly on the questions set out below. Respondents need not comment on all the questions. Comments are most helpful if they:

(a) address the questions as stated;

(b) indicate the specific paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative the Board should consider, if applicable.

Objective

The Exposure Draft responds to calls for the Board to develop an IFRS Standard that would permit subsidiaries to apply IFRS Standards with reduced disclosure requirements. Such a Standard should: (i) reduce costs for subsidiaries without public accountability that report for consolidation purposes to a parent applying IFRS Standards; and (ii) maintain the usefulness of financial statements for users of those subsidiaries' financial statements.

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?

Scope

The Board proposes that an entity would be permitted to apply the draft Standard if, at the end of its reporting period, it is a subsidiary which:

(a) does not have public accountability; and

(b) has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards.

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?

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Developing the proposed disclosure requirements

In developing the proposed disclosure requirements, the Board used the disclosure requirements from the *IFRS for SMEs* Standard, with minor tailoring, when the recognition and measurement requirements in IFRS Standards and the *IFRS for SMEs* Standard were the same. When the recognition and measurement requirements differed between IFRS Standards and the *IFRS for SMEs* Standard, the Board:

(a) added disclosure requirements for topics or accounting policy options that are addressed in IFRS Standards but omitted from the *IFRS for SMEs* Standard. To do so, the Board applied (to the disclosure requirements in IFRS Standards for that topic or policy option) the principles it used when developing the disclosure requirements in the *IFRS for SMEs* Standard.

(b) deleted disclosure requirements relating to accounting policies available in the *IFRS for SMEs* Standard but not in IFRS Standards.

The Board applied this approach so the disclosure requirements proposed in the draft Standard would be sufficient to meet the needs of users of the financial statements.

After applying that approach, the Board reviewed the outcome and in a limited number of cases, proposed some exceptions.

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?

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?

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Question 4—Exceptions to the approach
(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?

The proposed reduced disclosure requirements

The draft Standard sets out the proposed disclosure requirements for each related IFRS Standard. For example, the disclosure requirements for inventories are set out under the heading IAS 2 *Inventories*.

An entity would apply the proposed disclosure requirements instead of the disclosure requirements in other IFRS Standards listed in Appendix A of the draft Standard.

A disclosure requirement in other IFRS Standards that is not listed in Appendix A of the draft Standard remains applicable.

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?

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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.

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?

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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?

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?

Other comments

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)?

Deadline

The Board will consider all written comments received by **31 January 2022**.

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How to comment

Please submit your comments electronically:

Online	https://www.ifrs.org/projects/open-for-comment/
By email	commentletters@ifrs.org

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[Draft] International Financial Reporting Standard X *Subsidiaries without Public Accountability: Disclosures*

Objective

1 The objective of this [draft] Standard is to permit eligible subsidiaries to apply the disclosure requirements in this [draft] Standard and the ***recognition***, measurement and presentation requirements in IFRS Standards.

Meeting the objective

2 An entity electing to apply this [draft] Standard applies IFRS Standards except for the disclosure requirements listed in Appendix A of this [draft] Standard which are replaced by the disclosure requirements listed in paragraphs 22–213 of this [draft] Standard.

3 Appendix A lists the disclosure requirements from which an entity applying this [draft] Standard is exempt. To assist application of this [draft] Standard, disclosure requirements in other IFRS Standards that remain applicable are generally indicated in footnotes to this [draft] Standard.

4 The disclosure requirements in IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts* and IAS 33 *Earnings per Share* remain applicable and are, therefore, not included in Appendix A. The application of the disclosure requirements in IFRS 8, IFRS 17 or IAS 33 is unchanged for an entity applying this [draft] Standard.

5 A new or amended IFRS Standard may include disclosure requirements about an entity's transition to that Standard. Any relief available to an entity applying this [draft] Standard from disclosure requirements about the entity's transition to that new or amended Standard will be set out in the new or amended IFRS Standard.

Scope

6 An entity is permitted to apply this [draft] Standard in its consolidated, separate or individual financial statements if and only if, at the end of its reporting period, it:

(a) is a ***subsidiary***;[2]

(b) does not have public accountability (see paragraphs 7–8); and

(c) has an ultimate or intermediate ***parent*** that produces ***consolidated financial statements*** available for public use that comply with IFRS Standards.

2 'Subsidiary' is defined in Appendix A of IFRS 10 *Consolidated Financial Statements*. All terms used in this [draft] Standard that are defined in other IFRS Standards, and included in the Glossary for IFRS Standards, are used in this [draft] Standard with the same meaning. Defined terms are set out in ***bold italics*** the first time they are used in the [draft] Standard. The Glossary is available from the IFRS Foundation website by selecting the tab 'Issued Standards' and then selecting 'IFRS Standards'.

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7 An entity has public accountability if:

(a) its debt or ***equity instruments*** are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

(b) it holds ***assets*** in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this criterion).

8 An entity may hold assets in a fiduciary capacity for a broad group of outsiders because the entity holds and manages financial resources entrusted to it by clients, ***customers*** or members not involved in the management of the entity. However, doing so for reasons incidental to a primary business does not make the entity publicly accountable. Such a situation may arise for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit, and sellers (such as utility companies) that receive payment before the delivery of goods or services.

Electing to apply the [draft] Standard

9 An entity that satisfies the conditions in paragraph 6 may elect to apply this [draft] Standard and may later revoke that election. An entity may elect to apply this [draft] Standard more than once—for example, an entity that applied this [draft] Standard in a prior period but not in the immediately preceding period may elect to apply this [draft] Standard in the current period.

10 If an entity applies this [draft] Standard in the current period but not in the immediately preceding period, the entity shall provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements, unless this [draft] Standard or another IFRS Standard permits or requires otherwise. The entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. The entity applies the disclosure requirements in this [draft] Standard to determine the disclosures required for the immediately preceding comparative period.

11 An entity that applied IFRS Standards in the current and preceding periods and elected to apply this [draft] Standard in the preceding period but elects not to apply this [draft] Standard in the current period, shall provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements, unless another IFRS Standard requires or permits otherwise. The entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. The fact that this [draft] Standard did not require the disclosure of amounts in the preceding period that are

disclosed in the current period is not a reason to omit comparative information.

Interaction of the [draft] Standard with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

12 An entity applies IFRS 1 *First-time Adoption of International Financial Reporting Standards* when it prepares its ***first IFRS financial statements***, or when permitted applying paragraph 4A of IFRS 1. An entity that applies this [draft] Standard when preparing its first IFRS financial statements shall apply the disclosure requirements in paragraphs 23–30 of this [draft] Standard and is not required to apply the disclosure requirements in paragraphs 23–33 of IFRS 1.

13 Electing or revoking an election to apply this [draft] Standard does not, on its own, result in an entity meeting the definition of a first-time adopter of IFRS Standards in IFRS 1. For example, an entity that applied IFRS Standards, but not this [draft] Standard, in the immediately preceding period, and elects to apply this [draft] Standard in the current period, is not a first-time adopter of IFRS Standards, and, therefore, does not apply IFRS 1 in the current period.

14 Similarly, an entity revoking the election to apply this [draft] Standard in the current period does not apply IFRS 1 in the current period if in its previous period it provided an explicit and unreserved statement of compliance with IFRS Standards as required by paragraph 110 of this [draft] Standard.

Application of disclosure requirements

15 This [draft] Standard specifies:

(a) disclosure requirements that apply when an entity applies this [draft] Standard (paragraphs 22–213); and

(b) which disclosure requirements in other IFRS Standards are replaced by the disclosure requirements in this [draft] Standard (Appendix A).

16 In accordance with paragraph 31 of IAS 1 *Presentation of Financial Statements*, an entity need not provide a disclosure required by this [draft] Standard or other IFRS Standards if the information resulting from that disclosure is not ***material***. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in this [draft] Standard, including the requirements in other IFRS Standards that remain applicable, is insufficient to enable ***users*** of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

17 When an entity applies an IFRS Standard, subject to paragraph 4, to account for a transaction, other event or condition, the entity shall apply those disclosure requirements in paragraphs 23–41 and 79–212 of this [draft] Standard that are set out under the subheading of that IFRS Standard.

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18 An entity shall apply the disclosure requirements in paragraphs 42–67 of this [draft] Standard, subheading IFRS 7 *Financial Instruments: Disclosures*, to its recognised and unrecognised ***financial instruments*** and its contracts to buy or sell a non-financial item to which it would be required to apply the disclosure requirements in IFRS 7 had it not been applying this [draft] Standard.

19 The references in:

(a) paragraph 3(a) of IFRS 7 to the disclosure requirements in IFRS 13 *Fair Value Measurement* shall be read as a reference to paragraphs 79–83 of this [draft] Standard; and

(b) paragraph 5A of IFRS 7 to paragraphs 35A–35N of IFRS 7 shall be read as a reference to paragraphs 62–67 of this [draft] Standard.

20 Except when it is preparing ***separate financial statements*** (see paragraphs 175–180 of this [draft] Standard), an entity shall apply the disclosure requirements in paragraphs 68–78 of this [draft] Standard, subheading IFRS 12 *Disclosure of Interests in Other Entities*, to its interests in a subsidiary, ***joint venture*** or ***associate*** to which it would be required to apply the disclosure requirements in IFRS 12 had it not been applying this [draft] Standard.

21 The phrase 'except as described in paragraph B17' in paragraph 5A of IFRS 12 shall be read as 'except for the disclosures required by paragraphs 76(b) and 77 of this [draft] Standard'.

Disclosure requirements

22 An entity applying this [draft] Standard shall disclose that fact together with the statement of compliance required by paragraph 110 of this [draft] Standard.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*[3]

Explanation of transition to IFRS Standards

23 An entity shall explain how the transition from its ***previous GAAP***[4] to IFRS Standards affected its reported financial position, financial performance and ***cash flows***.

24 When an entity does not elect to apply IFRS 1 in accordance with paragraph 4A of IFRS 1, the entity shall disclose:

(a) the reason it stopped applying IFRS Standards;

(b) the reason it is resuming the application of IFRS Standards; or

3 In addition to the disclosures required by this [draft] Standard when an entity has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the current period, the following paragraph in IFRS 1 uses the word 'disclose' in a requirement that remains applicable: paragraph D2.

4 'Previous GAAP' is defined in Appendix A of IFRS 1 as 'the basis of accounting that a first-time adopter used immediately before adopting IFRSs'.

(c) whether it has applied IFRS 1 or has applied IFRS Standards retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Reconciliations

25 To comply with paragraph 23, an entity's first IFRS financial statements shall include:

(a) a description of the nature of each change in accounting policy;

(b) reconciliations of the entity's ***equity*** determined in accordance with the entity's previous GAAP to the entity's equity determined by applying IFRS Standards as at:

(i) the ***date of transition to IFRS*** Standards; and

(ii) the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous GAAP.

(c) a reconciliation of ***total comprehensive income*** determined in accordance with the entity's previous GAAP or, if an entity did not report such a total, ***profit or loss*** under previous GAAP, for the latest period in the entity's most recent annual financial statements to the entity's total comprehensive income determined by applying IFRS Standards for the same period.

26 If an entity becomes aware of errors made applying its previous GAAP, the reconciliations required by paragraph 25(b)–(c) shall distinguish the correction of those errors from changes in accounting policies.

27 If, during the period covered by its first IFRS financial statements, an entity presents interim financial statements applying IFRS Standards and, before publishing its first IFRS financial statements, it changes its accounting policies or use of the exemptions in IFRS 1, the entity shall:

(a) explain the changes between its first IFRS ***interim financial report*** and its first IFRS financial statements (as required by paragraph 23); and

(b) update the reconciliations required by paragraph 25(b)–(c).

28 If an entity did not present financial statements for previous periods, it shall disclose that fact in its first IFRS financial statements.

Interim financial reports

29 To comply with paragraph 23, if an entity presents an interim financial report by applying IAS 34 *Interim Financial Reporting* for part of the period covered by its first IFRS financial statements, the entity shall satisfy the requirements in IAS 34[5] and shall:

5 The 'selected explanatory notes' (see paragraph 7 of IAS 34 *Interim Financial Reporting*) that apply to entities applying IAS 34 and this [draft] Standard are set out in this [draft] Standard beneath the subheading IAS 34 *Interim Financial Reporting*.

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(a) include in each such interim financial report, if the entity presented an interim financial report for the comparable ***interim period*** of the immediately preceding financial year:

   (i) a reconciliation of the entity's equity in accordance with the entity's previous GAAP at the end of that comparable interim period to the entity's equity applying IFRS Standards at that date; and

   (ii) a reconciliation of total comprehensive income determined in accordance with the entity's previous GAAP or, if the entity did not report such a total, profit or loss under previous GAAP, for that comparable interim period (current and year to date) to the entity's total comprehensive income determined by applying IFRS Standards for the same period;

(b) include in its first interim financial report prepared by applying IAS 34 for part of the period covered by its first IFRS financial statements either:

   (i) the reconciliations described in paragraph 25(b)–(c), supplemented by the information required by paragraph 26; or

   (ii) a cross-reference to another published document that includes these reconciliations; and

(c) explain any changes to its accounting policies or its use of the exemptions in IFRS 1 in each such interim financial report, as required by paragraph 23, and update the reconciliations required by (a)–(b).

30 If a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.

IFRS 2 *Share-based Payment*

31 An entity shall disclose:

(a) a description of each type of ***share-based payment arrangement*** that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (for example, whether in ***cash*** or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.

(b) the number and weighted average exercise prices of share options in each of the following groups:

   (i) options outstanding at the beginning of the period;

   (ii) options granted during the period;

(iii) options forfeited during the period;

(iv) options exercised during the period;

(v) options expired during the period;

(vi) options outstanding at the end of the period; and

(vii) options exercisable at the end of the period.

32 For ***equity-settled share-based payment transactions***, an entity shall disclose information about how it measured the ***fair value*** of goods or services received or the fair value of the equity instruments granted. If the entity used a valuation method, the entity shall disclose the method and the entity's reason for choosing it.

33 For ***cash-settled share-based payment transactions***, an entity shall disclose information about how it measured the ***liability***.

34 For share-based payment arrangements that were modified during the period, an entity shall explain those modifications.

35 An entity shall disclose:

(a) the total ***expense*** recognised in profit or loss for the period; and

(b) the total ***carrying amount*** at the end of the period for liabilities arising from ***share-based payment transactions***.

IFRS 3 *Business Combinations*

36 For each ***business combination*** during the reporting period, the ***acquirer*** shall disclose:

(a) the name and description of the ***acquiree***;

(b) the ***acquisition date***;

(c) the percentage of voting ***equity interests*** acquired;

(d) a qualitative description of the factors that make up the ***goodwill*** recognised, such as expected synergies from combining operations of the acquiree and the acquirer, ***intangible assets*** that do not qualify for separate recognition or other factors;

(e) the acquisition-date fair value of the total consideration transferred and a description of the components of that consideration (such as cash, equity instruments and debt instruments);

(f) for ***contingent consideration*** arrangements and indemnification assets:

(i) the amount recognised as of the acquisition date; and

(ii) a description of the arrangement and the basis for determining the amount of the payment;

(g) the amounts recognised at the acquisition date for each class of the acquiree's assets and liabilities;

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(h) for a bargain purchase, the amount of any gain recognised in profit or loss, applying paragraph 34 of IFRS 3, and the line item in the statement(s) of financial performance in which the gain is recognised; and

(i) for each business combination in which the acquirer holds less than 100% of the equity interests in the acquiree at the acquisition date:

(i) the amount of the ***non-controlling interest*** in the acquiree recognised at the acquisition date and the ***measurement basis*** for that amount; and

(ii) for each non-controlling interest in an acquiree measured at fair value, the valuation technique(s) and significant ***inputs*** used to ***measure*** that value.

37 An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period. This reconciliation need not be presented for prior periods. The reconciliation should show separately:

(a) additional goodwill recognised during the reporting period, except goodwill included in a ***disposal group*** that, on acquisition, meets the criteria to be classified as held for sale applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;

(b) ***impairment losses*** recognised during the reporting period by applying IAS 36 *Impairment of Assets*;

(c) goodwill included in a disposal group classified as held for sale applying IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale; and

(d) other changes.

38 For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires, the entity shall disclose for each material business combination and in aggregate for individually immaterial business combinations that are material collectively:

(a) any changes in the recognised amounts, including any differences arising upon settlement; and

(b) the valuation techniques and key model inputs used to measure contingent consideration.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*[6]

39 In the period in which a ***non-current asset*** (or disposal group) has either been classified as held for sale or has been sold, an entity shall disclose in the notes:

(a) a description of the non-current asset (or disposal group); and

(b) a description of the facts and circumstances of the sale or plan.

40 If either paragraph 26 or paragraph 29 of IFRS 5 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

41 An entity shall treat ***exploration and evaluation assets*** as a separate class of assets and make the disclosures required by either paragraphs 148–150 of this [draft] Standard (IAS 16 *Property, Plant and Equipment*) or paragraphs 201–204 of this [draft] Standard (IAS 38 *Intangible Assets*), consistent with how the assets are classified.

IFRS 7 *Financial Instruments: Disclosures*

Disclosure of accounting policies for financial instruments

42 In accordance with paragraph 123 of this [draft] Standard, an entity discloses material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.

Statement of financial position—categories of financial assets and financial liabilities

43 The carrying amounts of each of the following categories of ***financial assets*** and ***financial liabilities*** at the reporting date shall be disclosed either in the statement of financial position or in the notes:

(a) financial assets measured at fair value through profit or loss;

(b) financial assets measured at amortised cost;

(c) financial assets measured at fair value through ***other comprehensive income***, showing separately:

(i) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9 *Financial Instruments*; and

6 In addition to the disclosures required by this [draft] Standard when an entity has applied IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the following paragraphs in IFRS 5 use the word ‘disclose’ in requirements that remain applicable: paragraphs 12, 33(a) and 34.

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(ii) investments in equity instruments designated as such upon initial recognition, in accordance with paragraph 5.7.5 of IFRS 9;

(d) ***financial liabilities at fair value through profit or loss***, showing separately those designated as at fair value through profit or loss in accordance with paragraph 4.2.2 of IFRS 9; and

(e) financial liabilities measured at amortised cost.

44 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity).

Financial liabilities at fair value through profit or loss

45 If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of IFRS 9 and is required to present the effects of changes in that liability's ***credit risk*** in other comprehensive income (see paragraph 5.7.7 of IFRS 9), it shall disclose:

(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of IFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

46 If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of IFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of IFRS 9), it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of IFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

Reclassification

47 An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of IFRS 9. For each such event, an entity shall disclose:

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(a) the date of reclassification;

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements; and

(c) the amount reclassified into and out of each category.

48 For each reporting period following reclassification until ***derecognition***, an entity shall disclose for assets reclassified out of the 'fair value through profit or loss' category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of IFRS 9:

(a) the ***effective interest rate*** determined on the date of reclassification; and

(b) the interest revenue recognised.

Allowance account for credit losses

49 The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9 is not reduced by a ***loss allowance***, and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.

Compound financial instruments with multiple embedded derivatives

50 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of IAS 32 *Financial Instruments: Presentation*) and the instrument has multiple embedded ***derivatives*** whose values are interdependent (such as a callable convertible debt instrument), the entity shall disclose the existence of those features.

Transferred financial assets that are not derecognised in their entirety

51 If an entity has transferred financial assets to another party in a transaction in such a way that part or all of the transferred financial assets do not qualify for derecognition, the entity shall disclose for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed; and

(c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.

Collateral

52 When an entity has pledged financial assets as collateral for liabilities or ***contingent liabilities***, it shall disclose:

(a) the carrying amount of the financial assets pledged as collateral; and

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(b) the terms and conditions relating to its pledge.

Defaults and breaches on loans payable

53 For ***loans payable*** recognised at the reporting date for which there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date, an entity shall disclose:

(a) details of that breach or default;

(b) the carrying amount of the related loans payable at the reporting date; and

(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

Items of income, expense, gains or losses

54 An entity shall disclose separately:

(a) ***income***, expense, gains or losses, including changes in fair value, recognised on:

(i) financial assets or financial liabilities measured at fair value through profit or loss;

(ii) financial assets measured at amortised cost;

(iii) financial liabilities measured at amortised cost;

(iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9; and

(v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period, and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period;

(b) total interest revenue and total interest expense (calculated using the ***effective interest method***) for financial assets or financial liabilities that are not measured at fair value through profit or loss;

(c) the amount of any impairment loss for each class of financial asset; and

(d) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets and financial liabilities that are not measured at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, ***retirement benefit plans***, and other institutions.

Hedge accounting

55 An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):

(a) how each risk arises;

(b) how the entity manages each risk, including whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item, and why; and

(c) the extent of the risk exposures the entity manages.

56 An entity shall disclose separately for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied:

(a) a description of the ***hedging instruments***, including the nominal amounts (such as tonnes or cubic metres), and how they are used to hedge risk exposures;

(b) the nature of the risks being hedged, including a description of the ***hedged item***;

(c) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing ***hedge effectiveness***; and

(d) when an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of IFRS 9), it shall provide information about how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole).

57 An entity shall disclose, in a table, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a ***net investment in a foreign operation***):

(a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);

(b) the line item in the statement of financial position that includes the hedging instrument; and

(c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period.

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58 An entity shall disclose, in a table, the following amounts separately by risk category for the types of hedges as follows:

(a) for fair value hedges:

(i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

(ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

(iii) the line item in the statement of financial position that includes the hedged item;

(iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and

(v) hedge ineffectiveness—that is, the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9).

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

(i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (that is, for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of IFRS 9);

(ii) hedge ineffectiveness recognised in profit or loss;

(iii) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see IAS 1), differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss; and

(iv) hedging gains or losses of the reporting period that were recognised in other comprehensive income.

Uncertainty arising from interest rate benchmark reform

59 For hedging relationships to which an entity applies the exceptions set out in paragraphs 6.8.4–6.8.12 of IFRS 9 or paragraphs 102D–102N of IAS 39 *Financial Instruments: Recognition and Measurement*, an entity shall disclose:

(a) the significant interest rate benchmarks to which the entity's hedging relationships are exposed;

(b) the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;

(c) how the entity is managing the process to transition to alternative benchmark rates;

(d) a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and

(e) the nominal amount of the hedging instruments in those hedging relationships.

Additional disclosure related to interest rate benchmark reform

60 An entity shall disclose a description of changes to its risk management strategy (see paragraph 55) if the changes resulted from risks to which the entity is exposed arising from financial instruments because of the transition to alternative benchmark rates.

Fair value

61 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an ***active market*** for an identical asset or liability (a ***Level 1 input***), nor based on a valuation technique that uses data only from observable markets (see paragraph B5.1.2A of IFRS 9). In such cases, the entity shall disclose by class of financial asset or financial liability:

(a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the ***transaction price*** to reflect a change in factors (including time) that ***market participants*** would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of IFRS 9);

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference; and

(c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

The credit risk management practices

62 An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of ***expected credit losses***. To meet this objective, an entity that has not applied the simplified approach in paragraphs 5.5.15–5.5.16 of IFRS 9 shall disclose information that enables users of financial statements to understand and evaluate:

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(a) how the entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:

(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of IFRS 9, including the classes of financial instruments to which it applies;

(ii) the presumption in paragraph 5.5.11 of IFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days ***past due***, has been rebutted; and

(b) an entity's definitions of default, including the reasons for selecting those definitions.

63 An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of IFRS 9. For this purpose an entity shall disclose:

(a) the basis of inputs and assumptions and the estimation techniques used to:

(i) measure the ***12-month*** and ***lifetime expected credit losses***;

(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and

(iii) determine whether a financial asset is a ***credit-impaired financial asset***;

(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and

(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

Quantitative and qualitative information about amounts arising from expected credit losses

64 To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

(a) the loss allowance measured at an amount equal to 12-month expected credit losses.

(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:

(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

(iii) trade receivables, ***contract assets*** or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9.

(c) financial assets that are purchased or originated credit-impaired. An entity shall also disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

Changes in the loss allowance

65 For loan commitments and ***financial guarantee contracts***, the loss allowance is recognised as a ***provision***. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (financial asset) and an undrawn commitment (loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the ***gross carrying amount of the financial asset***, the expected credit losses should be recognised as a provision.

66 To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 64 of this [draft] Standard, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 64(a)–(c) of this [draft] Standard and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

(a) changes because of financial instruments originated or acquired during the reporting period;

(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with IFRS 9;

(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and

(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

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Credit risk exposure

67 To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by ***credit risk rating grades***, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. An entity shall provide this information separately for financial instruments:

(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;

(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:

  (i) financial instruments for which credit risk has increased significantly since initial recognition, but that are not credit-impaired financial assets;

  (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

  (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9; and

(c) that are ***purchased or originated credit-impaired financial assets***.

IFRS 12 *Disclosure of Interests in Other Entities*

68 An entity shall disclose information separately for interests in:

(a) subsidiaries;

(b) joint ventures; and

(c) associates.

Interests in subsidiaries

69 When an entity has interests in subsidiaries, it shall disclose:

(a) the fact that the statements are consolidated financial statements;

(b) the basis for concluding that control exists when the parent does not hold, directly or indirectly through subsidiaries, more than half of the voting rights of the other entity;

(c) any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements; and

(d) the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash ***dividends*** or to repay loans.

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Consequences of losing control of a subsidiary during the reporting period

70 An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of IFRS 10 *Consolidated Financial Statements*, and:

(a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and

(b) the line items in profit or loss in which the gain or loss is recognised (if not presented separately).

Investment entity status

71 When a parent determines that it is an ***investment entity*** in accordance with paragraph 27 of IFRS 10 and it does not have one or more of the typical characteristics of an investment entity (see paragraph 28 of IFRS 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.

72 When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;

(b) the total gain or loss, if any, calculated in accordance with paragraph B101 of IFRS 10; and

(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interests in unconsolidated subsidiaries (investment entities)

73 An investment entity that, in accordance with IFRS 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.

74 An investment entity shall disclose the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans.

Interests in joint ventures and associates

75 An investment entity need not provide the disclosures required by paragraph 76 of this [draft] Standard.

76 For investments in joint ventures and, separately, for investments in associates, an entity shall disclose:

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(a) whether investments in joint ventures and investments in associates are measured using the ***equity method*** or at fair value;

(b) the carrying amount of investments in joint ventures and investments in associates, showing separately investments measured using the equity method and investments measured at fair value; and

(c) the fair value of its investment in a joint venture or associate, if a market price for the investment is quoted and the entity accounts for the joint venture or associate using the equity method.

77 For investments in joint ventures accounted for using the equity method and for associates accounted for using the equity method, an investor shall disclose separately its share of profit or loss and its share of any ***discontinued operations***.

78 An entity shall disclose the aggregate amount of its commitments relating to joint ventures, including its share in the commitments that have been incurred jointly with other venturers. Commitments are those that may give rise to a future outflow of cash or other resources.

IFRS 13 *Fair Value Measurement*

79 An entity shall disclose for each class of assets and liabilities measured at fair value (including measurements based on fair value within the scope of IFRS 13) in the statement of financial position after initial recognition:

(a) the carrying amounts at the end of the reporting period;

(b) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3); and

(c) a description of the valuation technique(s) it used for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, and the inputs used in the fair value measurement.

80 For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall disclose:

(a) total gains or losses for the period recognised in profit or loss, and the line items in profit or loss in which those gains or losses are recognised; and

(b) total gains or losses for the period recognised in other comprehensive income, and the line items in other comprehensive income in which those gains or losses are recognised.

81 A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position. An entity shall determine appropriate classes of assets and liabilities on the basis of:

(a) the nature, characteristics and risks of the asset or liability; and

(b) the level of the fair value hierarchy within which the fair value measurement is categorised.

82 If an entity makes an accounting policy decision to use the exception in paragraph 48 of IFRS 13 (financial assets and financial liabilities with offsetting positions in ***market risks*** or counterparty credit risk), it shall disclose that fact.

83 An entity shall present the quantitative disclosures required by paragraphs 79–82 of this [draft] Standard in a table unless another format is more appropriate.

IFRS 14 *Regulatory Deferral Accounts*

84 To help a user of the financial statements assess the nature of, and the risks associated with, the entity's ***rate-regulated activities***, an entity shall disclose for each type of rate-regulated activity:

(a) a brief description of the nature and extent of the rate-regulated activity and the nature of the regulatory rate-setting process.

(b) the identity of the ***rate regulator***. If the rate regulator is a ***related party*** (as defined in IAS 24 *Related Party Disclosures*), the entity shall disclose that fact, together with an explanation of how the regulator is related.

85 The disclosures required by paragraph 84 shall be given in the financial statements either directly in the notes or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. If the information is not included in the financial statements directly or incorporated by cross-reference, the financial statements are incomplete.

86 An entity shall disclose the basis on which ***regulatory deferral account balances*** are recognised and derecognised, and how they are measured initially and subsequently, including how regulatory deferral account balances are assessed for recoverability and how any impairment loss is allocated.

87 For each type of rate-regulated activity, an entity shall disclose, for each class of regulatory deferral account balance, a reconciliation of the carrying amount at the beginning and the end of the period, in a table unless another format is more appropriate. The entity shall apply judgement in deciding the level of detail necessary (see paragraphs 28–29 of IFRS 14), but the following components would usually be relevant:

(a) the amounts that have been recognised in the current period in the statement of financial position as regulatory deferral account balances;

(b) the amounts that have been recognised in the statement(s) of profit or loss and other comprehensive income relating to balances that have been recovered (sometimes described as amortised) or reversed in the current period; and

(c) other amounts, separately identified, that affected the regulatory deferral account balances, such as impairments, items acquired or assumed in a business combination, items disposed of, or the effects of changes in foreign ***exchange rates*** or discount rates.

88 When an entity concludes that a regulatory deferral account balance is no longer fully recoverable or reversible, it shall disclose that fact, the reason why it is not recoverable or reversible and the amount by which the regulatory deferral account balance has been reduced.

IFRS 15 *Revenue from Contracts with Customers*

General disclosures about revenue from contracts with customers

89 An entity shall disclose the ***revenue*** it recognised from ***contracts*** with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Categories that might be appropriate include:

(a) type of good or service (for example, major product lines);

(b) geographical region (for example, country or region);

(c) market or type of customer (for example, ***government*** and non-government customers);

(d) type of contract (for example, fixed-price and time-and-materials contracts);

(e) contract duration (for example, short-term and long-term contracts);

(f) timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time); and

(g) sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

90 If an entity applies IFRS 8 *Operating Segments*, the entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (as required by paragraph 89) and revenue information that is disclosed for each reportable segment.

Contracts with customers

91 Unless the amounts are presented separately in the statement of comprehensive income by applying other IFRS Standards, an entity shall disclose the amount of impairment losses recognised (by applying IFRS 9) for the reporting period on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts for the reporting period.

Contract balances

92 An entity shall disclose:

(a) the opening and closing balances of receivables, contract assets and ***contract liabilities*** from contracts with customers, if not otherwise separately presented or disclosed;

(b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and

(c) revenue recognised in the reporting period from ***performance obligations*** satisfied or partially satisfied in previous periods (for example, changes in transaction price).

93 An entity shall explain the significant changes in the contract asset and the contract liability balances during the reporting period.

Performance obligations

94 An entity shall disclose information about its performance obligations in contracts with customers, including a description of:

(a) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained applying paragraphs 56–58 of IFRS 15);

(b) obligations for returns, refunds and other similar obligations; and

(c) types of warranties and related obligations.

Disclosures relating to revenue from contracts satisfied over time

95 For performance obligations that an entity satisfies over time, an entity shall disclose the methods it used to recognise revenue—for example, a description of the output methods or input methods used and how those methods are applied.

Transaction price allocated to the remaining performance obligations

96 An entity shall provide a quantitative or qualitative explanation of the significance of unsatisfied performance obligations and when they are expected to be satisfied. As a practical expedient, an entity need not disclose this information for a performance obligation if either of the following conditions is met:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or

(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 of IFRS 15.

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Determining the transaction price—variable consideration

97 An entity shall disclose information about the methods, inputs and assumptions used for assessing whether an estimate of variable consideration is constrained.

Assets recognised from the costs to obtain or fulfil a contract with a customer

98 An entity shall disclose:

(a) the closing balances of assets recognised from the ***costs*** incurred to obtain or fulfil a contract with a customer (applying paragraphs 91 or 95 of IFRS 15), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and

(b) the amount of ***amortisation*** and any impairment losses recognised in the reporting period.

Practical expedients

99 If an entity elects to use the practical expedient in either paragraph 63 of IFRS 15 (existence of a significant financing component) or paragraph 94 of IFRS 15 (incremental costs of obtaining a contract), the entity shall disclose that fact.

IFRS 16 *Leases*[7]

Lessees

100 Except for ***leases*** it accounts for applying paragraph 6 of IFRS 16 (***short-term leases*** or leases for which the ***underlying asset*** is of low value), a ***lessee*** shall disclose:

(a) for ***right-of-use assets***, by class of underlying asset:

(i) the carrying amount at the end of the reporting period;

(ii) the ***depreciation*** charge; and

(iii) additions;

(b) interest expense on lease liabilities;

(c) lease liabilities at the end of the reporting period;

(d) for leases that have commenced by the end of the reporting period, the total of future ***lease payments*** at the end of the reporting period payable:

(i) no later than one year from the reporting date;

(ii) later than one year and up to five years from the reporting date; and

7 In addition to the disclosures required by this [draft] Standard when an entity has applied IFRS 16 *Leases*, the following paragraph in IFRS 16 uses the word 'disclose' in a requirement that remains applicable: paragraph 47.

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(iii) later than five years from the reporting date; and

(e) a general description of the lessee's significant leasing arrangements, including information about variable lease payments, renewal or purchase options and escalation clauses, ***subleases***, termination options, and restrictions imposed by lease arrangements.

101 When an impairment has been recognised (or reversed) applying IAS 36 to a lessee's right-of-use assets, an entity provides the disclosures required by paragraphs 190–191 of this [draft] Standard.

102 If a lessee measures right-of-use assets at revalued amounts applying IAS 16, the lessee shall disclose the information required by paragraph 150 of this [draft] Standard for those right-of-use assets.

103 A lessee shall disclose for short-term leases and, separately, for other leases for which the underlying asset is of low value, the lease payments recognised as an expense for the reporting period when the entity has applied paragraph 6 of IFRS 16. The expense disclosed for short-term leases need not include that for leases with a ***lease term*** of one month or less.

104 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 of IFRS 16 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 103 relates.

105 If a lessee applies the practical expedient in paragraph 46A of IFRS 16, the lessee shall disclose:

(a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of IFRS 16 or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2 of IFRS 16); and

(b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A of IFRS 16.

Lessors

Finance leases

106 For ***finance leases***, a ***lessor*** shall disclose:

(a) a reconciliation between the ***net investment in the lease*** at the end of the reporting period and the undiscounted lease payments receivable at the end of the reporting period. A lessor shall also disclose the undiscounted lease payments receivable at the end of the reporting period:

(i) no later than one year from the reporting date;

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(ii) later than one year and up to five years from the reporting date; and

(iii) later than five years from the reporting date.

(b) ***unearned finance income***.

(c) the discounted ***unguaranteed residual values*** accruing to the benefit of the lessor.

(d) the loss allowance for uncollectable lease payments receivable.

(e) income recognised in the period relating to variable lease payments not included in the measurement of the net investment in the lease.

(f) a general description of the lessor's significant leasing arrangements, including information about variable lease payments, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

Operating leases

107 For ***operating leases***, a lessor shall disclose:

(a) the future lease payments receivable:

(i) no later than one year from the reporting date;

(ii) later than one year and up to five years from the reporting date; and

(iii) later than five years from the reporting date;

(b) income recognised in the period relating to variable lease payments that do not depend on an index or a rate; and

(c) a general description of the lessor's significant leasing arrangements, including information about variable lease payments, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements.

108 The requirements for disclosure about assets in paragraphs 41, 148–150, 190–195 and 201–212 also apply to lessors for assets provided under operating leases.

Sale and leaseback transactions: lessees and lessors

109 The disclosure requirements in paragraphs 100–108 for lessees and lessors also apply to sale and leaseback transactions. The required description of significant leasing arrangements includes the description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

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IAS 1 *Presentation of Financial Statements*[8]

Fair presentation and compliance with IFRS Standards

110 An entity whose financial statements comply with IFRS Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRS Standards unless they comply with all the requirements in IFRS Standards. An entity shall make this statement together with the fact that it has applied this [draft] Standard as required by paragraph 22 of this [draft] Standard.

111 When an entity departs from a requirement in an IFRS Standard in accordance with paragraph 19 of IAS 1, it shall disclose:

(a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;

(b) that it has complied with applicable IFRS Standards, except that it has departed from a particular requirement to achieve a fair presentation;

(c) the title of the IFRS Standard from which the entity has departed, the nature of the departure, including the treatment that the IFRS Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*), and the treatment adopted; and

(d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

112 When an entity has departed from a requirement in an IFRS Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 111(c)–(d) of this [draft] Standard.

113 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

(a) the title of the IFRS Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Conceptual Framework*; and

8 In addition to the disclosures required by this [draft] Standard when an entity has applied IAS 1 *Presentation of Financial Statements*, the following paragraphs in IAS 1 use the word 'disclose' in requirements that remain applicable: paragraphs 15, 17(c), 25, 31, 36, 51, 53, 92, 94, 99, 103, 106(d) and 110.

(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Comparative information

Change in accounting policy, retrospective restatement or reclassification

114 When an entity is required to present an additional statement of financial position in accordance with paragraph 40A of IAS 1, it must disclose the information required by paragraphs 115–116 and 134–140 of this [draft] Standard. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

115 If an entity changes the presentation or ***classification*** of items in its financial statements, it shall reclassify comparative amounts unless reclassification is ***impracticable***. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

116 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Information to be presented either in the statement of financial position or disclosed in the notes

117 An entity shall either present in the statement of financial position or disclose in the notes:

(a) ***property, plant and equipment*** in classifications appropriate to the entity in accordance with IAS 16;

(b) trade and other receivables, showing separately amounts receivable from related parties, amounts receivable from other parties and receivables arising from contract assets;

(c) ***inventories***, showing classifications appropriate to the entity, in accordance with IAS 2 *Inventories*;

(d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals;

(e) provisions for ***employee benefits*** and other provisions; and

(f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that are recognised in other comprehensive income and presented separately in equity.

118 An entity with share capital shall either present in the statement of financial position or disclose in the notes:

(a) for each class of share capital:

(i) the number of shares authorised.

(ii) the number of shares issued and fully paid, and issued but not fully paid.

(iii) par value per share or that the shares have no par value.

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods.

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital.

(vi) shares in the entity held by the entity or by its subsidiaries or associates.

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.

(b) a description of each reserve within equity.

119 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 118(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.

Structure of the notes

120 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used, as required by paragraphs 123–125;

(b) disclose the information required by this [draft] Standard that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

121 An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes.

122 One example of systematic ordering of the notes would be to follow the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

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(a) a statement that the financial statements have been prepared in compliance with IFRS Standards and with this [draft] Standard (see paragraphs 110 and 22, respectively, of this [draft] Standard);

(b) material accounting policy information (see paragraph 123);

(c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and

(d) any other disclosures.

Disclosure of accounting policies

123 An entity shall disclose material accounting policy information (see paragraph 7 of IAS 1). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the ***primary users*** of general purpose financial statements make on the basis of those financial statements.

Information about judgements

124 An entity shall disclose, along with its material accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Examples of judgements that an entity may be required to disclose include those determining:

(a) when recognising revenue from contracts with customers: the transaction price, the amounts allocated to performance obligations, and the timing of satisfaction of performance obligations;

(b) appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided;

(c) that the entity has control of another entity;

(d) that the entity has ***joint control*** of an arrangement or ***significant influence*** over another entity;

(e) the type of ***joint arrangement*** (that is, a ***joint operation*** or joint venture) when the arrangement has been structured through a ***separate vehicle***; and

(f) that the entity is an investment entity.

Sources of estimation uncertainty

125 An entity shall disclose in the notes information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

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(a) their nature; and

(b) their carrying amount as at the end of the reporting period.

Disclosure of dividends

126 Where an entity has more than one class of shares, it shall disclose dividends paid (in aggregate or per share) separately for ***ordinary shares*** and other shares.

The reporting entity

127 An entity shall disclose in the notes:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and

(b) a description of the nature of the entity's operations and its principal activities.

IAS 2 *Inventories*

128 An entity shall disclose:

(a) the accounting policies adopted in measuring inventories, including the cost formula used;

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(c) the amount of inventories recognised as an expense during the period;

(d) the amount of any write-down recognised or reversed in profit or loss as required by paragraph 34 of IAS 2; and

(e) the total carrying amount of inventories pledged as security for liabilities.

IAS 7 *Statement of Cash Flows*[9]

Non-cash transactions

129 An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or ***cash equivalents***. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about those ***investing*** and ***financing activities***.

9 In addition to the disclosures required by this [draft] Standard when an entity has applied IAS 7 *Statement of Cash Flows*, the following paragraphs in IAS 7 use the word 'disclose' in requirements that remain applicable: paragraphs 16–18, 20, 31–32 and 35–36.

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Changes in liabilities arising from financing activities

130 An entity shall disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The reconciliation shall include:

(a) changes from financing cash flows;

(b) changes arising from obtaining or losing control of subsidiaries or other ***businesses***;

(c) the effect of changes in foreign exchange rates;

(d) changes in fair values; and

(e) other changes.

Components of cash and cash equivalents

131 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position.

132 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with IAS 1, an entity shall disclose the policy which it adopts in determining the composition of cash and cash equivalents.

Other disclosures

133 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Foreign exchange controls or legal restrictions could be an example of why cash and cash equivalents held by an entity may not be available for use by the entity.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Changes in accounting policies

134 When initial application of an IFRS Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the IFRS Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) for each financial statement line item affected; and

  (ii) if an entity has applied IAS 33 *Earnings per Share*, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if ***retrospective application*** required by paragraph 19(a) or (b) of IAS 8 is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements for subsequent periods need not repeat these disclosures.

135 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) for each financial statement line item affected; and

  (ii) if an entity has applied IAS 33, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements for subsequent periods need not repeat these disclosures.

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136 When an entity has not applied a new IFRS Standard that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

(b) known or reasonably estimable information relevant to assessing the possible impact that applying the new IFRS Standard will have on the entity's financial statements in the period of initial application.

137 In complying with paragraph 136, an entity considers disclosing:

(a) the title of the new IFRS Standard;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the IFRS Standard is required;

(d) the date as at which it plans to apply the IFRS Standard initially; and

(e) either:

(i) a discussion of the impact that initial application of the IFRS Standard is expected to have on the entity's financial statements; or

(ii) if that impact is not known or reasonably estimable, a statement to that effect.

Changes in accounting estimates

138 An entity shall disclose the nature and amount of a ***change in an accounting estimate*** that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

139 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Disclosure of prior period errors

140 In applying paragraph 42 of IAS 8, an entity shall disclose the following:

(a) the nature of the ***prior period error***;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if an entity has applied IAS 33, for basic and diluted earnings per share;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

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(d) if ***retrospective restatement*** is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements for subsequent periods need not repeat these disclosures.

IAS 10 *Events after the Reporting Period*

Date of authorisation for issue

141 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's ***owners*** or others have the ***power*** to amend the financial statements after issue, the entity shall disclose that fact.

Updating disclosure about conditions at the end of the reporting period

142 If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

Non-adjusting events after the reporting period

143 An entity shall disclose for each material category of non-adjusting event after the end of the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

144 Disclosures about ***non-adjusting events after the reporting period*** will reflect information that becomes known after the reporting period but before the financial statements are authorised for issue. Examples of non-adjusting events after the reporting period that would generally result in disclosure include:

(a) a major business combination or disposal of a major subsidiary;

(b) an announcement of a plan to discontinue an operation;

(c) major purchases of assets, classification of assets as held for sale in accordance with IFRS 5, other disposals of assets, or expropriation of major assets by government;

(d) the destruction of a major production plant by a fire;

(e) an announcement, or commencement of the implementation, of a major ***restructuring***;

(f) issues or repurchases of an entity's debt or equity instruments;

(g) abnormally large changes in asset prices or foreign exchange rates;

(h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and ***deferred tax assets*** and ***liabilities***;

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(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(j) commencement of major litigation arising solely out of events that occurred after the end of the reporting period.

IAS 12 *Income Taxes*

145 An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events.

146 An entity shall disclose separately the major components of ***tax expense (income)***. Such components of tax expense (income) may include:

(a) current tax expense (income);

(b) any adjustments recognised in the period for ***current tax*** of prior periods;

(c) the amount of deferred tax expense (income) relating to the origination and reversal of ***temporary differences***;

(d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;

(e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce tax expense;

(f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders;

(g) deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 56 of IAS 12; and

(h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with IAS 8, because they cannot be accounted for retrospectively.

147 An entity shall disclose separately:

(a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.

(b) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.

(c) an explanation of any significant differences between the tax expense (income) and ***accounting profit*** multiplied by the applicable tax rate. Such differences may arise from transactions such as revenue that are exempt from taxation or expenses that are not deductible in determining ***taxable profit (tax loss)***.

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(d) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.

(e) for each type of temporary difference and for each type of unused tax losses and unused tax credits:

  (i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period; and

  (ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the reporting period.

(f) the amount (and expiry date, if any) of ***deductible temporary differences***, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position.

(g) in the circumstances described in paragraph 52A of IAS 12, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.

IAS 16 *Property, Plant and Equipment*

148 For each class of property, plant and equipment, an entity shall disclose:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation methods used;

(c) the ***useful lives*** or the depreciation rates used;

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and

(e) a reconciliation, which need not be presented for prior periods, of the carrying amount at the beginning and end of the reporting period showing separately:

  (i) additions;

  (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

  (iii) acquisitions through business combinations;

  (iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 of IAS 16, and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;

  (v) impairment losses recognised or reversed in profit or loss in accordance with IAS 36;

  (vi) depreciation; and

  (vii) other changes.

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149 An entity shall also disclose:

(a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities; and

(b) the amount of contractual commitments for the acquisition of property, plant and equipment.

150 If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

IAS 19 *Employee Benefits*

Disclosures about defined contribution plans and defined benefit plans accounted for as defined contribution plans

151 An entity shall disclose the amount recognised in profit or loss as an expense for ***defined contribution plans***. If an entity treats a multi-employer defined benefit plan as a defined contribution plan because sufficient information for defined benefit accounting is unavailable (see paragraph 34 of IAS 19), it shall disclose the fact that the plan is a ***defined benefit plan*** and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity.

Disclosures about defined benefit plans

152 Except for any multi-employer defined benefit plans that are accounted for as defined contribution plans by applying paragraph 34 of IAS 19, for which the disclosures in paragraph 151 apply, an entity shall disclose the following about defined benefit plans:

(a) a general description of the type of plan, including ***funding*** policy;

(b) a reconciliation of opening and closing balances of the ***present value of the defined benefit obligation*** showing separately:

(i) ***current service cost***;

(ii) interest expense;

(iii) remeasurements of the present value of the defined benefit obligation;

(iv) ***past service costs***;

(v) benefits paid; and

(vi) all other changes;

(c) a reconciliation of the opening and closing balances of the ***plan assets*** and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately:

(i) contributions;

(ii) benefits paid;

(iii) the actual ***return on plan assets***; and

(iv) other changes in plan assets;

(d) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class of plan assets constitutes of the fair value of the total plan assets at the reporting date;

(e) the amounts included in the fair value of plan assets for:

(i) each class of the entity's own financial instruments; and

(ii) any property occupied by, or other assets used by, the entity; and

(f) the principal actuarial assumptions used, including:

(i) the discount rates;

(ii) the expected rates of salary increases;

(iii) medical cost trend rates; and

(iv) any other material actuarial assumptions used.

153 The reconciliations required by paragraph 152(b) and (c) need not be presented for prior periods.

154 If an entity has more than one defined benefit plan, the disclosures required by paragraph 152 may be made in total, separately for each plan, or in groupings the entity considers to be the most useful.

Defined benefit plans that share risks between entities under common control

155 If an entity participates in a defined benefit plan that shares risks between entities under common control, it shall disclose:

(a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;

(b) the policy for determining the contribution to be paid by the entity;

(c) if the entity accounts for an allocation of the net defined benefit cost as noted in paragraph 41 of IAS 19, all the information about the plan as a whole required by paragraph 152; and

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(d) if the entity accounts for the contribution payable for the period as noted in paragraph 41 of IAS 19, the information about the plan as a whole required by paragraph 152(a), (d), (e) and (f).

156 The information required by paragraph 156(c)–(d) can be disclosed by cross-reference to disclosures required by these subparagraphs or by paragraph 149(c)–(d) of IAS 19 in another group entity's financial statements if:

(a) that group entity's financial statements separately identify and disclose the information required about the plan; and

(b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.

Contingent liabilities arising from post-employment benefit obligations

157 When required by paragraphs 197–200 of this [draft] Standard, an entity discloses information about contingent liabilities arising from ***post-employment benefit*** obligations.

Disclosures about other long-term employee benefits

158 For each category of ***other long-term employee benefits*** that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.

Disclosures about termination benefits

159 For each category of ***termination benefits*** that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*[10]

160 An entity shall disclose:

(a) the accounting policy adopted for ***government grants***, including the methods of presentation adopted in the financial statements;

(b) the nature and amounts of government grants recognised in the financial statements;

(c) unfulfilled conditions and other contingencies attaching to ***government assistance*** that has been recognised; and

10 In addition to the disclosures required by this [draft] Standard when an entity has applied IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the following paragraphs in IAS 20 use the word 'disclose' in requirements that remain applicable: paragraphs 21–22, 28 and 31.

(d) an indication of other forms of government assistance from which the entity has directly benefited.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

161 An entity shall disclose:

(a) the amount of ***exchange differences*** recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss in accordance with IFRS 9; and

(b) net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.

162 An entity shall disclose the currency in which the financial statements are presented. When the ***presentation currency*** is different from the ***functional currency***, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency.

163 When there is a change in the functional currency of either the ***reporting entity*** or a significant ***foreign operation***, the entity shall disclose that fact and the reason for the change in functional currency.

IAS 23 *Borrowing Costs*

164 An entity shall disclose:

(a) the amount of ***borrowing costs*** capitalised during the period; and

(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

IAS 24 *Related Party Disclosures*

Disclosure of parent-subsidiary relationships

165 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose:

(a) the name of its parent and, if different, the ultimate controlling party; and

(b) the name of the entity that prepares consolidated financial statements available for public use that comply with IFRS Standards, as required by paragraph 6(c) of this [draft] Standard and which results in the entity being eligible to apply this [draft] Standard.

Disclosure of key management personnel compensation

166 An entity shall disclose ***key management personnel compensation*** in total.

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167 If an entity obtains key management personnel services from another entity (management entity), the entity is not required to apply the requirements in paragraph 166 to the compensation paid or payable by the management entity to the management entity's employees or directors.

168 Amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

Disclosure of related party transactions

169 If an entity has ***related party transactions***, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 166 to disclose key management personnel compensation. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances and:

  (i) their terms and conditions, including whether they are secured and the nature of the consideration to be provided in settlement; and

  (ii) details of any guarantees given or received;

(c) provisions for uncollectable receivables related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

170 An entity shall make the disclosures required by paragraph 169 separately for the following items:

(a) entities with control, joint control or significant influence over the entity;

(b) entities over which the entity has control or significant influence;

(c) entities that are joint ventures in which the entity is a ***joint venturer***;

(d) key management personnel of the entity or its parent (in the aggregate); and

(e) other related parties.

171 An entity is exempt from the disclosure requirements in paragraph 169 in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

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(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

172 The following are examples of transactions that shall be disclosed if they are with a related party:

(a) purchases or sales of goods (finished or unfinished);

(b) purchases or sales of property and other assets;

(c) the rendering or receiving of services;

(d) leases;

(e) transfers of ***research*** and ***development***;

(f) transfers under licence agreements;

(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);

(h) the provision of guarantees or collateral;

(i) the settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and

(j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities (see paragraph 42 of IAS 19, which requires disclosure by paragraph 155 of this [draft] Standard).

173 An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.

174 An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

IAS 27 *Separate Financial Statements*

175 When a parent (other than a parent that is an investment entity to which paragraph 176 applies), or an investor in an associate, or a joint venturer that has joint control of a joint venture prepares separate financial statements, those separate financial statements need not include the disclosures required by paragraphs 176–180, and shall disclose:

(a) that the statements are separate financial statements;

(b) a description of the methods used to account for the investments in subsidiaries, joint ventures and associates; and

(c) either:

(i) the financial statements prepared by applying IFRS 10, IFRS 11 *Joint Arrangements* or IAS 28 *Investments in Associates and Joint Ventures* to which they relate; or

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(ii) if the entity has elected not to prepare consolidated financial statements, applying paragraph 4(a) of IFRS 10, that the exemption from consolidation has been used; and the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements that comply with IFRS Standards have been produced for public use.

176 When an investment entity that is a parent prepares, by applying paragraph 8A of IAS 27, separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by paragraphs 177–180.

Investment entity status

177 When a parent determines that it is an investment entity in accordance with paragraph 27 of IFRS 10 and it does not have one or more of the typical characteristics of an investment entity (see paragraph 28 of IFRS 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.

178 When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;

(b) the total gain or loss, if any, calculated in accordance with paragraph B101 of IFRS 10; and

(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interests in unconsolidated subsidiaries (investment entities)

179 An investment entity that, in accordance with IFRS 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.

180 An investment entity shall disclose the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans.

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IAS 29 *Financial Reporting in Hyperinflationary Economies*

181 An entity shall disclose:

(a) the fact that financial statements and other prior period data have been restated for changes in the general purchasing power of the functional currency;

(b) the identity and level of the price index at the reporting date and changes during the current reporting period and the previous reporting period; and

(c) the amount of gain or loss on monetary items.

IAS 32 *Financial Instruments: Presentation*[11]

Offsetting financial assets and liabilities

182 An entity shall disclose, at the end of the reporting period, separately the gross amounts of those recognised financial assets and recognised financial liabilities that are offset in accordance with paragraph 42 of IAS 32.

183 Financial instruments disclosed when applying paragraph 182 may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, whereas a derivative will be measured at fair value). An entity shall include instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

IAS 34 *Interim Financial Reporting*[12,13]

Significant events and transactions

184 An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

185 The following is a non-exhaustive list of events and transactions for which disclosures would be required if they were significant:

(a) the write-down of inventories to ***net realisable value*** and the reversal of such a write-down;

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11 In addition to the disclosures required by this [draft] Standard when an entity has applied IAS 32 *Financial Instruments: Presentation*, the following paragraphs in IAS 32 use the word 'disclose' in requirements that remain applicable: paragraphs 34 and 40.

12 The disclosures required by this section are the 'selected explanatory notes' (see paragraph 7 of IAS 34 *Interim Financial Reporting*) that apply to entities applying this [draft] Standard.

13 In addition to the disclosures required by this [draft] Standard when an entity has applied IAS 34, the following paragraph in IAS 34 uses the word 'disclose' in a requirement that remains applicable: paragraph 41.

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(b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss;

(c) the reversal of any provisions for the costs of restructuring;

(d) acquisitions and disposals of items of property, plant and equipment;

(e) commitments for the purchase of property, plant and equipment;

(f) litigation settlements;

(g) corrections of prior period errors;

(h) changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;

(i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period;

(j) related party transactions;

(k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;

(l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and

(m) changes in contingent liabilities or ***contingent assets***.

186 This [draft] Standard provides guidance regarding disclosure requirements for many of the items listed in paragraph 185. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.

Other disclosures

187 In addition to disclosing significant events and transactions in accordance with paragraphs 184–186, an entity shall include the following information in the notes to its interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis and comprises:

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(a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.

(b) explanatory comments about the seasonality or cyclicality of interim operations.

(c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

(d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

(e) issues, repurchases and repayments of debt and equity securities.

(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares, when an entity has more than one class of shares.

(g) the basis for preparing and presenting information about segments, if the entity chooses to disclose information about segments. If the entity chooses to disclose information about segments that does not comply with IFRS 8, it shall not describe the information as segment information.

(h) events after the interim period that have not been reflected in the financial statements for the interim period.

(i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information about business combinations required by this [draft] Standard for entities applying IFRS 3 (see paragraphs 36–38 of this [draft] Standard).

(j) for financial instruments, the disclosures about fair value required by paragraphs 61, 79 and 82–83.

(k) for entities becoming, or ceasing to be, investment entities, as defined in IFRS 10, the disclosures required by paragraph 72.

(l) the disaggregation of revenue from contracts with customers required by paragraphs 89 and 90 of this [draft] Standard.

Disclosure of compliance with IFRS Standards

188 An entity applying this [draft] Standard and preparing an interim financial report in compliance with IAS 34 shall disclose these facts, in the same note. An entity shall not describe an interim financial report as complying with IFRS Standards unless it complies with all the requirements in IFRS Standards. For an entity that has elected to apply this [draft] Standard, the entity shall

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not describe an interim financial report as complying with IFRS Standards unless it complies with the recognition, measurement and presentation requirements in IFRS Standards and at least the selected explanatory notes (see paragraph 7 of IAS 34) set out in paragraphs 184–188 of this [draft] Standard.

Disclosure in annual financial statements

189 If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.

IAS 36 *Impairment of Assets*

190 For each class of assets required by paragraph 191, an entity shall disclose:

(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement(s) of financial performance in which those impairment losses are included; and

(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement(s) of financial performance in which those impairment losses are reversed.

191 An entity shall disclose separately the information required by paragraph 190 for each of (a)–(f):

(a) property, plant and equipment;

(b) ***investment property*** accounted for by the cost model;

(c) goodwill;

(d) intangible assets other than goodwill;

(e) investments in associates; and

(f) investments in joint ventures.

192 If, applying paragraph 84 of IAS 36, any portion of the goodwill acquired in a business combination during the period has not been allocated to a ***cash-generating unit*** (group of units) at the end of the reporting period, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives

193 An entity shall disclose the information required by (a)–(e) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

(a) the carrying amount of goodwill allocated to the unit (group of units).

(b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units).

(c) the basis on which the unit's (group of units') ***recoverable amount*** has been determined (that is, ***value in use*** or fair value less costs of disposal).

(d) if the unit's (group of units') recoverable amount is based on value in use, each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets or forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

(e) if the unit's (group of units') recoverable amount is based on fair value less costs of disposal, the valuation technique(s) used to measure fair value less costs of disposal. An entity is not required to provide the disclosures required by paragraphs 79–83 of this [draft] Standard. If fair value less costs of disposal is not measured using a quoted price for an identical unit (group of units), an entity shall disclose:

  (i) each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

  (ii) the level of the fair value hierarchy (see IFRS 13) within which the fair value measurement is categorised in its entirety (without giving regard to the observability of costs of disposal).

194 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). If the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

(a) the aggregate carrying amount of goodwill allocated to those units (groups of units);

(b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units); and

(c) a description of the key assumption(s).

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195 The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or 99 of IAS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 193–194 relates to the carried forward calculation of recoverable amount.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Disclosures about provisions

196 For each class of provision, an entity shall disclose for the current period (comparative information for prior periods is not required):

(a) a reconciliation showing:

  (i) the carrying amounts at the beginning and end of the period;

  (ii) additions during the period, including adjustments that result from changes in measuring the discounted amount;

  (iii) amounts charged against the provision during the period; and

  (iv) unused amounts reversed during the period;

(b) a brief description of the nature of the obligation, and the expected amount and timing of any resulting payments;

(c) an indication of the uncertainties about the amount or timing of those outflows; and

(d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Disclosures about contingent liabilities

197 Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable:

(a) an estimate of its financial effect, measured by applying paragraphs 36–52 of IAS 37;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

198 If any of the information required by paragraph 197 is not disclosed because it is not practicable to do so, that fact shall be stated.

Disclosures about contingent assets

199 If an inflow of economic benefits is ***probable*** (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and, when practicable, an estimate of their financial effect, measured using the principles set out in paragraphs 36–52 of IAS 37. If an estimate of the financial effect is not disclosed because it is not practicable to do so, that fact shall be stated.

Prejudicial disclosures

200 In extremely rare cases, disclosure of some or all of the information required by paragraphs 196–199 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

IAS 38 *Intangible Assets*

201 For each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets, an entity shall disclose:

(a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;

(b) the amortisation methods used for intangible assets with finite useful lives;

(c) the gross carrying amounts and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period;

(d) the line items in the statements of financial performance in which any amortisation of intangible assets is included; and

(e) a reconciliation, which need not be presented for prior periods, of the carrying amount at the beginning and end of the reporting period showing separately:

(i) additions from internal development;

(ii) additions acquired separately;

(iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(iv) acquisitions through business combinations;

(v) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 of IAS 38 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36 (if any);

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(vi) amortisation;

(vii) impairment losses; and

(viii) other changes.

202 An entity shall also disclose:

(a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life, including the factors that played a significant role in determining that the asset has an indefinite useful life;

(b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements;

(c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44 of IAS 38):

(i) the fair value initially recognised for these assets;

(ii) their carrying amounts; and

(iii) whether they are measured after recognition under the cost model or the revaluation model.

(d) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities; and

(e) the amount of contractual commitments for the acquisition of intangible assets.

203 If intangible assets are accounted for at revalued amounts, an entity shall disclose:

(a) by class of intangible assets:

(i) the effective date of the revaluation;

(ii) the carrying amount of revalued intangible assets;

(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74 of IAS 38; and

(b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

204 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

IAS 40 *Investment Property*

Fair value and cost model

205 The disclosures in paragraphs 206–209 apply in addition to those required for leases in paragraphs 100–109. The owner of an investment property provides lessors' disclosures about leases into which it has entered. A lessee that holds an investment property as a right-of-use asset provides lessees' disclosures and lessors' disclosures for any operating leases into which it has entered. When right-of-use assets meet the definition of investment property, the lessee is not required to provide the disclosures in paragraph 100(a) for those right-of-use assets.

206 An entity shall disclose:

(a) whether it applies the fair value model or the cost model;

(b) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C of IAS 40);

(c) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and

(d) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value model

207 For all investment property accounted for applying the fair value model in paragraphs 33–55 of IAS 40, an entity shall disclose:

(a) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

(b) a reconciliation, which need not be presented for prior periods, between the carrying amounts of investment property at the beginning and end of the period, showing separately:

    (i) additions, disclosing separately those additions resulting from acquisitions through business combinations;

    (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

    (iii) net gains or losses from fair value adjustments;

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(iv) transfers to and from inventories and ***owner-occupied property***; and

(v) other changes.

208 In the exceptional cases referred to in paragraph 53 of IAS 40, when an entity measures investment property using the cost model in IAS 16 or applying IFRS 16, the reconciliation required by paragraph 207 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. An entity shall also disclose:

(a) a description of the investment property; and

(b) an explanation of why fair value cannot be measured reliably.

Cost model

209 For all investment property accounted for applying the cost model in paragraph 56 of IAS 40, an entity shall disclose:

(a) the depreciation methods used;

(b) the useful lives or the depreciation rates used;

(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and

(d) a reconciliation, which need not be presented for prior periods, of the carrying amount at the beginning and end of the reporting period showing separately:

(i) additions;

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(iii) acquisitions through business combinations;

(iv) impairment losses recognised or reversed in profit or loss in accordance with IAS 36;

(v) depreciation;

(vi) transfers to and from inventories and owner-occupied property; and

(vii) other changes.

IAS 41 *Agriculture*

Biological assets measured at fair value less costs to sell

210 With respect to an entity's ***biological assets*** measured at fair value less ***costs to sell***, the entity shall disclose:

(a) a description of each ***group of biological assets***.

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(b) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current reporting period. The reconciliation need not be presented for prior periods. The reconciliation shall include:

(i) the gain or loss arising from changes in fair value less costs to sell;

(ii) increases resulting from purchases;

(iii) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;

(iv) decreases resulting from ***harvest***;

(v) increases resulting from business combinations;

(vi) net exchange differences arising on the translation of financial statements into a different presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity; and

(vii) other changes.

Biological assets where fair value cannot be measured reliably

211 With respect to an entity's biological assets measured at cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30 of IAS 41), the entity shall disclose:

(a) a description of each group of biological assets;

(b) an explanation of why fair value cannot be measured reliably;

(c) the depreciation method used;

(d) the useful lives or the depreciation rates used; and

(e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

Government grants

212 For government grants within the scope of IAS 41, an entity shall disclose:

(a) the nature and amounts of government grants recognised in the financial statements; and

(b) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in profit or loss.

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Other disclosures

213 An entity within the scope of this [draft] Standard is not required to apply IFRS 8. If such an entity chooses to disclose information about segments that does not comply with IFRS 8, it shall not describe the information as segment information. An entity choosing to make such disclosures shall describe the basis for preparing and making those disclosures. If an entity chooses to apply IFRS 8, it shall apply all the disclosure requirements in IFRS 8 and shall state that it has applied IFRS 8.

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Appendix A—Disclosure requirements in IFRS Standards replaced by this [draft] Standard

This appendix is an integral part of the [draft] Standard.

A1 The disclosure requirements in the following paragraphs do not apply to an entity that applies this [draft] Standard. Any other requirements (recognition, measurement or presentation) in these paragraphs continue to apply:

(a) paragraphs 23–33 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*;

(b) paragraphs 44–52 of IFRS 2 *Share-based Payment*;

(c) paragraphs 59–63 and B64–B67 of IFRS 3 *Business Combinations*;

(d) paragraphs 33(b)–(d), 35, 36A and 41–42 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;

(e) paragraphs 23–25 of IFRS 6 *Exploration for and Evaluation of Mineral Resources*;

(f) paragraphs 1, 6–42S and B1–B53 of IFRS 7 *Financial Instruments: Disclosures*;

(g) paragraphs 1–4, 7–31, B1–B6 and B10–B26 of IFRS 12 *Disclosure of Interests in Other Entities*;

(h) paragraphs 91–99 of IFRS 13 *Fair Value Measurement*;

(i) paragraphs 27–36 and B25–B28 of IFRS 14 *Regulatory Deferral Accounts*;

(j) paragraphs 110–129 and B87–B89 of IFRS 15 *Revenue from Contracts with Customers*;

(k) paragraphs 51–60A and B48–B52 of IFRS 16 *Leases* for lessees, and paragraphs 89–97 of IFRS 16 for lessors;

(l) paragraphs 16, 20–23, 40C, 41–42, 61, 77–80A, 90, 97–98, 104–105, 106A–107, 112–117, 122–125 and 128–138 of IAS 1 *Presentation of Financial Statements*;

(m) paragraphs 36–39 of IAS 2 *Inventories*;

(n) paragraphs 40–41, 43, 44A–44E, 45–46 and 48–52 of IAS 7 *Statement of Cash Flows*;

(o) paragraphs 28–31, 39–40 and 49 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(p) paragraphs 17–22 of IAS 10 *Events after the Reporting Period*;

(q) paragraphs 79–88 of IAS 12 *Income Taxes*;

(r) paragraphs 73–79 of IAS 16 *Property, Plant and Equipment*;

(s) paragraphs 25, 33(b), 34(b), 42, 53–54, 135–152, 158 and 171 of IAS 19 *Employee Benefits*;

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(t) paragraphs 36 and 39 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;

(u) paragraphs 51–57 of IAS 21 *The Effects of Changes in Foreign Exchange Rates*;

(v) paragraph 26 of IAS 23 *Borrowing Costs*;

(w) paragraphs 13–27 of IAS 24 *Related Party Disclosures*;

(x) paragraphs 15–17 of IAS 27 *Separate Financial Statements*;

(y) paragraphs 39–40 of IAS 29 *Financial Reporting in Hyperinflationary Economies*;

(z) paragraph 39 of IAS 32 *Financial Instruments: Presentation*;

(z1) paragraphs 15–19 and 26 of IAS 34 *Interim Financial Reporting*;

(z2) paragraphs 126–137 of IAS 36 *Impairment of Assets*;

(z3) paragraphs 84–92 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;

(z4) paragraphs 118–128 of IAS 38 *Intangible Assets*;

(z5) paragraphs 74–79 of IAS 40 *Investment Property*;

(z6) paragraphs 40–57 of IAS 41 *Agriculture*;

(z7) paragraph 13 of IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*;

(z8) paragraphs 11–13 of IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;

(z9) paragraphs 16–17 of IFRIC 17 *Distributions of Non-cash Assets to Owners*;

(z10) paragraph 11 of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;

(z11) paragraphs A4–A5 of IFRIC 23 *Uncertainty over Income Tax Treatments*; and

(z12) paragraphs 6–7 of SIC-29 *Service Concession Arrangements: Disclosures*.

A2 The disclosure requirements specified in paragraph A1 do not apply to an entity that applies this [draft] Standard. Consequently, an entity applying this [draft] Standard is also exempt from any statements about, or references to, those disclosure requirements in other IFRS Standards. For example, paragraph 35 of IAS 12 contains requirements about the criteria for recognising a deferred tax asset arising from the carry forward of unused tax losses and tax credits. The paragraph ends with 'in such circumstances, paragraph 82 requires disclosure of the amount of the deferred tax asset and the nature of the evidence supporting its recognition'. However, in accordance with paragraph A1(q), paragraph 82 of IAS 12 does not apply to an entity that applies this [draft] Standard. Consequently, the statement at the end of paragraph 35 of IAS 12 about paragraph 82 does not apply to an entity that applies this [draft] Standard.

Appendix B—Effective date and transition

This appendix is an integral part of the [draft] Standard.

B1 An entity may elect to apply this [draft] Standard for reporting periods beginning on or after [18–24 months from the date of publication]. Earlier application is permitted. In accordance with paragraph 10 of this [draft] Standard if an entity applies this [draft] Standard in the current period but not in the immediately preceding period, the entity shall provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements, unless this [draft] Standard or another IFRS Standard permits or requires otherwise.

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Appendix C—[Draft] Amendments to other IFRS Standards

This appendix sets out [draft] amendments to other IFRS Standards. An entity shall apply the amendments when it applies [draft] IFRS X.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 4B of IFRS 1 is amended. New text is underlined.

Scope

...

4B When an entity does not elect to apply this IFRS in accordance with paragraph 4A, the entity shall nevertheless apply the disclosure requirements in paragraphs 23A–23B of IFRS 1 or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, the disclosure requirements in paragraph 24 of IFRS X, in addition to the disclosure requirements in IAS 8.

In Appendix D, paragraph D2 of IFRS 1 is amended. New text is underlined.

Share-based payment transactions

D2 … For all grants of equity instruments to which IFRS 2 has not been applied (eg equity instruments granted on or before 7 November 2002), a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of IFRS 2 or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, the information required by paragraph 31 of IFRS X. …

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Paragraph 12 of IFRS 5 is amended. New text is underlined.

Classification of non-current assets (or disposal groups) as held for sale or as held for distribution to owners

...

12 If the criteria in paragraphs 7 and 8 are met after the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the information specified in paragraph 41(a), (b) and (d), or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, specified in paragraph 39 of IFRS X, in the notes.

Paragraph 38 of IFRS 5 is amended. New text is underlined.

Presentation of a non current asset or disposal group classified as held for sale

38 An entity shall present a non current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the statement of financial position or in the notes, except as permitted by paragraph 39 and except when an entity applies IFRS X *Subsidiaries without Public Accountability: Disclosures*. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non current asset (or disposal group) classified as held for sale.

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44HH of IFRS 7 is amended. New text is underlined.

Effective date and transition

...

44HH In the reporting period in which an entity first applies *Interest Rate Benchmark Reform—Phase 2*, an entity is not required to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8, or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, by paragraph 134(f) of IFRS X.

IFRS 13 *Fair Value Measurement*

Paragraph 7 of IFRS 13 is amended. New text is underlined.

Scope

...

7 The disclosures required by this IFRS, or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*: Disclosures, by paragraphs 79–83 of IFRS X, are not required for the following: …

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Paragraph 66 of IFRS 13 is amended. New text is underlined.

Valuation techniques

...

66 Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with IAS 8. However, the disclosures in IAS 8, or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, in IFRS X, for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

IFRS 17 *Insurance Contracts*

Paragraph C3(a) of IFRS 17 is amended. New text is underlined.

Transition

C3 Unless it is impracticable to do so, or paragraph C5A applies, an entity shall apply IFRS 17 retrospectively, except that:

(a) an entity is not required to present the quantitative information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, by paragraph 134(f) of IFRS X; ...

IAS 32 *Financial Instruments: Presentation*

Paragraph 34 of IAS 32 is amended. New text is underlined.

Treasury Shares (see also paragraph AG36)

...

34 The amount of treasury shares held is disclosed separately either in the statement of financial position or in the notes, in accordance with IAS 1 *Presentation of Financial Statements* or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, the disclosure requirements in paragraph 118 of IFRS X. An entity provides disclosure in accordance with IAS 24 *Related Party Disclosures*, or, for entities applying IFRS X, in accordance with IFRS X, if the entity reacquires its own equity instruments from related parties.

Paragraph 40 of IAS 32 is amended. New text is underlined.

Interest, dividends, losses and gains (see also paragraph AG37)

...

40 Dividends classified as an expense may be presented in the statement(s) of profit or loss and other comprehensive income either with interest on other liabilities or as a separate item. In addition to the requirements of this Standard, disclosure of interest and dividends is subject to the requirements of IAS 1 and IFRS 7 or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, the disclosure requirements of IFRS X. In some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, it is desirable to disclose them separately in the statement(s) of profit or loss and other comprehensive income. Disclosures of the tax effects are made in accordance with IAS 12 or, for entities applying IFRS X, in accordance with IFRS X.

IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Paragraph 10 of IFRIC 14 is amended. New text is underlined.

Availability of a refund or reduction in future contributions

...

10 In accordance with IAS 1 or, for entities applying IFRS X *Subsidiaries without Public Accountability: Disclosures*, in accordance with IFRS X, the entity shall disclose information about the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of the net asset or liability recognised in the statement of financial position. This might include disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available.

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Approval by the Board of Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published in July 2021

The Exposure Draft *Subsidiaries without Public Accountability: Disclosures* was approved for publication by 12 of 13 members of the International Accounting Standards Board (Board). Ms Flores voted against its publication. Her alternative view is set out after the Basis for Conclusions.

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Suzanne Lloyd	Vice-Chair
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Comments to be received by 31 January 2022

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Basis for Conclusions on

Exposure Draft

Subsidiaries without Public Accountability: Disclosures

Comments to be received by 31 January 2022

This Basis for Conclusions accompanies the Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (published July 2021; see separate booklet). Comments need to be received by 31 January 2022 and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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Basis for Conclusions on Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

This Basis for Conclusions accompanies, but is not part of, Exposure Draft Subsidiaries without Public Accountability: Disclosures*. It summarises the considerations of the International Accounting Standards Board (Board) when developing the Exposure Draft. Individual Board members gave greater weight to some factors than to others.*

Introduction

BC1 The Exposure Draft *Subsidiaries without Public Accountability: Disclosures* sets out proposals for a new, optional, IFRS Standard (the draft Standard) that would specify which disclosure requirements would apply to subsidiaries that do not have public accountability and whose parent produces consolidated financial statements available for public use that comply with IFRS Standards.

Project background

BC2 The Board added the project to its research pipeline in response to feedback from stakeholders on the *Request for Views—2015 Agenda Consultation*. These stakeholders—mainly preparers—requested that the Board permit subsidiaries with a parent that applies IFRS Standards in its consolidated financial statements to apply IFRS Standards with reduced disclosure requirements. Many subsidiaries are eligible to apply the *IFRS for SMEs*® Standard for their general purpose financial statements, and applying the *IFRS for SMEs* Standard would allow a subsidiary to provide fewer disclosures than if it applied IFRS Standards. However, many subsidiaries find applying the *IFRS for SMEs* Standard unattractive because they need to report to their parent amounts that comply with the recognition and measurement requirements in IFRS Standards, so the parent can prepare its consolidated financial statements applying IFRS Standards. Therefore, a subsidiary applying the *IFRS for SMEs* Standard would generally need to maintain additional accounting records because of the recognition and measurement differences between the requirements in that Standard and IFRS Standards. Subsidiaries would prefer to use the recognition and measurement requirements in IFRS Standards, but with reduced disclosure requirements. Stakeholders said that such an approach would eliminate unnecessary costs for many subsidiaries in preparing general purpose financial statements, while maintaining information needed by the users of those subsidiaries' financial statements.

BC3 In adding the project to the research pipeline, the Board decided to investigate an approach that:

(a) is limited to subsidiaries that meet the definition of a small and medium-sized entity (SME) as defined in the *IFRS for SMEs* Standard—that is, subsidiaries that do not have public accountability; and

(b) uses the disclosure requirements from the *IFRS for SMEs* Standard as the starting point for developing the disclosure requirements in the reduced-disclosure IFRS Standard and tailoring those requirements if recognition or measurement requirements differ between IFRS

Standards and the *IFRS for SMEs* Standard (recognition and measurement differences).

BC4 With this approach, the Board recognised that subsidiaries that do not have public accountability are eligible to apply the *IFRS for SMEs* Standard. Accordingly, the Board can be satisfied that the disclosure requirements in the *IFRS for SMEs* Standard are sufficient to meet the needs of users of these subsidiaries' financial statements in the absence of recognition and measurement differences.

BC5 The aims of the research were to investigate whether:

(a) an IFRS Standard with reduced disclosure requirements for subsidiaries that are SMEs would be adopted by jurisdictions and applied by these subsidiaries; and

(b) the Board could feasibly develop such a Standard using the disclosure requirements in the *IFRS for SMEs* Standard with only minimal tailoring.

BC6 Based on its research, the Board concluded that if it were to develop an IFRS Standard with reduced disclosure requirements for subsidiaries that are SMEs, the Standard would be adopted and applied. Jurisdictions that permit or require subsidiaries that are SMEs to apply IFRS Standards have particularly strong demand for such a Standard. In those jurisdictions, an IFRS Standard with reduced disclosure requirements for subsidiaries that are SMEs would:

(a) save costs for preparers—subsidiaries could apply in their financial statements the same recognition and measurement requirements that their parent applied in its consolidated financial statements, avoiding the need for the subsidiaries to maintain additional accounting records, while applying reduced disclosure requirements in those subsidiaries' financial statements (see paragraphs BC96–BC98); and

(b) maintain the usefulness of the financial statements to the users of those subsidiaries' financial statements by providing only disclosures designed for these users, while eliminating disclosures not designed for them.

BC7 The Board concluded that it could feasibly develop an IFRS Standard using the disclosure requirements in the *IFRS for SMEs* Standard with only minimal tailoring. This conclusion is important because:

(a) the Board is satisfied that the disclosure requirements in the *IFRS for SMEs* Standard are sufficient to meet the needs of users of the subsidiaries' financial statements, given that the subsidiaries would be eligible to apply that Standard (see paragraph BC3(a)); and

(b) using the disclosure requirements in that Standard as the basis for the disclosure requirements would reduce the work that stakeholders and the Board would need to do.

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Developing the Exposure Draft

BC8 The objective of the project is to develop proposals to permit eligible subsidiaries (see paragraph BC12) to apply the recognition and measurement requirements in IFRS Standards, with reduced disclosure requirements developed from the disclosure requirements in the *IFRS for SMEs* Standard.

BC9 The Board concluded that it should develop a Standard that would:

(a) be part of IFRS Standards;

(b) be optional for eligible entities;

(c) facilitate application because disclosure requirements were developed by:

(i) using the disclosure requirements in the *IFRS for SMEs* Standard when the recognition and measurement requirements in the *IFRS for SMEs* Standard were largely the same as those in IFRS Standards; and

(ii) tailoring the disclosure requirements in the *IFRS for SMEs* Standard when a recognition and measurement difference arose, by applying to the disclosure requirements in IFRS Standards the principles for setting disclosure requirements in the *IFRS for SMEs* Standard;

(d) specify which disclosure requirements in other IFRS Standards would not be applicable; and

(e) be updated, if necessary, when the Board issued a new IFRS Standard or an amendment to an IFRS Standard (see paragraphs BC87–BC91).

BC10 The Board noted that establishing reduced disclosure requirements for eligible subsidiaries would not prevent such subsidiaries from providing additional information, subject to paragraph 30A of IAS 1 *Presentation of Financial Statements*.

BC11 When moving the project to its standard-setting programme, the Board decided to consider the scope of the project only after it had completed most of its analysis comparing the recognition and measurement requirements in IFRS Standards and the *IFRS for SMEs* Standard, from which it developed the disclosure requirements in the draft Standard.

Scope

BC12 The Board is proposing that the draft Standard be available for entities without public accountability that, at the end of their reporting period:

(a) are subsidiaries (paragraphs BC13–BC19); and

(b) meet one further criterion (paragraphs BC20–BC22).

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Subsidiaries without public accountability

BC13 The Board is proposing that only a subsidiary without public accountability (see paragraph 6(a)–(b) of the draft Standard) be permitted to apply the draft Standard, consistent with the Board's decision when it added the project to the research pipeline (see paragraph BC3).

BC14 The Board's proposal is that a subsidiary applying the draft Standard would also be eligible to apply the *IFRS for SMEs* Standard. Therefore, to be permitted to apply the draft Standard, a subsidiary cannot have public accountability (see paragraph 6(b) of the draft Standard). The draft Standard includes the description of public accountability from paragraphs 1.3–1.4 of the *IFRS for SMEs* Standard (see paragraphs 7–8 of the draft Standard).

BC15 The Board considered whether to permit other types of SMEs (that is, other entities without public accountability), such as joint ventures and associates, or all SMEs to apply the draft Standard. Arguments supporting such an approach include that:

(a) although the request to the Board was in respect of subsidiaries with parents presenting consolidated financial statements applying IFRS Standards, and was to reduce costs for the group, the project is eliminating disclosure requirements that are not intended for the users of SMEs' financial statements. As such, other SMEs, like joint ventures and associates, and not just subsidiaries, might prefer applying the draft Standard.

(b) permitting other types of SMEs to apply the draft Standard could encourage some SMEs that do not apply IFRS Standards to apply IFRS Standards. Further, in a jurisdiction that does not permit the *IFRS for SMEs* Standard to be applied, applying the draft Standard, rather than local generally accepted accounting principles (GAAP), might enable the entity to reduce its cost of capital.

(c) although the project focuses on reducing costs for subsidiaries that are SMEs, other entities that meet the definition of SMEs could also benefit from reduced costs. For example, an SME that, in the medium or long term, plans to issue debt or equity instruments that would be traded in a public market, might prefer to apply IFRS Standards instead of local GAAP or the *IFRS for SMEs* Standard, and so would benefit from the cost reduction available by applying the draft Standard.

(d) an option for all SMEs to apply IFRS Standards with reduced disclosures could allow the Board to develop a more simplified version of the *IFRS for SMEs* Standard.

(e) permitting all SMEs to apply the draft Standard would provide more options for a jurisdiction's financial reporting framework. For example, some jurisdictions that have developed local GAAP requirements for all SMEs based on IFRS Standards with reduced disclosure requirements could replace their local GAAP requirements. Other jurisdictions could require some SMEs to apply IFRS Standards

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(including the draft Standard) and require other SMEs to apply the *IFRS for SMEs* Standard.

BC16 After considering the arguments, the Board decided that it should not expand eligibility to apply the draft Standard, because:

(a) the proposed scope is consistent with the project objective and the feedback from stakeholders calling for reduced disclosure requirements for subsidiaries whose parent prepares consolidated financial statements applying IFRS Standards.

(b) the Board has considered SMEs' reporting requirements and, based on users' needs and on cost–benefit considerations, it developed the *IFRS for SMEs* Standard. That Standard is applied in many jurisdictions.

(c) the Board considered not only the needs of users of SMEs' financial statements when it developed the *IFRS for SMEs* Standard, but also the resources available to SMEs to apply that Standard (see paragraph BC47 of the *IFRS for SMEs* Standard). Subsidiaries that have access to the group's resources generally receive support in their application of IFRS Standards that alleviate strain on their resources.

(d) an entity electing to apply IFRS Standards in preparing its financial statements is usually responding to users' needs. If preparing financial statements applying IFRS Standards is important to an SME's users, then disclosures required by IFRS Standards are likely to be equally important. Subsidiaries that are SMEs that have to report to their parent applying IFRS Standards are *required* to apply the recognition and measurement requirements in IFRS Standards, and in their own financial statements reduced disclosures are preferred because they reduce costs while satisfying the needs of SME users. The same cannot be said of an SME that *prefers* to apply recognition and measurement requirements in IFRS Standards but with reduced disclosures.

(e) the Board's project is intended to address cost–benefit considerations for a subset of SMEs—subsidiaries—arising from their particular circumstances (as discussed in paragraph BC2). Therefore, when the project was added to the Board's research pipeline, it investigated an approach with those SMEs in mind.

(f) the proposal to reduce disclosure requirements significantly is a new approach for the Board and its stakeholders. Restricting the scope to subsidiaries that are SMEs enables the Board and its stakeholders to test that approach. Should the proposals in this Exposure Draft proceed to a Standard, the Board could consider the approach in practice and collect stakeholder feedback to decide whether the Board should or could allow more SMEs to apply such a Standard.

(g) the Board develops disclosure requirements in IFRS Standards considering the information needs of users of the financial statements. The Board concluded that it should exercise caution when introducing a new IFRS Standard that exempts some entities from some of these requirements.

(h) eligible subsidiaries would want to apply changes to the requirements in IFRS Standards in their own financial statements at the same time as their parent to avoid the need for additional accounting records, and would not want a delayed effective date. If the scope of the draft Standard were extended to all SMEs, there is a concern that the Board would receive requests for the effective date of changes to the recognition and measurement requirements in IFRS Standards to be later for these SMEs. Based on feedback that some SMEs do not have internal accounting resources or the resources to hire accounting advisers on an ongoing basis, the Board decided to update the *IFRS for SMEs* Standard periodically (see paragraph BC163 of the Basis for Conclusions of the *IFRS for SMEs* Standard). Amendments to the *IFRS for SMEs* Standard are not expected to be more frequent than approximately once every three years, and usually after a comprehensive review, to provide SMEs with a stable platform.

(i) if the draft Standard can be applied by any SME, it may be seen as a competing Standard with the *IFRS for SMEs* Standard. For example, permitting all SMEs to apply the draft Standard might result in some jurisdictions permitting the draft Standard to be applied and not permitting the *IFRS for SMEs* Standard to be applied, or might result in some lenders or investors requiring that the draft Standard be applied by an SME because they perceive it to be superior to the *IFRS for SMEs* Standard. However, applying the draft Standard rather than the *IFRS for SMEs* Standard could be more costly for some SMEs as the *IFRS for SMEs* Standard considers the costs to SMEs and the resources of SMEs to prepare financial statements and contains several simplifications to the recognition and measurement principles in IFRS Standards.

At the end of the reporting period

BC17 The Board is proposing that only a subsidiary without public accountability at the end of its reporting period can apply the draft Standard. The Board considered other approaches, such as permitting an entity to apply the draft Standard if the entity was a subsidiary at any time during the reporting period, or at the start of its reporting period.

BC18 If the Board were to permit an entity to apply the draft Standard if the entity were a subsidiary at the start of, or at any time during, its reporting period, an entity that ceased to be a subsidiary near the end of its reporting period would remain eligible to apply the draft Standard for that reporting period. This would allow more time for the entity to make any necessary changes to its financial reporting systems. However, in the Board's view a transaction resulting in an entity ceasing to be a subsidiary would usually have been planned for some time thus allowing the entity to make any necessary changes to its reporting systems and processes.

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BC19 Further, permitting an entity to apply the draft Standard if that entity were a subsidiary at the start of, or at any time during, its reporting period would result in an entity that ceased to be a subsidiary near the start of its reporting period remaining eligible to apply the draft Standard for that reporting period despite it not having been a subsidiary for most of the reporting period. The Board also concluded that specifying that the entity is required to be a subsidiary at the end of the reporting period is simple and clear.

Other qualifying criterion

BC20 The Board is proposing that the draft Standard should be available only to subsidiaries of a parent that produces consolidated financial statements that comply with IFRS Standards. Paragraph 6(c) of the draft Standard is based on the requirements in paragraph 4(a)(iv) of IFRS 10 *Consolidated Financial Statements.* If a subsidiary, Entity A, is also a parent and its ultimate parent, and any intermediate parents, present consolidated financial statements applying accounting standards other than IFRS Standards, in accordance with IFRS 10, Entity A would present consolidated financial statements (see paragraph 4(a)(iv) of IFRS 10). Subsidiaries of Entity A would be eligible to apply the draft Standard if they do not have public accountability.

BC21 Restricting the scope to subsidiaries of a parent that produces consolidated financial statements that comply with IFRS Standards is consistent with stakeholder feedback about the need for reduced disclosure requirements for such subsidiaries. If the draft Standard is not limited to such subsidiaries, then those subsidiaries would incur additional costs (the project aims to eliminate these costs). If a parent applied a different GAAP, a subsidiary applying the draft Standard would need to monitor recognition and measurement differences between the two reporting frameworks. To remain true to the project objective, the Board decided to limit the scope of the draft Standard to subsidiaries whose parent produces consolidated financial statements that comply with IFRS Standards.

BC22 Some may believe that by limiting the scope of the draft Standard to subsidiaries of a parent that produces consolidated financial statements complying with IFRS Standards, the full disclosures required by IFRS Standards about the subsidiary would be available in the parent's consolidated financial statements. However, this is not necessarily true:

(a) consolidated financial statements are prepared applying a materiality assessment appropriate for the group, whereas the subsidiary's financial statements are prepared applying a materiality assessment appropriate for that subsidiary; and

(b) the principles applied to establish disclosure requirements for the draft Standard are the same principles the Board used when it developed the disclosure requirements in the *IFRS for SMEs* Standard—those principles do not assume that consolidated financial statements would be available.

Developing the disclosure requirements

BC23 As noted in paragraph BC9(c), the Board concluded it would develop disclosure requirements for the draft Standard based on the disclosure requirements in the *IFRS for SMEs* Standard and apply the principles it used for setting disclosure requirements in the *IFRS for SMEs* Standard. The Board would apply the principles when it needs to tailor the disclosure requirements for the draft Standard when a recognition and measurement difference arises between the *IFRS for SMEs* Standard and IFRS Standards.

BC24 In developing the *IFRS for SMEs* Standard, the Board excluded disclosure requirements in IFRS Standards that:[1]

(a) relate to a topic omitted from the *IFRS for SMEs* Standard—for example, non-current assets held for sale;

(b) relate to an option omitted from the *IFRS for SMEs* Standard—for example, the optional revaluation model in IAS 38 *Intangible Assets*;

(c) relate to recognition and measurement principles that have been simplified in the *IFRS for SMEs* Standard—for example, that Standard requires all borrowing costs to be recognised as expenses whereas IAS 23 *Borrowing Costs* requires some to be capitalised; or

(d) are unnecessary to meet users' needs or for cost–benefit considerations.

BC25 As can be seen in paragraph BC24, some disclosure requirements are omitted because of recognition or measurement differences between the *IFRS for SMEs* Standard and IFRS Standards.

BC26 As a consequence of the recognition or measurement differences and because a subsidiary applying the draft Standard would be applying the recognition and measurement requirements in IFRS Standards, some tailoring of the disclosure requirements in the *IFRS for SMEs* Standard is necessary.

BC27 Minor tailoring to the disclosure requirements in the *IFRS for SMEs* Standard is also necessary in the absence of recognition and measurement differences (see paragraph BC35).

1 See paragraph BC156 of the Basis for Conclusions to the *IFRS for SMEs* Standard.

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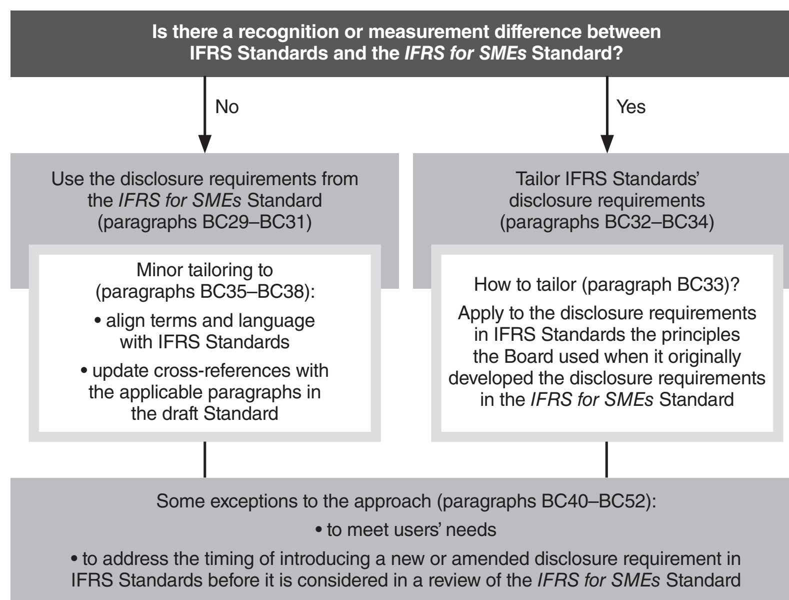
BC28 The Board's approach in developing the disclosure requirements for the draft Standard is summarised in Diagram 1.

Diagram 1—Developing disclosure requirements for the draft Standard



When recognition and measurement requirements are the same in the *IFRS for SMEs* Standard and IFRS Standards

BC29 The Board concluded that when there is no recognition or measurement difference, the disclosure requirements in the *IFRS for SMEs* Standard should be used in the draft Standard subject to minor tailoring (see paragraph BC35). As discussed in paragraphs BC13–BC14, subsidiaries eligible to apply the draft Standard are also eligible to apply the *IFRS for SMEs* Standard. The Board assessed users' needs and cost–benefit considerations when developing or updating the *IFRS for SMEs* Standard. This assessment of users' needs and cost–benefits equally applies to subsidiaries eligible to apply the draft Standard.

BC30 Disclosure requirements on a topic can differ between IFRS Standards and the *IFRS for SMEs* Standard even when the recognition and measurement requirements on that topic are the same. For example, the Board decided to exclude disclosure requirements from the *IFRS for SMEs* Standard for cost–benefit reasons or because they were unnecessary for meeting users' needs (see paragraph BC24(d)).

BC31 Differences between the disclosure requirements in IFRS Standards and the *IFRS for SMEs* Standard can also arise because of differences in the timing of when new or amended disclosure requirements are introduced to these Standards. In agreeing the approach for developing the disclosure requirements, the Board decided not to add to the draft Standard disclosure requirements that arose from differences in timing, because the disclosure

requirements for subsidiaries that are SMEs applying the draft Standard should not be more extensive than the requirements for SMEs applying the *IFRS for SMEs* Standard when there is no recognition or measurement difference. However, after reviewing the outcome of this approach, the Board decided in some limited cases to propose—including in the draft Standard—some recent improvements to disclosure requirements in IFRS Standards, as discussed in paragraphs BC46 and BC51.

When recognition and measurement requirements differ between the *IFRS for SMEs* Standard and IFRS Standards

BC32 The Board concluded that it would be inappropriate to use the disclosure requirements in the *IFRS for SMEs* Standard without tailoring when recognition and measurement differences exist. As a result, the Board needed to tailor the disclosure requirements for:

(a) topics or options omitted from the *IFRS for SMEs* Standard (see paragraph BC24(a)–(b)). For example, the Board needed to add disclosure requirements for entities applying the revaluation model in IAS 38 as the *IFRS for SMEs* Standard does not include that accounting policy option and hence includes no related disclosure requirements.

(b) recognition or measurement requirements in IFRS Standards that are simplified for the *IFRS for SMEs* Standard. For example, Section 28 *Employee Benefits* of the *IFRS for SMEs* Standard contains a simplified method for measuring defined benefit obligations when an SME is unable, without undue cost or effort, to use the projected unit credit method. Section 28 also requires some disclosures by an entity that has used the simplified method. This method is unavailable to entities applying IFRS Standards, and so the Board excluded the related disclosure requirements when developing the draft Standard.

BC33 To determine the proposed disclosure requirements for topics or accounting policy options omitted from the *IFRS for SMEs* Standard, the Board started with the disclosure requirements for that topic or accounting policy option in IFRS Standards. The Board then applied the same principles it used when developing the disclosure requirements in the *IFRS for SMEs* Standard discussed in paragraph BC157 of its Basis for Conclusions; those principles are listed in paragraph BC34.

BC34 The final reason for excluding disclosure requirements from the *IFRS for SMEs* Standard arises from an assessment of the needs of users of the financial statements (see paragraph BC24), using the principles explained in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Standard:

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Assessing disclosures on the basis of users' needs was not easy, because users of financial statements tend to favour more, rather than fewer, disclosures. The Board was guided by the following broad principles:

(a) Users of the financial statements of SMEs are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.

(b) Users of the financial statements of SMEs are particularly interested in information about liquidity and solvency. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.

(c) Information on measurement uncertainties is important for SMEs.

(d) Information about an entity's accounting policy choices is important for SMEs.

(e) Disaggregations of amounts presented in SMEs' financial statements are important for an understanding of those statements.

(f) Some disclosures in full IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical SMEs.

Minor tailoring

BC35 In some cases, minor tailoring to the disclosure requirements in the *IFRS for SMEs* Standard is proposed. The draft Standard proposes such changes to align:

(a) terms and language with IFRS Standards (see paragraphs BC36–BC37); and

(b) references to the related requirements in the draft Standard (see paragraph BC38).

BC36 For example, Section 20 *Leases* of the *IFRS for SMEs* Standard uses the term 'contingent rent', a term used in IAS 17 *Leases*, on which Section 20 is based. However, IAS 17 has been replaced by IFRS 16 *Leases*, which uses the term 'variable lease payments'. A subsidiary applying the draft Standard would apply the recognition and measurement requirements in IFRS 16 to its leases. Consequently, when tailoring the Section 20 disclosure requirements for the draft Standard, 'contingent rent' has been replaced with 'variable lease payments', the term with which a subsidiary applying IFRS 16 would be familiar.

BC37 Another example is tailoring for differences in terminology between the *IFRS for SMEs* Standard and the IFRS Standards. For example, it is proposed to tailor for differences in wording between Section 28 of the *IFRS for SMEs* Standard and IAS 19 *Employee Benefits*. Section 28 states that an entity's 'defined benefit obligation' is the present value of its obligation under defined benefit plans at the reporting date. However, IAS 19 uses 'the present value of the defined benefit obligation' to refer to the same item. Paragraph 140 of IAS 19 requires a reconciliation of the present value of the defined benefit obligation.

For consistency with IAS 19 and for clarity, the disclosure requirement in paragraph 28.41(e) of the *IFRS for SMEs* Standard has been tailored for the draft Standard by adding 'the present value of' before 'the defined benefit obligation' (see paragraph 152(b) of the draft Standard).

BC38 Disclosure requirements in the draft Standard are arranged differently from their equivalents in the *IFRS for SMEs* Standard. Disclosure requirements in the draft Standard are arranged by IFRS Standard (see paragraphs 22–213 of the draft Standard). That arrangement facilitates the use of the draft Standard because the disclosure requirements for a topic would apply only when the related IFRS Standard applies (see paragraph 17 of the draft Standard). For example, when applying the *IFRS for SMEs* Standard to investment property measured using the cost model, any such investment property is within the scope of Section 17 *Property, Plant and Equipment*, not Section 16 *Investment Property*. However, when applying IFRS Standards, investment property remains within the scope of IAS 40 *Investment Property*, even when it is measured using the cost model in IAS 16 *Property, Plant and Equipment*. Therefore, to align with the scope of IAS 40, all of the disclosure requirements in the draft Standard about investment property are in the section relating to IAS 40 (see paragraphs 205–209 of the draft Standard).

Presentation versus disclosure requirements

BC39 In some IFRS Standards, presentation and disclosure requirements are combined. Furthermore, in some instances, the term 'disclosure' encompasses items presented in the primary financial statements (see paragraph 48 of IAS 1). In developing the draft Standard, the Board focused only on disclosure requirements that are appropriate for subsidiaries eligible to apply the draft Standard. Consequently, in developing the proposals in the draft Standard, the Board took presentation requirements to be requirements for information to be included in the primary financial statements, and regarded disclosure requirements as those relating to information included in the notes. In developing its proposals for the draft Standard, the Board regarded as disclosure requirements those requirements that permit information to be presented either in the primary financial statements or disclosed in the notes. The Board also concluded that any requirements in IFRS Standards to provide comparative information in an entity's primary financial statements (such as the requirements in paragraph 21 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*) would be part of presentation requirements rather than of disclosure requirements. In contrast, a requirement to provide comparative information when disclosing information in the notes would be a disclosure requirement and thus would be considered within the scope of the draft Standard. The Board also decided that presentation requirements in IFRS Standards would continue to apply to subsidiaries applying the draft Standard.

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Exceptions to the approach to developing the disclosure requirements

BC40 In general, the proposed disclosure requirements in the draft Standard result from applying the approach set out in paragraphs BC23–BC39. However, after reviewing the results of that approach, in a limited number of cases, the Board made some exceptions to the approach relating to:

(a) disclosure objectives (paragraph BC41);

(b) investment entities (paragraphs BC42–BC45);

(c) changes in liabilities from financing activities (paragraph BC46);

(d) exploration for and evaluation of mineral resources (paragraphs BC47–BC49);

(e) defined benefit obligations (paragraph BC50);

(f) improvements to disclosure requirements in IFRS Standards (paragraph BC51); and

(g) additional disclosure requirements in the *IFRS for SMEs* Standard (paragraph BC52).

Disclosure objectives

BC41 Some IFRS Standards contain a disclosure objective followed by disclosure requirements designed to satisfy the objective. Such disclosure objectives are sometimes accompanied by an explicit requirement for a preparer to consider whether additional information beyond that specifically required would be needed to satisfy the disclosure objective. In considering the design of disclosure objectives, the Board decided that including disclosure objectives in the draft Standard might result in entities being compelled to provide the same disclosures as if they had not applied the draft Standard, which would be contrary to the project objective. Therefore, the Board proposed to exclude disclosure objectives from the draft Standard.

Investment entities

BC42 The *IFRS for SMEs* Standard does not require investment entities to measure their investment in subsidiaries at fair value through profit or loss, whereas IFRS Standards do. Consequently, there is a recognition and measurement difference.

BC43 In 2012, when the Board amended IFRS 10 to require investment entities to measure their investment in subsidiaries at fair value through profit or loss, it also amended IFRS 12 *Disclosure of Interests in Other Entities*. At that time, the Board considered whether all of the disclosure requirements in IFRS 12 should apply to investments in unconsolidated subsidiaries, associates and joint ventures of investment entities and concluded that only some should apply. The Board added to IFRS 12 paragraphs 19D(b) and 19E–19G of IFRS 12—disclosure requirements for investment entities about its unconsolidated subsidiaries and unconsolidated structured entities.

BC44 Paragraphs 19D(b) and 19E–19G of IFRS 12 are equivalent to those in paragraphs 31, 30, 14 and 16 of IFRS 12 for non-investment entities. Applying the agreed approach, outlined in paragraphs BC32–BC34, the draft Standard does not propose disclosure requirements similar to those in paragraphs 31, 30, 14 and 16 of IFRS 12 for non-investment entities.

BC45 The Board considered including in the draft Standard requirements based on paragraphs 19D(b) and 19E–19G of IFRS 12 to be applied by subsidiaries that are investment entities. However, to be consistent with the disclosure requirements in the draft Standard for non-investment entities, the Board is not proposing requirements similar to those in paragraphs 19D(b) and 19E–19G of IFRS 12.

Changes in liabilities from financing activities

BC46 The Board added disclosure requirements to IAS 7 *Statement of Cash Flows* about changes in liabilities from financing activities (paragraphs 44A–44E of IAS 7) after the 2015 update of the *IFRS for SMEs* Standard. The approach outlined in paragraphs BC29–BC31 would not result in disclosure requirements being added to the draft Standard. However, based on feedback on the Second Comprehensive Review of the *IFRS for SMEs* Standard from users of SMEs' financial statements about the importance of this information, the Board is proposing to include a simplified version of those requirements in the draft Standard (see paragraph 130 of the draft Standard).

Exploration for and evaluation of mineral resources

BC47 The *IFRS for SMEs* Standard requires an entity to apply Section 17 *Property, Plant and Equipment* or Section 18 *Intangible Assets* of the *IFRS for SMEs* Standard to exploration for and evaluation of mineral resources according to their nature but has no explicit disclosure requirements for exploration for and evaluation of mineral resources.

BC48 Paragraphs 23–25 of IFRS 6 *Exploration for and Evaluation of Mineral Resources* set out disclosure requirements about the amounts recognised in financial statements arising from the exploration for and evaluation of mineral resources. Paragraph 25 of IFRS 6 requires exploration and evaluation assets to be disclosed as a separate class of assets. The Board excluded this requirement from the *IFRS for SMEs* Standard because it would be difficult to include industry-specific guidance in the *IFRS for SMEs* Standard and, at the same time, keep it user-friendly for 'simple SMEs'.

BC49 In developing the disclosure requirements in the draft Standard, the Board decided this reasoning would not necessarily apply to subsidiaries applying the draft Standard. In the Board's view, disclosing exploration and evaluation assets as a separate class of assets would be useful to users of the financial statements of subsidiaries applying the draft Standard. Therefore, the Board is proposing to include paragraph 25 of IFRS 6 in the draft Standard (see paragraph 41 of the draft Standard).

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Defined benefit obligations

BC50 Paragraph 28.41(e) of the *IFRS for SMEs* Standard requires a reconciliation of the opening and closing balances of a defined benefit obligation, showing separately benefits paid and all other changes. IAS 19 requires a reconciliation of the net defined liability (asset) showing a separate reconciliation of the present value of the defined benefit obligation. Furthermore, IAS 19 requires more detail about the reconciling items to be disclosed (see paragraphs 140–141 of IAS 19). The approach outlined in paragraphs BC29–BC31 would not result in tailoring paragraph 28.41(e) of the *IFRS for SMEs* Standard. However, the Board is proposing requiring more reconciling items to be disclosed (see paragraph 152(b) of the draft Standard). In the Board's view, its proposal would provide useful information to users of the financial statements of entities applying the draft Standard because such disaggregation is important in understanding the change in the present value of the entity's defined benefit obligations. Subject to an assessment of materiality, the more detailed reconciliation would also be required for group reporting purposes.

Improvements to disclosure requirements in IFRS Standards

BC51 If the recognition and measurement requirements in IFRS Standards are the same as those in the *IFRS for SMEs* Standard, the approach outlined in paragraphs BC29–BC31 would not result in tailoring the disclosure requirements in the *IFRS for SMEs* Standard for improvements made to the disclosure requirements in IFRS Standards since the *IFRS for SMEs* Standard was updated. The Board is, however, proposing in the draft Standard some of those recent improvements to disclosure requirements in IFRS Standards. The Board took the view that users of subsidiaries' financial statements could also benefit from the improved disclosure requirements and that their inclusion is supported by the principles used to develop the disclosure requirements in the *IFRS for SMEs* Standard (as outlined in paragraph BC34). The proposed disclosure requirements are from:

(a) IFRS 7 *Financial Instruments: Disclosures* (see paragraphs 42, 50, 55, 57, and 60 of the draft Standard);

(b) IFRS 13 *Fair Value Measurement* (see paragraph 80 of the draft Standard);

(c) IFRS 15 *Revenue from Contracts with Customers* (see paragraphs 93–94 and 96 of the draft Standard);

(d) IFRS 16 (see paragraph 100(b)–(c) of the draft Standard); and

(e) IAS 1 (see paragraphs 122–124 of the draft Standard).

Additional disclosure requirements in the *IFRS for SMEs* Standard

BC52 The *IFRS for SMEs* Standard contains some disclosure requirements that are additional to those in IFRS Standards. Some of those disclosure requirements are based on requirements included in IFRS Standards when the *IFRS for SMEs* Standard was developed, but have since been removed from IFRS Standards or

amended (discussed in paragraph BC52(a)–(c)). Others have no equivalent in IFRS Standards (discussed in paragraph BC52(d)–(e)). The Board is proposing to:

(a) exclude from the draft Standard the disclosure requirements in paragraphs 28.41(g) and 15.19(d) of the *IFRS for SMEs* Standard about employee defined benefit plans and joint ventures, which were based on requirements that the Board has since replaced in IFRS Standards;

(b) include in the draft Standard an adapted version of the requirement in paragraph 20.14 of the *IFRS for SMEs* Standard, to require subsidiaries applying the Standard to disclose selected information about right-of-use assets consistent with the information required by IFRS 16 (see paragraphs 100(a) and 101 of the draft Standard);

(c) include in the draft Standard the reliefs in paragraphs 17A and 18A of IAS 24 *Related Party Disclosures*, to enable subsidiaries applying the draft Standard to benefit from those same reliefs when applying the requirement based on paragraph 33.7 of the *IFRS for SMEs* Standard (see paragraph 166 of the draft Standard) to disclose information about key management personnel compensation (see paragraphs 167–168 of the draft Standard);

(d) include in the draft Standard the disclosure requirements in paragraphs 28.42–28.43 of the *IFRS for SMEs* Standard about other long-term employee benefits and termination benefits because the Board evaluated that if that information is useful to users of SME financial statements then it would also be equally useful to users of subsidiaries' financial statements applying the draft Standard (see paragraphs 158–159 of the draft Standard); and

(e) include in the draft Standard an adapted version of the requirement in paragraph 3.25 of the *IFRS for SMEs* Standard to disclose the basis on which the entity prepared any segment information it has chosen to provide for similar reasons noted in paragraph BC52(d) (see paragraph 213 of the draft Standard).

Specific disclosure requirements

BC53 When developing the proposals in the draft Standard, the Board considered:

(a) a statement of compliance with the draft Standard (paragraphs BC54–BC56);

(b) disclosure requirements about the transition to new or amended IFRS Standards (paragraphs BC57–BC59);

(c) disclosure requirements about changes in accounting policies, changes in accounting estimates and disclosures about correcting prior period errors (paragraph BC60);

(d) disclosure requirements about insurance contracts (paragraphs BC61–BC64);

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(e) disclosure requirements about earnings per share and about operating segments (paragraphs BC65–BC66); and

(f) paragraph 95 of IFRS 13 (paragraph BC67).

Statement of compliance with the draft Standard

BC54 The Board is proposing that the application of the draft Standard be voluntary. Consequently, the financial statements of two similar subsidiaries that apply IFRS Standards could be different if only one applied the draft Standard. The two subsidiaries' financial statements are unlikely to provide the same disclosures, but both financial statements would still comply with IFRS Standards.

BC55 In the Board's view, disclosing that a subsidiary has applied the draft Standard would provide useful information to users of the subsidiary's financial statements and would aid comparability. The Board is therefore proposing that a subsidiary applying the draft Standard be required to state that fact.

BC56 To further aid comparability and understandability, the Board is proposing that the statement that an entity has applied the draft Standard (see paragraph 22 of the draft Standard) be located with the statement required by paragraph 110 of the draft Standard that a subsidiary's financial statements comply with IFRS Standards. Paragraph 110 of the draft Standard replicates paragraph 16 of IAS 1 *Presentation of Financial Statements* requiring an entity to make an explicit and unreserved statement that its financial statements comply with IFRS Standards.

Disclosure requirements about the transition to new or amended IFRS Standards

BC57 A new or amended IFRS Standard typically includes transition provisions that apply on initial application of that new or amended IFRS Standard. Occasionally, those transition provisions include disclosure requirements about an entity's transition to the new or amended IFRS Standard, which supplement the other disclosure requirements in that IFRS Standard. The disclosure requirements in the transition provisions also supplement, and occasionally replace, the disclosure requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

BC58 The Board is proposing that disclosure requirements about the transition to a new or amended IFRS Standard set out in those IFRS Standards apply to entities that apply the draft Standard. This is because they are specific to that transition and are relevant only on initial application of that new or amended IFRS Standard. Therefore, no disclosure requirements about transition provisions in other IFRS Standards are included in Appendix A of the draft Standard, which lists the disclosure requirements in other IFRS Standards that are replaced when a subsidiary applies the draft Standard (see paragraph BC69).

BC59 Disclosure requirements from IAS 8 have been added into the draft Standard (see paragraph BC60). Paragraph 134 of the draft Standard is equivalent to paragraph 28 of IAS 8, and applies when an entity changes its accounting policy as a result of an initial application of a new or amended IFRS Standard. As such, consequential amendments about transition provisions of IFRS 7 and IFRS 17 *Insurance Contracts* are proposed (see Appendix C of the draft Standard).

Disclosure requirements about changes in accounting policies, changes in accounting estimates and disclosures about correcting prior period errors

BC60 IAS 8 and Section 10 of the *IFRS for SMEs* Standard prescribe the criteria for selecting and changing accounting policies, together with accounting requirements and disclosure requirements for changes in accounting policies, changes in accounting estimates and corrections of errors. Section 10 is based on IAS 8, and the requirements are largely aligned. However, IFRS Standards and the *IFRS for SMEs* Standard are maintained differently. An IFRS Standard is amended when a matter is added to the Board's work plan and can occur more frequently, for example, as a result of narrow-scope amendments. The Board amends the *IFRS for SMEs* Standard periodically, no more frequently than every three years, usually after a comprehensive review. This difference affects the disclosure requirements in Section 10, so the Board decided that the disclosure requirements in IAS 8 should remain applicable for subsidiaries applying the draft Standard.

Disclosure requirements about insurance contracts

BC61 The Board considered whether to propose reduced disclosure requirements in relation to IFRS 17 in the draft Standard.

BC62 The Board considered whether entities that issue insurance contracts within the scope of IFRS 17 would not be publicly accountable and therefore eligible to apply the draft Standard. An entity is publicly accountable if 'it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (most banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks would meet this … criterion)' (see paragraph 1.3(b) of the *IFRS for SMEs* Standard and paragraph 7(b) of the draft Standard).

BC63 The Board found that some entities that issue insurance contracts within the scope of IFRS 17 could be eligible to apply the draft Standard. For example, a subsidiary that insures only the risks of its parent or its fellow subsidiaries (sometimes called a 'captive insurer'), and is not otherwise publicly accountable, might be eligible to apply the draft Standard. Similarly, some non-insurance entities that are permitted to apply the draft Standard might issue insurance contracts within the scope of IFRS 17.

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BC64 The Board considered the following matters and decided not to propose reduced disclosure requirements for IFRS 17:

(a) IFRS 17 introduces a model for accounting for insurance contracts which is supported by its disclosure requirements. If a subsidiary has material insurance contracts in the early years of applying IFRS 17, the interests of users of the financial statements may be best served by full IFRS 17 disclosures. Providing these disclosures should facilitate users' understanding of the new model for insurance accounting.

(b) proposing reduced disclosure requirements only after entities have applied IFRS 17 for some time would allow users to increase their familiarity with the new model for insurance accounting and its effect on an entity's financial statements while allowing the Board to assess the effectiveness of the disclosure requirements before proposing reduced disclosure requirements.

(c) the Board discussed possible approaches to reducing the disclosure requirements associated with IFRS 17. Based on that initial analysis, the Board concluded that if it were to propose reduced disclosure requirements for entities that are issuers of insurance contracts within the scope of IFRS 17 and permitted to apply the draft Standard, any such proposals would likely result in a limited reduction of the disclosure requirements in IFRS 17.

(d) the Board's approach in developing the disclosure requirements for the draft Standard considers users' needs (see paragraphs BC29–BC38). The Board observed that although insurance regulators are not the primary users of financial statements (as described in the *Conceptual Framework for Financial Reporting*), the disclosures required by IFRS 17 may help insurance regulators in undertaking enforcement activities, especially when IFRS 17 is first effective.

Disclosure requirements about earnings per share and operating segments

BC65 Given the scope of IAS 33 *Earnings per Share*, a subsidiary permitted to apply the draft Standard is not required to apply IAS 33. A subsidiary applying the draft Standard may, however, choose to disclose earnings per share. Paragraph 3 of IAS 33 states that if an entity discloses earnings per share, it shall calculate and disclose earnings per share by applying that Standard. The Board therefore considered whether to propose disclosure requirements in the draft Standard for when a subsidiary chooses to disclose earnings per share. The Board concluded that if a subsidiary applying the draft Standard has determined that disclosing earnings per share is relevant to users of its financial statements, the related disclosures are also relevant. Consequently, the Board decided neither to propose disclosure requirements in the draft Standard for when an entity chooses to disclose earnings per share nor to exempt an entity from the IAS 33 disclosure requirements. Therefore, if a subsidiary applying the draft Standard chose to disclose earnings per share in

its financial statements, it would be required to apply the disclosure requirements in IAS 33.

BC66 Similarly, given the scope of IFRS 8 *Operating Segments*, a subsidiary permitted to apply the draft Standard is not required to apply IFRS 8. However, whereas paragraph 3 of IAS 33 requires an entity that applies IFRS Standards to apply the requirements in IAS 33 if it chooses to disclose earnings per share, paragraph 3 of IFRS 8 permits an entity that is not required to apply IFRS 8 to disclose information about segments that does not comply with IFRS 8. In such circumstances, IFRS 8 prohibits the entity from describing the information as segment information. The Board decided the draft Standard should be consistent with the *IFRS for SMEs* Standard, that requires an entity to describe the basis for preparing and disclosing such information (see paragraph 213 of the draft Standard). The Board is not proposing to exempt a subsidiary from IFRS 8's disclosure requirements if it chooses to apply IFRS 8 (that is, a subsidiary applying the draft Standard could choose to apply IFRS 8 and, if so, would be required to apply the related disclosure requirements in that Standard). The Board is also proposing in the draft Standard to replicate the requirement in paragraph 3 of IFRS 8 that an entity be prohibited from describing information as segment information if the entity has not applied IFRS 8.

Paragraph 95 of IFRS 13

BC67 The Board considered whether to include in the draft Standard the requirement in paragraph 95 of IFRS 13 for an entity applying the draft Standard to follow consistently its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. However, the Board concluded that doing so was unnecessary, because paragraph 13 of IAS 8 requires consistent application of accounting policies.

Structure of the draft Standard

BC68 When a subsidiary that has elected to apply the draft Standard has applied an IFRS Standard to account for a transaction, other event or condition, the subsidiary would apply the disclosure requirements in the draft Standard set out under the subheading of that IFRS Standard. For example, the disclosure requirements for inventories are set out under the heading IAS 2 *Inventories*. This approach avoids the need to reproduce the scope of each IFRS Standard within the draft Standard. Disclosure requirements are organised by IFRS Standard.

BC69 An entity applying the draft Standard would apply the proposed disclosure requirements instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A of the draft Standard.

BC70 If a disclosure requirement in an IFRS Standard is not listed in Appendix A of the draft Standard, it remains applicable to an entity applying the draft Standard. The disclosure requirements that remain applicable are generally stated in a footnote to the subheading of the IFRS Standard to which they

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relate. Examples of disclosure requirements not listed in Appendix A and that continue to apply include:

(a) disclosure requirements that should be easier for preparers to consider in situ because the paragraphs that follow them contain requirements about their application. For example, paragraph 99 of IAS 1 which requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity.

(b) disclosure requirements embedded in paragraphs that include recognition, measurement or presentation requirements. For example, paragraph 25 of IAS 1 requires an entity to assess its ability to continue as a going concern along with disclosures required in relation to this assessment.

(c) disclosure requirements that, as stated in paragraph 48 of IAS 1, use the term 'disclosure' in a broad sense, encompassing items presented on the face of the primary financial statements. For example, paragraph 33(a) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to 'disclose a single amount in the statement of comprehensive income comprising the total of…' when it is a presentation requirement.

Transition to (and from) the draft Standard

BC71 Regarding a subsidiary's transition to and from the draft Standard, the Board considered:

(a) whether the draft Standard should contain transition provisions that apply when a subsidiary first applies the draft Standard (paragraphs BC72–BC74);

(b) whether a subsidiary should be permitted to re-elect to apply the draft Standard (paragraphs BC75–BC77);

(c) what comparative information should be required if a subsidiary applied the draft Standard in the current period but did not apply the draft Standard in the preceding period (paragraphs BC78–BC79);

(d) what comparative information should be reported if a subsidiary, applying IFRS Standards in the preceding and current periods, applied the draft Standard in the preceding period but not in the current period (paragraphs BC80–BC81);

(e) whether electing or revoking the election to apply the draft Standard requires a subsidiary to apply IAS 8 (paragraphs BC82–BC83); and

(f) whether and how electing or revoking the election to apply the draft Standard, or otherwise ceasing to apply the draft Standard affects a subsidiary's application of IFRS 1 (paragraphs BC84–BC86).

Should the draft Standard contain transition provisions?

BC72 Paragraphs BC84–BC86 discuss how the draft Standard relates to IFRS 1. Paragraphs BC73–BC74 discuss whether the draft Standard should include transition provisions for a subsidiary that applied IFRS Standards in the preceding period and applies the draft Standard for the first time in the current period.

BC73 When such a subsidiary applies the draft Standard for the first time, its financial statements will contain fewer disclosures than in the preceding period. The subsidiary might need to restate some comparative information to be consistent with the information reported in the current period. The subsidiary would also be required to disclose that it has applied the draft Standard (see paragraph BC55).

BC74 Considering the effects of applying the draft Standard for the first time on a subsidiary's financial statements as discussed in paragraph BC73 and noting that the subsidiary would have applied IFRS 1 in a previous period, the Board decided not to propose transition provisions or disclosure requirements in the draft Standard for a subsidiary that had applied IFRS Standards in a preceding period.

Re-electing to apply the draft Standard

BC75 The Board is proposing that application of the draft Standard be optional for subsidiaries eligible to apply it (see paragraph BC9(b)). Accordingly, a subsidiary might elect to apply the draft Standard and subsequently revoke that election, or cease to be eligible to apply the draft Standard. The Board considered whether such a subsidiary should be permitted to reapply the draft Standard in a future period, assuming that the entity is otherwise eligible.

BC76 Permitting a subsidiary to apply the draft Standard again after previously revoking that election could help a subsidiary that moves from a reporting group that prepares its financial statements applying IFRS Standards to a group that does not, but which then subsequently adopts IFRS Standards, for example.

BC77 The Board noted that permitting subsidiaries to apply the draft Standard again after previously revoking that election would also be consistent with IFRS 1, which permits entities to apply that Standard more than once in some circumstances. The Board also found that the needs of users of financial statements were not affected. Consequently, the Board found no reason to prohibit subsidiaries from electing to apply the draft Standard for the 'first time' more than once.

Comparative information

BC78 The Board considered what comparative information should be required if a subsidiary elects to apply the draft Standard in the current period, having done so in the previous period. The Board noted such a subsidiary would provide fewer disclosures in its financial statements in the current period than in the preceding period.

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BC79 The Board decided there is no need to require additional disclosures, beyond the requirement in the draft Standard for the subsidiary to state it has applied the Standard, as the disclosure requirements developed for the draft Standard are designed to meet users' needs, (see paragraphs BC23–BC39). Therefore, the Board concluded that such a subsidiary should apply the disclosure requirements in the draft Standard to determine the disclosures required for the immediately preceding comparative period (see paragraph 10 of the draft Standard).

BC80 The Board also considered what comparative information should be required if a subsidiary revoked its election to apply the draft Standard in the current period; that is the subsidiary applied the draft Standard in the preceding period but not in the current period. The Board found that such a subsidiary would probably be required to provide more disclosures in its financial statements in the current period than in the preceding period. The Board noted that in accordance with IAS 1 the subsidiary is required to disclose comparative information. Therefore, the subsidiary would apply the disclosure requirements in other IFRS Standards, including the requirement for comparative information. This treatment would be consistent with IFRS 1, which does not provide an exemption from disclosing comparative amounts in the notes in an entity's first IFRS financial statements.

BC81 Therefore, the Board concluded that the draft Standard should state that in the situation set out in paragraph BC80, a subsidiary shall provide comparative information for all amounts reported in the current period's financial statements unless another IFRS Standard requires or permits otherwise, and the fact that the draft Standard did not require the disclosure of amounts in the preceding period that are disclosed in the current period is not a reason to omit comparative information (see paragraph 11 of the draft Standard).

Whether electing or revoking the election to apply the draft Standard requires a subsidiary to apply IAS 8

BC82 In its deliberations, the Board considered the requirements in IAS 8 on changes in accounting policies. The Board noted that a subsidiary need not apply those requirements when it elects to apply the draft Standard or revokes that election.

BC83 Further, the Board considered the interaction of electing or revoking the election to apply the draft Standard with the requirements to present a statement of financial position in circumstances described in paragraphs BC78 and BC80 as at the beginning of the preceding period (see paragraph 40A of IAS 1). The Board noted that a 'third statement of financial position' is unnecessary because it would not change the recognition or measurement of items or amounts presented in the primary financial statements.

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Interaction with IFRS 1

BC84 The Board considered whether and how a subsidiary that elects to apply the draft Standard or revokes that election, or otherwise ceases to apply the draft Standard, would apply IFRS 1. A subsidiary that applied a national GAAP or the *IFRS for SMEs* Standard in a preceding period and elects to apply the draft Standard in the current period is required to apply IFRS 1 when it first applies the draft Standard because those reporting frameworks are not IFRS Standards. In particular, the *IFRS for SMEs* Standard has different recognition and measurement requirements for some topics compared with IFRS Standards. IFRS 1 applies to an entity's first IFRS financial statements (and to each interim financial report that an entity presents for part of the period covered by its first IFRS financial statements). IFRS 1 defines an entity's first IFRS financial statements as:

> [t]he first annual financial statements in which an entity adopts International Financial Reporting Standards (IFRSs), by an explicit and unreserved statement of compliance with IFRSs.

BC85 The Board, in paragraph 22 of the draft Standard, is proposing that a subsidiary that applies the draft Standard disclose that fact in the same note as the statement of compliance required by paragraph 110 of the draft Standard (which replicates the statement of compliance required by paragraph 16 of IAS 1). The Board concluded that application of the draft Standard does not preclude a subsidiary stating compliance with IFRS Standards and that disclosing application of the draft Standard in the same note as the statement of compliance is *not* a qualification of the statement of compliance. The Board therefore decided that:

(a) if a subsidiary adopts IFRS Standards after the Board issues the draft Standard, it may elect to apply the draft Standard in its first IFRS financial statements. In that situation, the subsidiary would apply IFRS 1, except for the disclosure requirements in IFRS 1 about the entity's transition to IFRS Standards. The subsidiary would instead apply the disclosure requirements in the draft Standard relating to IFRS 1 (see paragraphs 23–30 of the draft Standard).

(b) if a subsidiary adopted IFRS Standards in a prior period and its financial statements for the immediately preceding period contained an explicit and unreserved statement of compliance with IFRS Standards, the financial statements for the period in which the subsidiary first applies the draft Standard would not be its first IFRS financial statements. In this case, commencing application of the draft Standard would not result in the subsidiary being within the scope of IFRS 1.

(c) if a subsidiary applied the draft Standard in the immediately preceding period and its financial statements for that period contained an explicit and unreserved statement of compliance with IFRS Standards, the financial statements for the period in which the subsidiary ceases to apply the draft Standard but continues to apply IFRS Standards would not be its first IFRS financial statements. Therefore, ceasing to

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apply the draft Standard would not in itself result in the subsidiary being a first-time adopter of IFRS Standards. In other words, ceasing to apply the draft Standard would not result in the subsidiary being within the scope of IFRS 1.

BC86 For the avoidance of doubt, the Board decided to explain the interaction with IFRS 1 in the draft Standard (see paragraphs 12–14 of the draft Standard).

Maintaining the draft Standard

BC87 If the Board finalises the proposals in the Exposure Draft and issues the draft Standard, it would need to decide when to update the draft Standard for any new disclosure requirements or amendment to disclosure requirements arising from new IFRS Standards or amendments to IFRS Standards.

BC88 One approach would be for the Board to update the draft Standard periodically, similar to the way it updates the *IFRS for SMEs* Standard (no more frequently than every three years, usually after a comprehensive review). However, that approach would delay the benefits for subsidiaries applying the draft Standard. For example, if the Board were to issue a new IFRS Standard containing new disclosure requirements, subsidiaries applying the draft Standard would need to apply all of those new disclosure requirements until the draft Standard is updated (as Appendix A of the draft Standard would not list those new disclosure requirements).

BC89 Alternatively, the Board could propose amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Standard. Such an approach would require the Board to consider proposals to amend the draft Standard in the same period that amendments to IFRS Standards are being considered.

BC90 To minimise the need for updating the draft Standard, the Board could amend the draft Standard only after the Board has issued a new IFRS Standard or amendment to an IFRS Standard. This approach would delay the benefit of any reduced disclosure requirements that the Board might subsequently propose for subsidiaries applying the draft Standard, until the Board has updated the draft Standard. This approach could result in subsidiaries applying the draft Standard providing disclosures required by the new or amended IFRS Standard that are subsequently not required when the draft Standard is updated.

BC91 The Board decided it would consider proposing amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Standard to facilitate consideration of the appropriate amendments to the draft Standard when the related amendments to IFRS Standards are being discussed.

Potential effects of the proposals

BC92 New or amended IFRS Standards, which change financial reporting requirements, entail costs justified by the benefits of the better information they lead entities to provide. However, the draft Standard would result in ongoing reduced costs for those subsidiaries applying it because it is not

changing recognition and measurement requirements in IFRS Standards; it provides some subsidiaries with the option to provide fewer disclosures, tailored for their users' needs while applying IFRS Standards. Some subsidiaries may incur initial implementation costs, but these are expected to be outweighed by the ongoing savings (see paragraphs BC95–BC98).

BC93 The Board added the project to its work plan in response to feedback from preparers. The project aims to reduce the costs of preparing financial statements for subsidiaries permitted to apply the draft Standard—subsidiaries without public accountability with a parent that produces consolidated financial statements that comply with IFRS Standards. At present, a subsidiary that is required to provide information for consolidation to a parent entity that applies IFRS Standards would need to maintain additional accounting records when, in its own financial statements, it applied either the *IFRS for SMEs* Standard or a national GAAP whose recognition and measurement requirements differ from those in IFRS Standards. If the subsidiary applied IFRS Standards in its financial statements to minimise consolidation costs, it would be required to apply the disclosure requirements in IFRS Standards, although some disclosures provide information not intended for users of those financial statements if the subsidiary is not publicly accountable. The Board is seeking to reduce costs by eliminating the disclosure requirements that provide information not intended for such users of financial statements and eliminate the need to maintain additional accounting records. The Board expects that the draft Standard will retain the usefulness of the financial statements for the users of these subsidiaries' financial statements as the approach taken by the Board in developing the disclosure requirements considered users' needs.

BC94 The effects analysis for the draft Standard differs from that undertaken by the Board when an IFRS Standard is required to be applied, because the draft Standard is optional. A preparer electing to apply the draft Standard is therefore able to satisfy itself that the benefits of applying the draft Standard outweigh the costs.

BC95 The first-time implementation costs of applying the draft Standard would depend on whether a subsidiary's financial statements were previously prepared applying:

(a) a national GAAP (paragraph BC96);

(b) the *IFRS for SMEs* Standard (paragraph BC97); or

(c) IFRS Standards (paragraph BC98).

BC96 A subsidiary that applied a national GAAP and elects to apply the draft Standard would incur first-time implementation costs (including the cost as a first-time adopter of IFRS Standards). These costs would depend on the differences between the national GAAP that the subsidiary uses and IFRS Standards including the draft Standard. The ongoing benefits are expected to outweigh the implementation costs, because the subsidiary is no longer required to maintain additional accounting records. That is, efficiencies

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should arise when the parent and the subsidiary apply the same reporting standards.

BC97 A subsidiary that applied the *IFRS for SMEs* Standard and elects to apply the draft Standard would incur first-time implementation costs because recognition and measurement requirements differ between IFRS Standards and the *IFRS for SMEs* Standard, and there are some differences in the disclosure requirements between the draft Standard and the *IFRS for SMEs* Standard. These costs are expected to be outweighed by the benefits of the subsidiary not being required to maintain additional accounting records.

BC98 A subsidiary that applies IFRS Standards and elects to apply the draft Standard would benefit from significantly fewer disclosure requirements. Such a subsidiary could incur first-time implementation costs—for example, in identifying which disclosures are no longer required. However, these costs would be outweighed by the expected ongoing benefits of the subsidiary not having to produce the identified disclosures, including the associated operational costs a subsidiary would save from having to develop and maintain processes around preparation of those disclosures.

BC99 The Board's approach is intended to set disclosure requirements in the draft Standard that are sufficient to meet the needs of users of the subsidiary's financial statements. In the circumstances described in paragraphs BC96–BC98, if a parent requires information for its consolidated financial statements that the draft Standard does not require a subsidiary to disclose, the need to provide that information is unchanged by the draft Standard because the subsidiary would be required to provide such information regardless of the accounting standards it applies.

BC100 The Board has developed the disclosure requirements in a manner that should not result in the loss of useful information for the users of the subsidiary's financial statements. By considering paragraph BC157 of the *IFRS for SMEs* Standard in tailoring the disclosure requirements, the Board has considered the needs of users of the financial statements of subsidiaries within the proposed scope (see paragraphs BC32–BC34).

BC101 The Board also noted that in developing the disclosure requirements:

(a) lenders and other creditors to a subsidiary can request information beyond that in the subsidiary's financial statements. Lenders and other creditors can request such additional information regardless of whether financial statements are prepared applying IFRS Standards with full disclosures, the *IFRS for SMEs* Standard or a national GAAP.

(b) education and translation costs are inherent in applying any new or amended IFRS Standard, including implementing the (draft) Standard. In the long term, the benefits of application would justify these costs. The Board's approach to developing the requirements in the draft Standard should minimise such costs, because the approach uses disclosure requirements in the *IFRS for SMEs* Standard and in IFRS Standards as the basis for the proposed disclosure requirements.

(c) fewer disclosures would be provided in the financial statements subject to audit, so the audit effort should be reduced compared to financial statements applying IFRS Standards without applying the draft Standard. The auditor could also leverage on the work performed for the statutory audit (for example, the subsidiary's reporting in its own financial statements) and group reporting (for example, reporting to the parent company).

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Alternative view of Ms Françoise Flores on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

AV1 Ms Flores voted against the proposals in the Exposure Draft. Ms Flores agrees with designing disclosure requirements that are specific to entities without public accountability and that apply IFRS recognition and measurement requirements. However, she opposes restricting such requirements to subsidiaries that are SMEs. As noted in the Basis for Conclusions, the Board developed the proposed disclosure requirements following an approach relevant for all entities without public accountability, and hence without taking into account any characteristics of a subsidiary. Ms Flores therefore believes that all entities without public accountability should be eligible to apply the draft Standard, because it is by design relevant to all of them. Ms Flores holds this view for several reasons, both strategic and technical.

AV2 Ms Flores notes that the IFRS Foundation's mission is to develop standards that bring transparency, accountability and efficiency to financial markets around the world. To fulfil this mission, the Board should make decisions that facilitate the widest possible use of IFRS Standards. In Ms Flores' view, expanding the eligibility of the draft Standard would be in line with the IFRS Foundation's mission. So far, the Board has developed IFRS Standards that are specifically designed for publicly accountable entities and developed and maintained the *IFRS for SMEs* Standard, which is available only to entities without public accountability. The draft Standard could open IFRS Standards to entities that currently apply neither IFRS Standards nor the *IFRS for SMEs* Standard. An entity may decide against applying IFRS Standards because of the cost of complying with disclosure requirements that go far beyond what users of the entity's financial statements need. An entity may refrain from applying the *IFRS for SMEs* Standard because the entity deems the Standard unsuitable for the entity's size or the sophistication of its transactions. Some entities without public accountability may wish to apply IFRS Standards to remain comparable with their publicly accountable peers, or because they plan to raise finance on public markets in the medium term. Expanding the eligibility of the draft Standard would enable such entities to apply IFRS Standards more easily.

AV3 In deciding on a restricted scope, the Board de facto restricts the choice jurisdictions can make, that is, either requiring non-publicly accountable entities to apply IFRS Standards with disclosure requirements that are deemed too costly and not adjusted to the needs of their financial statements' users, or requiring the use of the *IFRS for SMEs* Standard. In Ms Flores' view, such a limited choice was acceptable until the IFRS Foundation dedicated resources to developing in IFRS Standards disclosure requirements for entities without public accountability. Because such requirements are available, no entity and its financial statements' users should bear the cost of unnecessary disclosures, and no jurisdiction should be prohibited from opening the use of the draft Standard to all entities without public accountability that the jurisdiction regulates. Given the extreme diversity of SMEs in terms of size and level of sophistication, a jurisdiction could mandate the requirements' use by a subset of such entities—for example, by specifying criteria when regulating what

standards an entity should use, in a way that best fits the jurisdiction's circumstances. In Ms Flores' view, as a standard-setter, the Board can legitimately restrict eligibility only when doing otherwise would be contrary to transparency, accountability and efficiency in financial markets.

AV4 No argument for the proposed eligibility restriction that the Board put forward convinced Ms Flores. In Ms Flores' view:

(a) having received demand for reduced disclosure requirements specifically for subsidiaries without public accountability neither restricts the Board's scope of analysis nor justifies limiting appropriate research.

(b) the *IFRS for SMEs* Standard, which contains reduced disclosure requirements, has been effective for 12 years. In its proposals for a reduced-disclosure Standard, the Board has either retained the disclosure requirements in the *IFRS for SMEs* Standard or used the same approach as it did when developing them. If this approach were likely to lead to negative outcomes, those outcomes would have already arisen from the application of the *IFRS for SMEs* Standard. Hence, there is no such thing as 'a new approach' and the caution the Board claims it needs does not seem justified.

(c) according to the Board, cost–benefit considerations would necessarily lead SMEs other than subsidiaries to apply the *IFRS for SMEs* Standard, not IFRS Standards. As further developed in paragraph AV5, the proper cost–benefit trade-off is very difficult to judge, given the diversity of SMEs. Furthermore, because IFRS Standards and the *IFRS for SMEs* Standard lead to separate adoption decisions, the Board should not factor in a decision related to an IFRS Standard that the *IFRS for SMEs* Standard is available for adoption. Non-publicly accountable entities already apply IFRS Standards in jurisdictions that mandate their use (for example, in several European countries) and cost savings associated with the draft Standard should be made available to them.

(d) the Board expressed concern that if the draft Standard were to be open to all SMEs, pressure would be exercised to require greater stability in IFRS requirements. As they stand, IFRS Standards are already open to all SMEs and Ms Flores is not aware that such pressure emanating specifically from SMEs has been expressed. Nor is she aware that recognition and measurement requirements in IFRS Standards would not be workable for stand-alone entities. The Board has also expressed concern that, were the draft Standard open to all SMEs, IFRS Standards may 'compete' with the *IFRS for SMEs* Standard. In contrast with that view and as is explained in paragraph AV5, Ms Flores believes that widening the scope of the draft Standard to include all SMEs would help to set a better direction for the evolution of the *IFRS for SMEs* Standard.

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AV5 While developing this Exposure Draft, the Board was leading the second comprehensive review of the *IFRS for SMEs* Standard. Feedback on the Request for Information is mixed: some respondents want the Standard to remain simple and easy to apply; others give precedence to close alignment with the recognition and measurement requirements in IFRS Standards. Such tension was already evident after the first comprehensive review, when the Board added options to the *IFRS for SMEs* Standard in addition to the IAS 39 *Financial Instruments: Recognition and Measurement* fallback, making the Standard more complex and leading to less comparability. The feedback reflects that the current scope of the *IFRS for SMEs* Standard is extremely wide, which creates tensions in how to accommodate antagonistic needs. Making proper cost–benefit determinations is difficult, if at all possible, because circumstances relating to cost and benefit vary greatly. In Ms Flores' view the Board's maintenance strategy for the *IFRS for SMEs* Standard would be greatly facilitated if the scope of the draft Standard included all non-publicly accountable entities. The Board could affirm the objective of keeping the *IFRS for SMEs* Standard simple and easy to apply, and alignment with IFRS Standards would be achieved at main-principle level while giving proper consideration to specific users' needs.

AV6 Technical considerations have also contributed to Ms Flores' alternative view. First and foremost, Ms Flores believes that any scope restriction should be fully justified from a financial reporting perspective, for example, if it were found that applying requirements outside the scope would be contrary to users' needs. As stated earlier, the current proposals have been designed without taking into account any characteristics of a subsidiary, so from a technical standpoint, the scope restriction is not relevant. Any non-publicly accountable entity using the draft Standard would provide disclosures that meet users' needs, irrespective of whether that entity is a subsidiary of an entity applying IFRS Standards.

AV7 Any entity without public accountability currently applying IFRS Standards should be helped to eliminate from its financial statements disclosures that are not deemed material. Help to remove such disclosures would be consistent with the Board's Disclosure Initiative standard-setting efforts that help provide all and only useful information and help make a more reasonable cost–benefit trade-off for entities without public accountability applying IFRS Standards.

AV8 Furthermore, eligibility restrictions could force an entity to change disclosure regime when its economic conditions and users' needs remain unchanged, because of a change in control or a change in its parent's accounting policy. Were an entity to cease being eligible, the proposals would require the entity and its users to bear significant costs, because the entity would be forced at short notice to provide a full set of disclosures, which the Board has deemed not useful to users. In Ms Flores' view, such a situation is unjustified and marks a departure from the *Conceptual Framework for Financial Reporting*, because it would introduce a breach of consistency from period to period and infringe the cost constraint, materiality and relevance of information.

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