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## Global Preparers Forum meeting

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| Date     | <b>March 2023</b>   |
| Project  | <b>Disclosure Initiative—<i>Subsidiaries without Public Accountability: Disclosures</i></b>       |
| Topic    | <b>Disclosure requirements related to IFRS 7 and IFRS 12</b>                                      |
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This paper has been prepared for discussion at a public meeting of the Global Preparers Forum (GPF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

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## Purpose of this paper

1. This paper asks Global Preparers Forum (GPF) members for their views on how to respond to the feedback on the proposed disclosure requirements in the Exposure Draft [Subsidiaries without Public Accountability: Disclosures](#) (Exposure Draft) for IFRS 7 *Financial Instruments: Disclosures* and IFRS 12 *Disclosure of Interests in Other Entities*.
2. GPF members' feedback will help the staff prepare recommendations to the International Accounting Standards Board (IASB) for when it considers the feedback on the proposed disclosure requirements.

## Structure of the paper

3. This paper is structured as follows:
  - (a) background (paragraphs 5–10); and
  - (b) question to GPF members (paragraph 11).
4. Appendices to this paper include:
  - (a) Appendix A—feedback and staff preliminary views on the proposed disclosure requirements for IFRS 7 and IFRS 12.
  - (b) Appendix B—extract of paragraphs BC156–BC158 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard.

## Background

5. The Invitation to Comment on the Exposure Draft asked for feedback on the proposed disclosure requirements in paragraphs 22–213 of the Exposure Draft. Respondents were asked if they:
  - (a) agree with those proposals, and why or why not. If not, which proposals do they disagree with and why.

- (b) 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) 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.
6. In responding to this question, compared to other proposed disclosure requirements in the draft Standard, many comments were received for IFRS 7 and IFRS 12. The proposed disclosure requirements for IFRS 7 and IFRS 12 are set out in paragraphs 42–67 and 68–78 of the Exposure Draft, respectively.

### Entities eligible to apply the Standard

7. The objective of the draft Standard was to permit a subsidiary to apply the recognition, measurement and presentation requirements of IFRS Accounting Standards and the reduced disclosure requirements of the draft Standard provided that:
- (a) the subsidiary does not have public accountability; and
  - (b) its ultimate or any intermediate parent produces consolidated financial statements that comply with IFRS Accounting Standards and are available for public use.

### How proposed disclosure requirements were developed (the IASB's agreed approach)

8. In developing the proposed disclosure requirements in the Exposure Draft, the IASB sought to save time and resources by leveraging the work it had already completed when developing the disclosure requirements in the *IFRS for SMEs* Accounting Standard (which are reduced from full IFRS Accounting Standards).
9. If the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard are:
- (a) the same—the IASB used the disclosure requirements from the *IFRS for SMEs* Accounting Standard in the Exposure Draft.
  - (b) different—the IASB reduced the disclosure requirements in IFRS Accounting Standards by applying the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard. These principles are set out in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard (see Appendix B for the extract of

paragraphs BC156–158 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard).

10. The IASB can be satisfied that the disclosures developed using the approach in paragraph 9 are fit for purpose because the *IFRS for SMEs* Accounting Standard works well in practice and has been subject to two comprehensive reviews. In the second comprehensive review the IASB undertook outreach with users of financial statements on the principles for reducing disclosures to ensure the principles reflect their information needs.

### Question to GPF members

11. The appendix to this paper sets out respondents' feedback on the proposed disclosure requirements for IFRS 7 and IFRS 12 and the staff's preliminary views on whether to recommend changes to the disclosure requirements proposed in the Exposure Draft.

#### Question for GPF members

Do you agree with the staff's preliminary views on whether to recommend changes to the disclosure requirements proposed in the Exposure Draft for IFRS 7 and IFRS 12?

## Appendix A—feedback and staff preliminary views on the proposed disclosure requirements for IFRS 7 and IFRS 12

A1. Table 1: IFRS 7 *Financial Instruments: Disclosures*<sup>1</sup>

| IFRS 7   |                        | Exposure Draft paragraph | Summary of feedback  | Staff's preliminary view  |
|--|------------------------|--------------------------|--|---|
| <b>Significance of financial instrument for financial position and performance</b> |                        |                          |  |   |
| Classes of financial instruments and level of disclosure                           | Paragraphs 6 and B1–B3 | Not proposed.            | No comments received.  | No change.  |
| Significance of financial instrument for financial position and performance        | Paragraph 7            | Paragraph 44             | Respondents questioned how the same objective can be met by different standards, i.e. IFRS 7 and the Exposure Draft.           | No change to paragraph 44 of the Exposure Draft.<br>The disclosure requirements proposed in paragraph 44 require disclosures about the significance of financial instruments to an entity.. |
| Categories of financial assets and financial liabilities                           | Paragraph 8            | Paragraph 43             | No comments received.  | No change.  |
| Financial assets or financial liabilities at fair                                  | Paragraph 9–11         | Paragraphs 45–46         | Respondents suggested that paragraphs 45 to 46 of the Exposure Draft be deleted as they provide information on the movement in | No change to paragraphs 45 and 46 of the Exposure Draft.  |

<sup>1</sup> Disclosure objectives and introductory paragraphs are excluded from the table.

| <u>IFRS 7</u>   |                    | <u>Exposure Draft paragraph</u> | <b>Summary of feedback</b>  | <b>Staff's preliminary view</b>   |
|---|--------------------|---------------------------------|---|---|
| value through profit or loss  |                    |                                 | <p>financial instruments which will not be relevant for the users of subsidiaries' financial statements.</p> <p>Respondents suggested that paragraph 10(d) of IFRS 7 be added as it provides information on liquidity and solvency.</p> | <p>The disclosure requirements in paragraphs 45 and 46 of the Exposure Draft provide more information than the movement of financial instruments. They provide information on the movement that is specifically attributable to credit risk and the difference between the carrying amount and the amount the entity would be contractually required to pay at maturity. These disclosures provide useful information about cash flows, liquidity and solvency (BC157(a)-(b)).</p> <p>The information required by paragraph 10(d) of IFRS 7 will be presented in the subsidiaries statement of changes in equity as other comprehensive income is a separate component of equity. Therefore, staff do not propose to add paragraph 10(d).</p> |
| Investments in equity instruments designated at fair value through other comprehensive income | Paragraphs 11A–11B | Not proposed.                   | <p>Respondents suggested that paragraph 11B of IFRS 7 be added as it provides more information on judgements, fair valuation and disaggregation.</p>  | <p>No change to the proposal not to include paragraph 11B of IFRS 7.</p> <p>The staff think the disclosure of carrying amounts by category of financial asset or financial liability as required by paragraph 43 of the Exposure Draft is sufficient. Additionally, the effects of the derecognition will be presented in the statement of changes in equity.</p>   |

| <a href="#">IFRS 7</a>  |                                | <a href="#">Exposure Draft paragraph</a> | Summary of feedback  | Staff's preliminary view  |
|---|--------------------------------|--|--|---|
| Reclassification  | Paragraphs 12B–12D             | Paragraphs 47–48                         | Respondents suggested deletion of the disclosures related to reclassifications as they were deemed to be disclosures of movements, additionally they believe that the disclosure requirements in paragraph 43 of the Exposure Draft will provide sufficient and relevant information to the users of financial statements. | Recommend deleting paragraphs 47–48 of the Exposure Draft.<br><br>The staff agree that the disclosure requirements in paragraph 43 will provide the necessary information to address the users' needs. Paragraph B4.4.1 of IFRS 9 said that reclassifications are expected to be 'very infrequent'. Considering the nature of entities eligible to apply the Standard, such reclassification could be rare. |
| Offsetting financial assets and financial liabilities             | Paragraphs 13A–13F and B40–B53 | Paragraphs 182–183                       | No comments received.  | No change.  |
| Collateral  | Paragraphs 14–15               | Paragraph 52                             | No comments received.  | No change.  |
| Allowance for credit losses                                       | Paragraph 16A                  | Paragraph 49                             | No comments received.  | No change.  |
| Compound financial instruments with multiple embedded derivatives | Paragraph 17                   | Paragraph 50                             | Respondents suggested deletion as this disclosure is not included in other reduced disclosure standards (for example, Australian Accounting Standards Boards (AASB) 1060 and United Kingdom's Financial Reporting Council's FRS 101).  | No change to paragraph 50 of the Exposure Draft.<br><br>The disclosure requirement provides information about obligations and for users to assess the solvency and liquidity (BC157(a)-(b)) for the liability portion of the compound financial instrument.   |

| <a href="#">IFRS 7</a>                    |                      | <a href="#">Exposure Draft paragraph</a> | Summary of feedback  | Staff's preliminary view  |
|---|----------------------|--|--|---|
|   |                      |  | These disclosures would benefit users of consolidated financial statements rather than the subsidiaries' financial statements. | <p>The disclosures also provide disaggregation (BC157(e)) for the compound financial instrument.</p> <p>The disclosure requirements in the Exposure Draft, provide information about the subsidiary's financial position and performance (whether separate or consolidated) regardless of whether the information would be reported (or not) in its parent's consolidated financial statements.</p>   |
| Defaults and breaches                     | Paragraphs 18–19     | Paragraph 53                             | No comments received.  | No change.  |
| Items of income, expense, gains or losses | Paragraphs 20–20A    | Paragraph 54                             | Respondents suggested that paragraph 20A of IFRS 7 be added as it provides information on judgements and disaggregation.       | <p>No change to paragraph 54 of the Exposure Draft for paragraph 20A of IFRS 7.</p> <p>The effects of derecognition are the same in the <i>IFRS for SMEs Accounting Standard</i> and IFRS 7. Applying the approach to developing the proposed disclosure requirements in paragraph 6 and 7 of this paper, paragraph 20A of IFRS 7 was excluded. The staff recommend no changes as the disclosure requirements in paragraph 43 and paragraph 54(a)(ii) of the Exposure Draft will provide the necessary information to address the users' needs, including disaggregation.</p> |
| Other disclosures—Accounting policies     | Paragraphs 21 and B5 | Paragraph 42                             | No comments received.  | No change.  |

| <a href="#">IFRS 7</a>   |                    | <a href="#">Exposure Draft paragraph</a> | Summary of feedback  | Staff's preliminary view  |
|--|--------------------|--|--|---|
| Other disclosures—<br>Hedge accounting   | Paragraphs 21A–24H | Paragraphs 55–58                         | Respondents suggested deletion of paragraph 55 of the Exposure Draft as the disclosure requirements in paragraphs 56–58 will provide sufficient information for users to understand the hedging strategy and its impact on the financial position and financial performance of the subsidiary. | Recommend deleting paragraph 55 of the Exposure Draft.<br><br>The staff agree that the disclosures in paragraphs 56–58 provide sufficient information to address the user needs.  |
| Other disclosures—<br>Additional disclosures related to interest rate benchmark reform | Paragraphs 24I–24J | Paragraph 59–60                          | Respondents suggested deletion of paragraphs 59–60 as they believed that the disclosure requirements are too costly to prepare.  | Recommend no change to paragraph 59 of the Exposure Draft.<br><br>The staff recommend no change to paragraph 59 of the Exposure Draft, as the disclosures provide information about cash flows (BC157(a)).<br><br>Recommend deleting paragraph 60 of the Exposure Draft.<br><br>The disclosure requirements in paragraph 59(b)–(c) include the management of risks arising from interest rate benchmark reform, which address the risk management strategy. |
| Fair value   | Paragraphs 25–29   | Paragraph 61                             | No comments received.  | No change.  |
| <b>Nature and extent of risks arising from financial instruments</b>                   |                    |  |  |   |
| Qualitative disclosures  | Paragraph 33       | Not proposed.                            | No comments received.  | No change.  |



| <u>IFRS 7</u>                             |                               | <u>Exposure Draft paragraph</u> | <b>Summary of feedback</b>  | <b>Staff's preliminary view</b>  |
|---|-------------------------------|---------------------------------|---|--|
| Quantitative disclosures                  | Paragraphs 34–35 and B7–B8    | Not proposed.                   | No comments received.   | No change.   |
| Quantitative disclosures—credit risk      | Paragraphs 35A–38 and B8A–B10 | Paragraphs 54(c) and 62–67      | Respondents suggested that the disclosures in paragraph 62–67 of the Exposure Draft be deleted as they are costly to prepare, go beyond the needs of the users and the information could be obtained from the group financial statements. | Recommend deleting paragraphs 62, 66, and 67 of the Exposure Draft.<br><br>The staff recommend deletion of paragraph 62 as the disclosures required in paragraphs 63–65 provide information about measurement uncertainty (BC157(c)).<br><br>The staff further recommend deletion of paragraphs 66 and 67 as the costs of providing these disclosures could outweigh the benefits. |
| Quantitative disclosures—Liquidity risk   | Paragraphs 39 and B10A–B11F   | Not proposed.                   | Respondents suggested the addition of the liquidity risk disclosures in paragraph 39 of IFRS 7 as these disclosures provide information about solvency and liquidity.   | Recommend adding paragraph 39 of IFRS 7.<br><br>The staff agree that the disclosure requirements in paragraph 39 of IFRS 7 provide information about liquidity and solvency (BC157(b)).  |
| Quantitative disclosures—Market risk      | Paragraphs 40–42 and B17–B28  | Not proposed.                   | No comments received.   | No change.   |
| <b>Transfers of financial assets</b>      |                               |                                 |   |  |
| Transferred financial assets that are not | Paragraphs 42D and B29–B32    | Paragraph 51                    | No comments received.   | No change.   |

| <a href="#">IFRS 7</a>   |                                 | <a href="#">Exposure Draft paragraph</a> | Summary of feedback   | Staff's preliminary view |
|--|---------------------------------|--|-----------------------|--------------------------|
| derecognised in their entirety                                       |                                 |  |                       |                          |
| Transferred financial assets that are derecognised in their entirety | Paragraphs 42E–42G and B33–B38) | Not proposed.                            | No comments received. | No change.               |
| <b>Supplementary information</b>                                     |                                 |  |                       |                          |
| Supplementary information  | Paragraphs 42H and B39          | Not proposed.                            | No comments received. | No change.               |
| <b>Initial application of IFRS</b>                                   |                                 |  |                       |                          |
| Initial application of IFRS 9  | Paragraphs 42I–42S              | Not proposed.                            | No comments received. | No change.               |

Table 2: IFRS 12 *Disclosure of Interest in Other Entities*.<sup>2</sup>

| <a href="#">IFRS 12</a>          |                        | <a href="#">Exposure Draft paragraph</a> | Summary of feedback  | Staff's preliminary views   |
|----------------------------------|------------------------|--|--|---|
| <b>Aggregation</b>               |                        |  |  |   |
| Aggregation                      | Paragraphs 4 and B2–B6 | Not proposed.                            | No comments received.  | No change.  |
| <b>Scope</b>                     |                        |  |  |   |
| Scope                            | Paragraph 5            | Paragraph 68                             | Respondents noted that paragraph 68 of the Exposure Draft excludes joint operations and suggested that this type of interest be included as subsidiaries apply IFRS 11 <i>Joint Arrangements</i> . | Recommend updating paragraph 68 of the Exposure Draft.<br><br>The staff agree that joint operations should be added as they are a type of joint arrangement in IFRS 11.   |
| <b>Interests in subsidiaries</b> |                        |  |  |   |
| Investment entity status         | Paragraphs 9A–9B       | Paragraphs 71–72                         | Respondents suggested that paragraphs 71–72 of the Exposure Draft be deleted as few subsidiaries without public accountability are likely to be investment entities.                               | No change to paragraph 71–72 of the Exposure Draft.<br><br>Paragraphs 71 to 72 of the Exposure Draft provide information on measurement (BC157(c)) uncertainties, information about an entity's accounting policy choices (BC157(d)) and disaggregation (BC157(e)). |

<sup>2</sup> Disclosure objectives and introductory paragraphs are excluded from the table.

| <u>IFRS 12</u>  |                                | <u>Exposure Draft paragraph</u> | <b>Summary of feedback</b>  | <b>Staff's preliminary views</b>  |
|---|--------------------------------|---------------------------------|---|---|
| Interest in subsidiaries  | Paragraph 11                   | Paragraph 69(c)                 | No comments received.   | No change.  |
| The interest that non-controlling interests have in the group's activities and cash flows     | Paragraphs 12, B10–B11 and B17 | Not proposed.                   | Respondents suggested that paragraph 12 of IFRS 12 be added as it provides information on the composition of the group.   | No change for paragraph 12 of IFRS 12.<br><br>The staff recommend no change for paragraph 12 of IFRS 12 as the disclosures do not meet the BC157 principles.  |
| The nature and extent of significant restrictions   | Paragraph 13                   | Not proposed.                   | No comments received.   | No change.  |
| Nature of the risks associated with an entity's interests in consolidated structured entities | Paragraphs 14–17               | Paragraph 69(d)                 | Respondents suggested that paragraphs 14–17 of IFRS 12 be added as they provide information on cash flows, obligations, commitments and liquidity and solvency. | Recommend adding paragraphs 14, 15(a) and 17 of IFRS 12.<br><br>No change for paragraphs 15(b) and 16 of IFRS 12.<br><br>The staff agree that paragraphs 14, 15(a) and 17 of IFRS 12 provide useful information that will assist the users to |

| <a href="#">IFRS 12</a>  |              | <a href="#">Exposure Draft paragraph</a> | Summary of feedback   | Staff's preliminary views   |
|--|--------------|--|---|---|
|  |              |  |   | <p>assess solvency and liquidity and provide information about obligations and commitments (BC157(a)-b)).</p> <p>The staff recommend that paragraphs 15(b) and 16 of IFRS 12 are not added as the information provided by paragraphs 14, 15(a) and 17 are sufficient to provide useful information about the nature of the risks associated with an entity's interests in consolidated structured entities.</p> |
| Consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control | Paragraph 18 | Not proposed.                            | No comments received.   | No change.  |
| Consequences of losing control of a subsidiary during the reporting period                                       | Paragraph 19 | Paragraph 70                             | Respondents suggested that paragraph 70 of the Exposure Draft be deleted, whereas others sought clarity (because this disclosure is not included in the <i>IFRS for SMEs</i> Accounting Standard and is not | <p>No change to paragraph 70 of the Exposure Draft.</p> <p>This disclosure requirement is proposed in the Exposure Draft Third edition of the <i>IFRS for SMEs</i> Accounting Standard.</p>   |

| IFRS 12   |                    | <a href="#">Exposure Draft paragraph</a> | Summary of feedback   | Staff's preliminary views   |
|---|--------------------|--|---|---|
|   |                    |  | related to a recognition or measurement difference).  |   |
| <b>Interests in unconsolidated subsidiaries (investment entities)</b> |                    |  |   |   |
| Interests in unconsolidated subsidiaries                              | Paragraphs 19A–19G | Paragraphs 73–74                         | <p>Respondents suggested that paragraphs 73–74 of the Exposure Draft be deleted as few subsidiaries without public accountability are likely to be investment entities.</p> <p>In addition, some respondents suggested that paragraphs 19A–19G of IFRS 12 are relevant for the users' assessment of the subsidiaries' liquidity and solvency.</p> | <p>No change to paragraphs 73–74 of the Exposure Draft.</p> <p>Paragraph 73 of the Exposure Draft provides information for the users to understand the composition of the group and paragraph 74 provides information on the subsidiary's liquidity and solvency.</p> <p>No change for paragraph 19A–19C and 19G of IFRS 12.</p> <p>The disclosures required by paragraph 19A of IFRS 12 are included in paragraph 73 of the Exposure Draft.</p> <p>The staff recommend no change for paragraph 19B and 19C of IFRS 12 as the disclosures do not meet the BC157 principles.</p> |

| <u>IFRS 12</u> |  | <u>Exposure Draft paragraph</u> | Summary of feedback | Staff's preliminary views   |
|----------------|--|---------------------------------|---------------------|---|
|                |  |                                 |                     | <p>The staff recommend that paragraph 19G of IFRS 12 is not added as the information provided by paragraphs 19E(a) and 19F are sufficient to provide useful information about the nature of the risks associated with an entity's interests in unconsolidated structured entities.</p> <p>Recommend adding paragraphs 19D(b), 19E(a) and 19F of IFRS 12.</p> <p>The disclosures required by paragraph 19D(a) of IFRS 12 are included in paragraph 74 of the Exposure Draft. Paragraph 19D(b) provides information about obligations and commitments, and solvency and liquidity (BC157(a)-(b)).</p> <p>Paragraph 19E(a) of IFRS 12 is sufficient to provide information about a subsidiary's obligations and commitments and for users to assess its solvency and liquidity (BC157(a)-(b)). Paragraph 19E(b) requires disclosure of the reasons for providing support and the costs of providing this</p> |

| IFRS 12  |                              | Exposure Draft paragraph | Summary of feedback  | Staff's preliminary views  |
|--|------------------------------|--------------------------|--|--|
|  |                              |                          |  | <p>information could outweigh the benefits.</p> <p>Paragraph 19F of IFRS 12 is similar to paragraph 14 of IFRS 12 and the staff recommend that it is added as it provides information about obligations and commitments (BC157(a)).</p>  |
| <b>Interests in joint arrangements and associates</b>  |                              |                          |  |  |
| Nature, extent and financial effects of an entity's interests in joint arrangements and associates | Paragraphs 21–22 and B12–B17 | Paragraphs 75–77         | <p>Respondents suggested that paragraph 21 of IFRS 12 be added as it provides more information on the value, return and nature of the investments.</p> <p>Respondents suggested that paragraph 22(a) of IFRS 12 be added as it provided information on liquidity and solvency.</p> | <p>No change for paragraph 21 of IFRS 12.</p> <p>The staff recommend no change for paragraph 21 of IFRS 12 as the disclosures do not meet the BC157 principles.</p> <p>Recommend adding paragraph 22(a) of IFRS 12.</p> <p>The staff agree that paragraphs 22(a) of IFRS 12 provide useful information that will assist the users to assess solvency and liquidity (BC157(b)).</p> |



| <a href="#">IFRS 12</a>  |                               | <a href="#">Exposure Draft paragraph</a> | Summary of feedback   | Staff's preliminary views  |
|--|-------------------------------|--|---|--|
|  |                               |  |   |  |
| Risks associated with an entity's interests in joint ventures and associates | Paragraphs 23 and B18–B20     | Paragraph 78                             | No comments received.   | No change.   |
| <b>Interests in unconsolidated structured entities</b>                       |                               |  |   |  |
| Interests in unconsolidated structured entities                              | Paragraphs 25–25A and B21–B24 | Not proposed.                            | No comments received.   | No change.   |
| Nature of interests  | Paragraphs 26–28              | Not proposed.                            | No comments received.   | No change.   |
| Nature of risks  | Paragraphs 29–31 and B25–B26  | Not proposed.                            | Respondents suggested that paragraphs 30 and 31 of IFRS 12 be added as they provide information about cash flows, | Recommend adding paragraphs 30(a) and 31 of IFRS 12.<br><br>Paragraph 30(a) of IFRS 12 provides information about a subsidiary's |

| <a href="#">IFRS 12</a> |  | <a href="#">Exposure Draft paragraph</a> | Summary of feedback                                   | Staff's preliminary views   |
|-------------------------|--|--|---|---|
|                         |  |  | obligations, commitments, and liquidity and solvency. | <p>obligations and commitments and for users to assess its solvency and liquidity (BC157(a)-(b)). The costs of providing the disclosures in paragraph 30(b) could outweigh the benefits. The staff think the information provided by paragraph 30(a) of IFRS 12 is sufficient to address the users' needs.</p> <p>Paragraph 31 of IFRS 12 provides useful information that will assist the users to assess solvency and liquidity and provide information about obligations and commitments (BC157(a)-(b)).</p> |

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**Appendix B—Extract of paragraphs BC156–BC158 of the Basis for Conclusions on the *IFRS for SMEs Accounting Standard***

BC156 The disclosure requirements in the *IFRS for SMEs* are substantially reduced when compared with the disclosure requirements in full IFRSs. The reasons for the reductions are of four principal types:

- (a) Some disclosures are not included because they relate to topics covered in IFRSs that are omitted from the *IFRS for SMEs* (see paragraph BC88).
- (b) Some disclosures are not included because they relate to recognition and measurement principles in full IFRSs that have been replaced by simplifications in the *IFRS for SMEs* (see paragraphs BC98–BC136).
- (c) Some disclosures are not included because they relate to options in full IFRSs that are not included in the *IFRS for SMEs* (see paragraphs BC84–BC86).
- (d) Some disclosures are not included on the basis of users' needs or cost-benefit considerations (see paragraphs BC44–BC47, BC157 and BC158).

BC157 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.

BC158 The Board also relied on the recommendations of the working group, which undertook a comprehensive review of the disclosure proposals in the exposure draft, and the comments on those proposals in responses to the exposure draft. The working group sent its comprehensive recommendations to the Board in July 2008. In addition, the staff of the German Accounting Standards Committee met representatives of six German banks that lend extensively to small private entities and provided the IASB with a comprehensive report on disclosure needs from a bank lender's perspective.