Project	***Annual Improvements* Project – 2009-2011 cycle**
Topic	**Required vs encouraged disclosures**

Introduction

1. The Committee decided at its meeting in May 2009 to recommend that the Board undertake a review of all disclosures encouraged (but not required) by IFRSs with the objective of either confirming that they are required or eliminating them.

2. As of January 2010, the Committee became involved with the *Annual Improvements* project. Any decision on this issue would affect current standards, therefore would possibly fall under the *Annual Improvements* project. This is why the issue is presented for discussion at this Committee meeting.

Objective

3. The objective of this paper is:

   (a) to provide background information,

   (b) to document the staff's analysis and recommendations, and

   (c) to obtain a decision from the Committee as to how to proceed with this issue.

Background

4. The Committee received a request for more guidance on the extent of required disclosures relating to property, plant and equipment temporarily idle or assets under construction when additional construction has been postponed.

5. The Committee noted at its meeting in March 2009 that IAS 16 *Property, Plant and Equipment* together with IAS 1 *Presentation of Financial Statements* provide sufficient disclosures to avoid significant diversity in practice. Hence, the request was not taken on to the Committee agenda.

6. An additional question arose during the discussions. Should encouraged disclosures be made mandatory? The Committee then decided to recommend the Board to address this issue.

7. The full text of the agenda decision in May 2009 is reproduced in Appendix A for ease of reference.

8. Appendix B lists the identified encouraged disclosures throughout IFRSs and reproduces them in full for ease of reference.

Why is the issue worth taking through the *Annual Improvements* project?

9. The issue arose out of a particular standard and economic context. However, reaching a decision on disclosures in one standard raises the question of the consequences for other encouraged disclosures in other IFRSs.

10. Some people think that when a standard <u>encourages</u> the disclosure of a specific piece of information, rather than <u>requires</u> it, it results in diversity in practice. They are in favour of modifying the relevant standards to require rather than just encourage certain disclosures.

11. Other constituents are of the opinion that companies should follow their regulators' recommendations and not leave it to IFRSs to be prescriptive.

12. The staff notes that IFRS publications from 2003 onwards do not contain encouraged disclosures but only required disclosures.

13. In addition, the Financial Accounting Standards Board (FASB) announced in July 2009 the addition of a new FASB project aimed at establishing an overarching framework intended to make financial statement disclosures more effective, coordinated, and less redundant. As part of discussions on this project, the FASB members have indicated that they do not want to encourage disclosures and that disclosures should be either required or not included in a standard. Even though the FASB project on disclosures is not a joint project with the IASB, the staff believes it is important information to bring to the attention of the Committee.

Assessment against* Annual Improvements *criteria

Assessment against currently used criteria

14. The existing criteria for inclusion in the 2009-2011 *Annual Improvements* cycle are that the change is <u>non-urgent</u> and <u>necessary</u>.

15. The staff believes that seeking consistency on disclosures within IFRSs would improve the quality of financial information and lead to less diversity in practice. Therefore, the staff thinks that the proposed improvements presented in the detailed analysis below meet both non-urgent and necessary criteria for inclusion in the 2009-2011 *Annual Improvements* cycle.

Proposed new criteria

16. The Trustees have asked the Board to present enhanced criteria in determining the scope for the *Annual Improvements* process. This request is in response to comments received from constituents regarding appropriateness of criteria for judging whether an issue is an *Annual Improvement.*

17. At this stage, given the proposed new criteria are still to be finalised, the staff assesses inclusion in 2009-2011 *Annual Improvements* cycle with regards to the <u>current</u> criteria only. The staff will update the assessment accordingly prior to the publication of the exposure draft.

18. The staff recommends the issue be taken through the 2009-2011 *Annual Improvements* cycle.

Question 1 – Issue to be addressed through AIP
Does the Committee agree to take the issue through the *Annual Improvements* project?

Overview analysis

19. The staff notes that 7 out of the 10 identified encouraged disclosures listed in Appendix B have common features. The 7 encouraged disclosures are:

    (a) paragraph 79 of IAS 16 about fully depreciated but still in use property, plant and equipment (PP&E), temporary idle PP&E, retired from active use PP&E and fair value of PP&E – see paragraphs 50 to 57 of the paper,

    (b) paragraph 72 of IAS 33 on terms and conditions of contracts generating potential ordinary shares - see paragraphs 62 to 68 of the paper,

    (c) paragraph 21 of IAS 34 on quantitative information for entities whose business is highly seasonal - see paragraphs 69 to 74 of the paper,

    (d) paragraph 132 of IAS 36 on assumptions used to determine the recoverable amount of assets - see paragraphs 75 to 80 of the paper,

    (e) paragraph 128 of IAS 38 on fully amortised but still in use intangible assets and unrecognised intangible assets - see paragraphs 81 to 89 of the paper, and

    (f) paragraphs 43 and 51 of IAS 41 on quantified description of each group of biological asset and on change in fair value due to physical changes and/or price changes - see paragraphs 90 to 94 of the paper.

20. The common features are that they:

    (a) reflect specific economic circumstances and may not affect the financial statements on a regular basis,

    (b) highlight specific characteristics of an industry, and

    (c) are rarely provided in practice.

21. For these disclosures, the staff provides a summary analysis first rather than 7 separate detailed analyses, in order to avoid repeating the rationale for the staff's recommendation.

22. The staff envisages three paths forward for these disclosures:

    (a) View A: make mandatory all currently encouraged information.

    (b) View B: remove the disclosures from the standards they currently belong to and use them as illustrative examples of disclosures that shall be given when necessary for an understanding of the financial statements following IAS 1 general principles.

    (c) View C: remove the disclosures from IFRS literature, whether authoritative or not.

View A – make mandatory all currently encouraged information

23. The staff finds merits in this approach in that it is in line with the qualitative characteristics of reliability, more especially completeness, and comparability as set out in paragraphs 38 and 39 of the *Framework*. In addition, it would entail very little change – basically replacing the verb "encourage" by "require" in the disclosures.

24. The staff is concerned that the information appears to be rarely provided in practice. In this respect, should these disclosures be made mandatory, costs of providing the information might exceed benefits to users.

25. The staff is of the opinion that practice and circumstances evolve over time, hence the Disclosures section of a standard cannot give a complete list of all disclosures relevant to an understanding of the financial position and

performance of an entity. This is consistent with principle-based disclosures rather than listing disclosures to be provided under identified specific circumstances.

26. Making mandatory the encouraged disclosures might mean for some that the disclosures in the standards are a defined list. The staff thinks that relevant information may be undisclosed on the grounds that it is not listed in the Disclosures section.

View B - remove disclosures from the standards and use them as illustrative examples

27. The staff believes that IAS 1 *Presentation of Financial Statements* clearly state the principles for information to be disclosed, especially in paragraphs 112(c) and 122:

    (a) paragraph 112(c) requires an entity to provide information in the notes that is not presented elsewhere in the financial statements, but that is relevant to an understanding of any of them.

    (b) paragraph 122 requires disclosure of judgements that management has made in the process of applying the entity's accounting policy and that have the most significant effect on the amounts recognised in the financial statements.

28. In line with these principles, the staff thinks information under specific economic circumstances should not be part of disclosure requirements in each relevant standards.

29. The staff believes that moving the identified encouraged disclosures from the individual standards to include them as illustrative examples to IAS 1 would be a good way to meet the internal consistency objective. The examples would cease to be encouraged disclosures and would become required disclosures where circumstances dictate.

30. In proposing to move these paragraphs, the intent is not to provide guidance on how to apply IAS 1. The proposed change rather intends to illustrate information an entity's management could decide to disclose in applying these

paragraphs. Therefore the staff thinks these paragraphs would better be included in Guidance on Implementing IAS 1.

31. The staff notes this is a change in status from authoritative to non-authoritative guidance. Such a change meets the objective of having more principle-based disclosures.

32. In addition, the staff believes that moving these disclosures would then capture in one place examples of the type of information required under specific economic circumstances.

33. Eventually, the staff believes that moving these encouraged disclosures to the 'Guidance on Implementing IAS 1' section is consistent with the Committee Agenda Decision in March 2009 for PP&E. The Decision stated that IAS 16 should be read in conjunction with paragraph 112(c) of IAS 1 in order to identify appropriate disclosure on temporarily idle and under construction items of PP&E.

34. The staff acknowledges that appropriate wording should introduce these illustrative disclosures: they do not represent an exhaustive list. The situations in which they are needed are to be determined taking account of all facts and circumstances.

View C – remove disclosures from IFRS literature, whether authoritative or not

35. The staff believes deleting the identified encouraged disclosures from authoritative and not retaining them in non-authoritative IFRS literature would result in a loss of disclosures. Therefore the staff doesn't recommend this path forward.

Summary staff conclusion

36. For the reasons set out in paragraphs 27 to 34 above, the staff is in favour of view B for the seven identified disclosures with common features. The staff presents separate recommendations for the remaining three disclosures in the detailed analysis below.

Staff analysis and recommendation for each identified disclosure

37. For each of the identified disclosures - reproduced in full in Appendix B - the staff presents below an analysis of feedback received from outreach to regulators and preparers. The outreach involved preparers from South Africa, Canada and Europe, three international audit firms and European regulators.

IAS 7 Statement of Cash Flows

38. Paragraph 50 of IAS 7 encourages disclosure of:

    (a) undrawn borrowing facilities that may be available for future business activities and to settle capital commitments,

    (b) cash flows from proportionately consolidated entities,

    (c) cash flows from increase in operating capacity versus existing capacity,

    (d) cash flows from activities by segments.

39. The staff notes that subparagraph 50(b) of IAS 7 will be deleted as a consequential amendment from the forthcoming standard on *Joint Arrangements*.

40. The staff also notes that the Board discussed other disclosures from paragraph 50 of IAS 7 during the *Financial Statement Presentation* project session at the joint IASB/FASB meeting in April 2010. This project plans to integrate IAS 7 requirements. At that meeting, the Board tentatively decided that the *Financial Statement Presentation* exposure draft will include as a <u>requirement</u> subparagraph 50(a) of IAS 7. As for the two remaining subparagraphs (c) and (d), the Board tentatively decided that the exposure draft will not include them.

41. With respect to the Board's decision on subparagraph 50(d) of IAS 7, the staff notes that the FASB's *Financial Presentation Statement* already <u>requires</u> the information be provided along with other segment measures.

42. The staff acknowledges that the tentative decisions reached at the IASB Board meeting in April 2010 are subject to due process – including public comments – before finalisation.

43. However, the staff notes that these tentative decisions do not contradict the feedback received from constituents as part of the outreach on the ‘Encouraged vs required disclosures’ issue.

44. Anticipating these changes through *Annual Improvements* would adequately answer the request to deal with ‘encouraged vs required disclosures’. The finalisation and effective date of the *Financial Statement Presentation* standard are likely to be later than the next *Improvements to IFRSs*.

45. Therefore, the staff suggests the Committee recommends that the Board propose to make the changes set out in paragraph 40 above through the *Annual Improvements* project. The proposal is to make mandatory the encouraged disclosure in subparagraph 50(a) of IAS 7 and to delete subparagraphs 50(c) and (d) of IAS 7.

IAS 12 Income taxes

46. Paragraph 87 of IAS 12 encourages disclosure of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures.

47. The feedback received suggested deleting the disclosure on the basis that:

    (a) this information is rarely if ever provided in practice, and

    (b) the cost of providing this information exceeds benefits for users.

48. In addition, the staff notes that paragraph 87 of IAS 12 states that computing relevant data to provide the encouraged information is “would often be impracticable”. The staff believes that providing this information when possible doesn’t enhance comparability of financial statements from different entities.

49. Therefore the staff suggests the Committee recommends that the Board propose to delete paragraph 87 of IAS 12.

IAS 16* Property, Plant and Equipment *(PP&E)

50. Paragraph 79 of IAS 16 encourages disclosures of quantitative information regarding PP&E that is either:

    (a) temporarily idle,

    (b) fully depreciated,

    (c) retired from active use and not classified as held for sale in accordance with IFRS 5, or

    (d) the fair value when PP&E are accounted for under the cost model.

51. A majority of comments received as part of the outreach suggests deleting these disclosures on the grounds that the information is not relevant and the cost of providing the information outweigh the benefits.

52. However, on the specific disclosure of fully depreciated PP&E (subparagraph 79(b)), one constituent highlights the following arguments for making this disclosure mandatory :

    (a) the historic cost may be highly relevant for users in valuing issuers with long reinvestment cycles, and

    (b) the information should be readily available and could be provided without generating undue cost or complexity.

53. Given the accounting requirement in IAS 16 to reassess PP&E's useful lives at least at the end of each financial year-end (paragraph 51 of IAS 16), other constituents are of the opinion that the entity should never be in a position to disclose material amounts with respect to paragraph 79(b) of IAS 16.

54. The staff agrees that disclosure of fully depreciated - but still in use - items of PP&E should not be made mandatory because it would weaken the accounting requirement to reassess useful lives regularly and impair consistency in IAS 16.

55. The staff believes that the disclosure of fully depreciated items of PP&E, along with the disclosures in subparagraphs 79(a), (c), and (d) of IAS 16, would be good illustrative examples of disclosure in applying paragraph 112(c) of IAS 1.

56. The staff notes that, under specific economic circumstances, this information would be relevant to an understanding of the effect of these circumstances on the financial statements provided the information is material.

57. The staff suggests the Committee recommends that the Board propose to move the encouraged disclosures to Guidance on Implementing IAS 1 through the *Annual Improvements* project.

IAS 17 **Leases**

58. Paragraph 48 of IAS 17 encourages a lessor party to a finance lease to disclose the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.

59. The feedback received is that the information is rarely if ever seen in practice in financial statements. Some constituents state they don't see the rationale for such disclosure. Others believe that, for a major leasing business, qualitative information on volume trends would be provided within the management commentary. They are of the opinion that no additional quantitative information should be required.

60. In addition, the staff notes that an exposure draft on *Leases* is planned for publication in July 2010. During its discussion with respect to lessor disclosure requirements in April 2010, the Board tentatively approved a set of disclosure requirements that did not comprise the information set out in paragraph 48 of IAS 17.

61. The staff believes that proposing to delete this encouraged disclosure is in line with the Board's proposal and suggests that the Committee recommends that the Board propose to delete the encouraged disclosure as part of the *Annual Improvements* project.

IAS 33 Earnings per share

62. Paragraph 72 of IAS 33 encourages disclosure of terms and conditions of contracts generating potential ordinary shares if not otherwise required by IFRS 7 *Financial Instruments: Disclosures*.

63. Having considered the feedback received, it appears that the information is rarely if ever provided in the financial statements.

64. One constituent argues that this information should be part of IFRS 7.

65. Another constituent gives arguments in favour of making the disclosure mandatory:

    (a) terms and conditions of contracts generating potential ordinary shares with dilutive effects are often significant information for the users,

    (b) the information should be readily available, hence should not incur undue cost or effort to provide,

66. However, the constituent also acknowledges that the issuer may wish to keep the information confidential, especially in cases where disclosing the information may affect timing and consideration of a transaction.

67. The staff believes that this information would be useful to disclose under specific events, such as the signature of an acquisition agreement – that the entity needs to assert. In this respect, the staff is of the opinion that the information would be good illustrative examples of disclosure in applying paragraph 112(c) of IAS 1.

68. Therefore the staff suggests the Committee recommends the Board propose to move the encouraged disclosures to Guidance on Implementing IAS 1 through the *Annual Improvements* project.

IAS 34 Interim Financial Reporting

69. Paragraph 21 of IAS 34 encourages additional disclosures to paragraph 20 of IAS 34, namely additional information for the twelve months up to the end of

the interim period and comparative information for the prior twelve-month period for entities whose business is highly seasonal.

70. Feedback received was that while some entities provide qualitative information on seasonality in the notes to their financial statements, this information is not of the form encouraged by paragraph 21 of IAS 34.

71. The staff notes that paragraph 16A(b) of IAS 34 (paragraph added/changed by *Improvements to IFRSs* issued in May 2010) requires disclosure of explanatory comments about the seasonality or cyclicality of interim operations.

72. Seasonality is a feature of certain types of activities. In this respect, the staff thinks that appropriate quantitative information about seasonality is relevant to an understanding of the financial position and the financial performance of an entity. However, the staff believes that whether an entity should disclose such information and what form that information should take is a matter of judgement that management need to make in the light of the general requirements IAS 1.

73. Therefore the staff is of the opinion that the information in paragraph 21 of IAS 34 would be a good illustrative example of disclosure in applying paragraph 112(c) of IAS 1.

74. Therefore the staff suggests the Committee recommends the Board propose to move the encouraged disclosures to Guidance on Implementing IAS 1 through *Annual Improvements*.

IAS 36 Impairment of Assets

75. Paragraph 132 of IAS 36 encourages the disclosure of assumptions used to determine the recoverable amount of assets or cash-generating units tested for impairment.

76. Feedback received shows that the information is rarely provided in the financial statements.

77. Some constituents, while recognising this information is useful, point out that practicability is at stake for large industrial groups with a high number of cash-generating units (CGUs). Moreover, parameters to determine the recoverable

amount depend on the assets and the information might end up as being a detailed catalogue of assumptions specific to the asset (or CGU) tested. These constituents are concerned that the cost of providing such information might exceed benefits for users.

78. Others believe the requirements in both paragraph 134 of IAS 36 and paragraph 122 of IAS 1 are sufficient.

79. The staff agrees that paragraph 134 of IAS 36 read together with paragraph 122 of IAS 1 should be sufficient to help preparers determine whether or not they need to disclose the information. The staff believes that the information required in paragraph 132 of IAS 36 would rather be a useful practical illustration of paragraph 122 of IAS 1.

80. Therefore the staff suggests the Committee recommends the Board propose to move the encouraged disclosures to Guidance on Implementing IAS 1 through *Annual Improvements*.

IAS 38 Intangible Assets

81. Paragraph 128 of IAS 38 requires the disclosure of the following information:

    (a) description of any fully amortised intangible asset that is still in use; and

    (b) brief description of significant intangible assets not recognised as assets because they did not meet the recognition criteria or because they were acquired before IAS 38 (issued 1998) was effective.

82. Feedback received shows that the information on both subparagraphs is rarely provided in the financial statements.

83. With respect to the disclosure of fully amortised intangible assets still in use, constituents would welcome consistency with the similar disclosure on fully depreciated but still in use PP&E in paragraph 79(b) of IAS 16.

84. With respect to unrecognised intangible assets, amounts would likely need to be accompanied by explanations as to why these items, though they meet the

definition of an intangible asset, do not meet the recognition criteria. Constituents are concerned the cost of providing such information would exceed benefits for users.

85. Constituents are concerned that information on intangible assets that were acquired or generated before IAS 38 issued in 1998 was effective is outdated. Therefore they suggest deleting the second part of subparagraph 128(b) of IAS 38.

86. The staff agrees that the conclusion reached on subparagraph 128(a) of IAS 38 needs to be consistent with the one reached on subparagraph 79(b) of IAS 16.

87. Consistent with the analysis on subparagraph 79(b) of IAS 16, the staff is of the opinion that the information in subparagraph 128(a) of IAS 38 would be a good illustrative example of disclosure in applying paragraph 112(c) of IAS 1.

88. As to subparagraph 128(b) of IAS 38, the staff believes that, in limited circumstances, providing information would be relevant to an understanding of the financial position and performance of the entity. For example, management could judge useful to give a brief description of an unrecognised brand name internally generated that would be recognised should a business combination occur.

89. Again, such disclosure is a good illustrative example of the requirements in IAS 1. However, the staff suggests that the Committee recommends that the Board propose to delete the second part of subparagraph 128(b) of IAS 38 through *Annual Improvements* on the grounds that the information is now outdated. The disclosure in subparagraph 128(b) to be moved to illustrative examples of IAS 1 should encourage a description of significant intangible assets that did not meet the recognition criteria in IAS 38.

IAS 41 Agriculture

90. Paragraph 43 of IAS 41 encourages the disclosure of quantified description of each group of biological assets, distinguishing between consumable and bearer

biological assets or between mature and immature biological assets, as appropriate.

91. Paragraph 51 of IAS 41 encourages the disclosure of the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes, particularly when there is a production cycle of more than one year.

92. Feedback received shows that the information in paragraph 43 of IAS 41 is sometimes provided. Information in paragraph 51 of IAS 41 appears to be rarely if ever provided.

93. One constituent notes that information in paragraph 43 of IAS 41 is provided by most entities with aquaculture activity. This constituent strongly supports making this disclosure mandatory. A review of financial statements of such entities shows that the following information is disclosed in the notes:

    (a) the total fair value of the biomass, or/and

    (b) the current period total fair value adjustment between mature and immature biological assets.

94. The staff believes that both disclosures would be good illustrative examples of disclosures in applying paragraph 112(c) of IAS 1. The staff believes that it would be relevant to an understanding of financial position and performance of agricultural activities, provided the information is material.

Question 2 – Comments from the Committee on feedback received
Does the Committee agree with the analysis of comments received set out in paragraphs 38 to 94?

Summary of staff recommendations

95. The table below summarises the staff recommendation for each identified encouraged disclosure:

Reference	Short description of the disclosure	Staff recommendation
IAS 7 ***Statement of Cash Flows***		
IAS 7.50(a)	Undrawn borrowing facilities	Proposes requiring in line with the Board's tentative decisions in April 2010 in the *Financial Statement Presentation* project.
IAS 7.50(b)	Cash flows from proportionately consolidated entities	N/A - Deleted as a consequential amendment from the forthcoming *Joint Arrangements* standard
IAS 7.50(c)	Cash flows from increase in operating capacity vs existing capacity.	Proposes deleting in line with the Board's tentative decisions in April 2010 in the *Financial Statement Presentation* project.
IAS 7.50(d)	Cash flows from activities by segments.	
IAS 12 ***Income Taxes***		
IAS 12.87	Unrecognised deferred tax liabilities arising from investments in controlled or non-controlled entities.	Proposes deleting based on feedback received.
IAS 16 ***Property, Plant and Equipment***		
IAS 16.79(a)	Temporary idle PP&E.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.
IAS 16.79(b)	Fully depreciated PP&E still in use.	
IAS 16.79(c)	PP&E retired from active use but not classified as held for sale.	
IAS 16.79(d)	Fair value of PP&E when materially different from cost.	
IAS 17 ***Leases***		
IAS 17.48	Gross investment less unearned income in new business.	Proposes deleting the encouraged disclosures.
IAS 33 Earnings per Share		
IAS 33.72	Terms and conditions of contracts generating potential ordinary shares.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.

Reference	Short description of the disclosure	Staff recommendation
IAS 34 ***Interim Financial Reporting***		
IAS 34.21	Quantitative information for entities whose business is highly seasonal.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.
IAS 36 ***Impairment of Long-lived Assets***		
IAS 36.132	Assumptions used to determine the recoverable amount of assets or CGUs tested for impairment.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.
IAS 38 ***Intangible Assets***		
IAS 38.128(a)	Fully amortised intangible asset that is still in use.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.
IAS 38.128(b)	Intangibles assets not recognised because do not meet recognition criteria or acquired or generated before IAS 38 issued in 1998was effective.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1. Suggests deleting the second part of subparagraph 128(b) relating to intangible assets acquired or generated before IAS 38 issued in 1998was effective.
IAS 41 ***Agriculture***		
IAS 41.43	Quantified description of each group of biological assets.	Proposes moving the encouraged disclosures to Guidance on Implementing IAS 1.
IAS 41.51	Change in fair value due to physical changes and/or due to price changes.	

Question 3 – Recommendation for each identified disclosure

Does the Committee agree with the staff's recommendation for each identified disclosure?

If not, what other path forward or additional work does the Committee suggest for the staff?

Appendix A – Agenda decision – May 2009

A1. For ease of reference the text of the Committee agenda decision recommending the Board to undertake a review of all disclosures encouraged (but not required) by IFRSs with the objective of either confirming that they are required or eliminating them is reproduced in full below. This agenda decision was taken at the Committee meeting in May 2009.

IAS 16 *Property, Plant and Equipment*—Disclosure of idle assets and construction in progress

> The IFRIC received a request for more guidance on the extent of required disclosures relating to property, plant and equipment temporarily idle or assets under construction when additional construction has been postponed.
>
> In accordance with paragraph 74(b) of IAS 16, an entity is required to disclose the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction. Paragraph 79(a) encourages an entity to disclose the amount of property, plant and equipment that is temporarily idle.
>
> The IFRIC also noted that paragraph 112(c) of IAS 1 requires an entity to provide in the notes information that is not presented elsewhere in the financial statements that is relevant to their understanding. The IFRIC noted that disclosure regarding idle assets might be particularly relevant in the current economic environment. Consequently, the IFRIC expected that entities would provide information in addition to that specifically required by IAS 16 whenever idle assets or postponed construction projects become significant.
>
> Given the requirements of IAS 16 and IAS 1, the IFRIC did not expect significant diversity in practice and decided not to add this issue to its agenda. However, the IFRIC recommended that the Board should undertake a review of all disclosures encouraged (but not required) by IFRSs with the objective of either confirming that they are required or eliminating them.

Appendix B – List of identified encouraged disclosures throughout IFRSs

IFRS	Text of the disclosure
IAS 7 ***Statement of Cash Flows***	50. Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is **encouraged** and may include: (a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities; (b) the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation; (c) the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and (d) the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see IFRS 8 *Operating Segments*).
IAS 12 ***Income taxes***	87. It would often be impracticable to compute the amount of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures (see paragraph 39). Therefore, this Standard requires an entity to disclose the aggregate amount of the underlying temporary differences but does not require disclosure of the deferred tax liabilities. Nevertheless, where practicable, entities are **encouraged** to disclose the amounts of the unrecognised deferred tax liabilities because financial statement users may find such information useful.
IAS 16 ***Property, Plant and Equipment***	79. Users of financial statements may also find the following information relevant to their needs: (a) the carrying amount of temporarily idle property, plant and equipment; (b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use; (c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with IFRS 5; and (d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount. Therefore, entities are **encouraged** to disclose these amounts.

IFRS	Text of the disclosure
IAS 17 ***Leases***	48. As an indicator of growth **it is often useful also to disclose** the gross investment less unearned income in new business added during the period, after deducting the relevant amounts for cancelled leases.
IAS 33 ***Earnings per share***	72. Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is **encouraged**, if not otherwise required (see IFRS 7 *Financial Instruments: Disclosures*).
IAS 34 ***Interim Financial Reporting***	21. For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful. Accordingly, entities whose business is highly seasonal are **encouraged** to consider reporting such information in addition to the information called for in the preceding paragraph.
IAS 36 ***Impairment of Assets***	132. An entity is **encouraged** to disclose assumptions used to determine the recoverable amount of assets (cash-generating units) during the period. However, paragraph 134 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.
IAS 38 ***Intangible Assets***	128. An entity is **encouraged, but not required**, to disclose the following information: (a) a description of any fully amortised intangible asset that is still in use; and (b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 *Intangible Assets* issued in 1998 was effective.
IAS 41 ***Agriculture***	43. An entity is **encouraged** to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions. 51. The fair value less costs to sell of a biological asset can change due to

IFRS	**Text of the disclosure**
IAS 41 *Agriculture*	both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is **encouraged** to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).