IFRS Accounting

Staff paper

Agenda reference: 31B

IASB® meeting

Date	**December 2022**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Proposed reduced disclosure requirements on IAS 34**
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Purpose of this paper

1. This paper discusses the feedback on the IASB's proposal to include reduced disclosure requirements for IAS 34 *Interim Financial Reporting* in the proposed IFRS Accounting Standard (draft Standard) set out in Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft).

2. This paper discusses the feedback on whether the draft Standard should include reduced disclosure requirements for IAS 34. Feedback on the proposed disclosure requirements themselves will be discussed at a future IASB meeting.

Summary of staff recommendation

3. The staff recommend that the IASB proceed with its proposal to include reduced disclosure requirements for IAS 34 in the Standard.

Structure of the paper

4. This paper is structured as follows:

   (a) background (paragraphs 5–7);

   (b) summary of feedback (paragraphs 8–9);

   (c) staff analysis (paragraphs 10–13); and

   (d) staff recommendation and question for the IASB (paragraph 14).

Background

Question in the Invitation to Comment

5. Question 8 of the Invitation to Comment on the Exposure Draft asked for feedback on the proposed disclosure requirements set out in paragraphs 22–213 of the draft Standard. Respondents were asked if they agreed with the proposals, or recommend any further reduction or additional disclosure requirements in the draft Standard. In responding to this question, some respondents commented on the proposed reduced disclosure requirements for IAS 34.

Disclosure requirements on interim financial reports

6. The IASB included reduced disclosure requirements for IAS 34 in the draft Standard. Those reduced disclosure requirements would apply if an eligible subsidiary prepared financial statements for an interim period (interim financial statements). In proposing those reduced disclosure requirements, the IASB observed that this proposal would avoid the subsidiary providing disclosures in its interim financial statements that it is not required to provide in its annual financial statements.[1]

7. In making this proposal the IASB reasoned that if it did not include reduced disclosure requirements for IAS 34 in the draft Standard, a subsidiary that prepares interim financial statements would be required, at a minimum, to apply all the disclosure requirements in IAS 34. For a subsidiary applying the draft Standard, some of the disclosure requirements required by IAS 34 in interim financial statements may not be required for annual financial statements as the draft Standard has reduced disclosure requirements. For example, IAS 34 requires disclosures about fair value of financial instruments in subparagraphs 93(a)–(h) of IFRS 13 *Fair Value Measurement* but; of these disclosures, the draft Standard only requires the disclosures in subparagraphs 93(a), (b), (d) and (e)(i)–(ii) of IFRS 13 (see paragraphs 79–80 of the draft Standard), and similarly for IAS 34 in the draft Standard, only the disclosures in subparagraphs 93(a), (b) and (d) of IFRS 13 are required in interim financial statements (see paragraph 187(j) of the draft Standard).

Summary of feedback

8. Respondents who commented on the proposed disclosure requirements for IAS 34 suggested that the draft Standard should not include reduced disclosure requirements for IAS 34. In the view of these respondents, if an eligible subsidiary prepares interim financial statements all the disclosures required by IAS 34 should apply.

[1] See paragraphs 14–21 of Agenda Paper 31C *Omitted topics and specialised activities* of the November 2020 IASB meeting.

9. Respondents said that a subsidiary eligible to apply the draft Standard is unlikely to prepare interim financial statements and therefore, unlikely to apply IAS 34. Furthermore, if a subsidiary applying IFRS Accounting Standard opts to prepare interim financial statements, it should apply all the disclosure requirements in IAS 34. Some of these respondents made an analogy to the IASB's proposed approach on IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share* (see Agenda Paper 31A *IFRS Accounting Standards without reduced disclosure requirements*).

Staff Analysis

10. The staff agree it is unlikely a subsidiary eligible to apply the draft Standard will prepare interim financial statements compared to entities with public accountability. However, whilst unlikely this does not mean never. For example, a subsidiary may be required to prepare interim financial statements to comply with a loan agreement with a bank or when raising new debt.

11. In developing the draft Standard, the IASB observed an eligible subsidiary applying the draft Standard and preparing interim financial statements should not be required to provide disclosures in its interim financial statements that are not required in its annual financial statements. No comments were received on this observation.

12. The staff disagree with analogising to the IASB's proposed approach for IFRS 8 and IAS 33. A subsidiary eligible to apply the Standard would not be in the scope of IFRS 8 and IAS 33.[2] As such, the Exposure Draft proposes that subsidiaries that choose to provide information required by IFRS 8 and IAS 33 has to apply those IFRS Accounting Standards including all their disclosure requirements. Whereas IAS 34 does not mandate which entities are required to publish interim financial statements (see paragraph 1 of IAS 34).

13. Although a subsidiary applying the Standard is not precluded from disclosing additional information in either its annual financial statements or its interim financial statements, the staff do not consider a subsidiary applying the Standard should be *required* to provide disclosures in its interim financial statements that it is not required to provide in its annual financial statements. Not including reduced disclosure requirements for IAS 34 in the Standard and requiring an eligible subsidiary to apply all the disclosure requirements in IAS 34 (similar to the proposed approach for IFRS 8 and IAS 33) would result in a subsidiary providing disclosures in its interim financial statements that are not required in its annual financial statements.

[2] Among the criteria to be eligible to apply the Standard, the subsidiary should not be publicly accountable. Entities within the scope of IFRS 8 and IAS 33 have 'public accountability' (as described in the proposals).

Staff recommendation and question for the IASB

14. Given the analysis in paragraphs 10–13, the staff recommend that the IASB proceed with its proposal to include reduced disclosure requirements for IAS 34 in the Standard.

Question for IASB members
Does the IASB agree with the staff recommendation in paragraph 14 of this paper?