IFRS Accounting

Staff paper

Agenda reference: 31B

IASB® meeting

Date	**April 2023**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Updating the language of the disclosure requirements**
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Purpose of this paper

1. The purpose of the paper is to discuss how to implement the International Accounting Standards Board's (IASB) tentative decision on its Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures project, to modify its approach to ensure that the language used in the disclosure requirements in the new IFRS Standard is the same as the language in full IFRS Accounting Standards (see Agenda Paper 31B of the October 2022 IASB meeting).

Structure of this paper

2. This paper is structured as follows:
   (a) background (paragraphs 3–5);
   (b) staff analysis (paragraphs 6–8);
   (c) staff recommendation and question for the IASB (paragraphs 9–12); and
   (d) Appendix: Illustration of approach – IFRS 13 *Fair Value Measurement*.

Background

3. Agenda Paper 31B *Approach to developing the proposed disclosure requirements* of the October 2022 IASB meeting reported feedback from some respondents who said the disclosures in the draft Standard should be the same as those in IFRS Accounting Standards, that is, the language and structure of the disclosure requirements should be the same as in IFRS Accounting Standards.

4. The staff recommended that the IASB should update the language used in the proposed disclosure requirements to be the same as in IFRS Accounting Standards. The staff argued that this will facilitate application and translation and will also address concerns of some respondents that they would need to understand the *IFRS for SMEs* Accounting Standard to apply the draft Standard.

5. The IASB tentatively decided to modify its approach to ensure that the language used in the disclosure requirements is the same as the language in full IFRS Accounting Standards.

Staff analysis

6. The staff has performed an initial comparison between the language used in the draft Standard and in the relevant paragraphs of the applicable IFRS Accounting Standards. The staff believe that in most cases updating the language is straightforward.

7. However, in some cases, more judgement is required. Some of the disclosure requirements in the *IFRS for SMEs* Accounting Standard are based on an older version of the relevant IFRS Accounting Standard or depart from the requirements in the IFRS Accounting Standard for other reasons. In such cases, the updated approach may require deleting or substantially editing the proposed disclosure requirement in the draft Standard.

8. Other challenges in updating the language include:

   (a) in some cases, a paragraph in an IFRS Accounting Standard contains both:

(i) disclosure requirements that the IASB decided to include in the new Standard; and

(ii) elements that the IASB decided to omit from the new Standard (for example, disclosure objectives, application guidance or other disclosure requirements);

(b) different IFRS Accounting Standards sometimes use different terms for the same concept (for example, ‘reporting period’, ‘accounting period’ and ‘period’);

(c) some of the older IFRS Accounting Standards use abbreviations and terms that are not consistent with the latest IFRS Foundation style (for example, ‘ie’ rather than ‘that is’ or ‘tabular format’ rather than ‘table’);

(d) some of the older IFRS Accounting Standards do not use the standard phrasing for disclosure requirements (for example, ‘the financial statements shall disclose’ rather than ‘an entity shall disclose’); and

(e) references to specific paragraphs may need to be updated.

Staff recommendation and question for the IASB

9. In drafting the disclosure requirements in the new Standard, the staff proposes using the language in the full IFRS Accounting Standards and only adjusting the language to make the disclosure requirements more consistent and understandable by:

(a) adapting the structure of the requirements where disclosure objectives or other aspects of the requirements have not been retained in the new Standard;

(b) using a consistent term for the same concept (for example, ‘reporting period’);

(c) updating language to be consistent with the latest IFRS Foundation style (for example, using ‘table’ rather than ‘tabular format’);

(d) using standard phrasing for disclosure requirements (for example, ‘an entity shall disclose’); and

(e) updating references to specific paragraphs to include a reference to the applicable IFRS Accounting Standard or a reference to the relevant paragraph in the new Standard.

10. The appendix to this paper illustrates the approach in paragraph 9 of this paper using the disclosure requirements proposed in the draft Standard for IFRS 13 *Fair Value Measurement*.

11. The staff has also considered the impact of the modified approach on disclosure requirements proposed in the draft Standard that were based on disclosure requirements in the *IFRS for SMEs* Accounting Standard that were not derived from requirements in the latest full IFRS Accounting Standard. The disclosure requirements proposed in the draft Standard for IAS 12 *Income Taxes* include two such examples:

(a) paragraph 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.'

(b) paragraph 146(f): 'adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders;'.

12. The staff recommends deleting these disclosure requirements according to the modified approach. The staff may discuss other challenges in updating the language in staff papers for future IASB meetings.

Question for the IASB
Does the IASB have any comments on the staff approach to implementing its tentative decision to modify its approach to ensure that the language used in the disclosure requirements of the new IFRS Standard is the same as the language in full IFRS Accounting Standards?

Appendix – Illustration of approach – IFRS 13 *Fair Value Measurement*

Text in draft Standard	Text in IFRS 13	Staff recommendation	Text for new Standard
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:	93 To meet the objectives in paragraph 91, an entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 94 for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this IFRS) in the statement of financial position after initial recognition:	• Omit the requirement that an entity shall disclose the following information 'at a minimum' to meet the objectives in paragraph 91 of IFRS 13, because these disclosure objectives are not in the new Standard. • Retain the reference to paragraph 94 of IFRS 13 as it provides guidance on applying the disclosure requirement and this guidance is not retained in the new Standard (see analysis of paragraph 81 of the draft Standard below).	79 An entity shall disclose for each class of assets and liabilities (see paragraph 94 of IFRS 13 for information on determining appropriate classes 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;	(a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair	• Retain the reference to recurring and non-recurring fair value measurements in the first sentence, as this makes it clear to which fair value measurements these requirements apply.	(a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period.

Text in draft Standard	Text in IFRS 13	Staff recommendation	Text for new Standard
	value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to sell is lower than its carrying amount).	• Omit the requirement to disclosure the reasons for the measurement of non-recurring far value measurements as this is not required by the *IFRS for SMEs* Accounting Standard and the IASB decided not to include this requirement in the draft Standard. • Omit the second and third sentences as these explain what is meant by the terms 'recurring' and 'non-recurring' fair value measurement and the IASB has decided not to retain application guidance.	
(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	(b) for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).	• Retain the reference to recurring and non-recurring fair value measurements in the first sentence, as this makes it clear to which fair value measurements these requirements apply.	(b) for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).
(c) a description of the valuation technique(s) it used for recurring	(d) for recurring and non-recurring fair value measurements	• Retain the reference to recurring and non-recurring fair value	(c) for recurring and non-recurring fair value measurements

Text in draft Standard	Text in IFRS 13	Staff recommendation	Text for new Standard
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.	categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (eg changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (eg when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this	measurements in the first sentence, as this makes it clear to which fair value measurements these requirements apply. • Omit the second, third and fourth sentences since the IASB has decided not to include these requirements in the draft Standard. Refer to paragraphs 20–23 of Agenda Paper 31A for information about the development of the proposed disclosure requirements and the staff's analysis of feedback received on the proposals.	categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement.

Text in draft Standard	Text in IFRS 13	Staff recommendation	Text for new Standard
	disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.		
80 For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall disclose:	(e) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balance to the closing balances, disclosing separately changes during the period attributable to the following:	• Follow the structure of the requirements in IFRS 13 by including these requirements in a subparagraph to the previous paragraph rather than in a separate paragraph. • Omit the references to a reconciliation as the IASB decided not to proposed this in the draft Standard.	(d) 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	(i) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised; and	• Include the brackets in 'line item(s)' to match the language used in IFRS 13	(a) total gains or losses for the period recognised in profit or loss, and the line item(s) 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	(ii) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised;	• Include the brackets in 'line item(s)' to match the language used in IFRS 13	(b) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.

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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.	94 An entity shall determine appropriate classes of assets and liabilities on the basis of the following: (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. The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement. 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	• Omit the entire paragraph as it provides guidance on the application of the disclosure requirements in paragraph 79 of the draft Standard.	n/a

Text in draft Standard	Text in IFRS 13	Staff recommendation	Text for new Standard
	information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IFRS specifies the class for an asset or a liability, an entity may use that class in providing the disclosures required in this IFRS if that class meets the requirements in this paragraph.		
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.	96 If an entity makes an accounting policy decision to use the exception in paragraph 48, it shall disclose that fact.	• Use the language in IFRS 13 without the explanation added in the draft Standard.	82 If an entity makes an accounting policy decision to use the exception in paragraph 48 of IFRS 13, 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.	99 An entity shall present the quantitative disclosures required by this IFRS in a tabular format unless another format is more appropriate.	• Use ‘table’ rather than ‘tabular form’ to be consistent with the IFRS Foundation Style.	83 An entity shall present the quantitative disclosures required by paragraphs [x]–[x] of this Standard in a table unless another format is more appropriate.