IFRS Accounting

Staff paper

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IASB® meeting

Date	**September 2026**
Project	**Equity Method**
Topic	**Transactions with associates—Implications for IFRS 19 *Subsidiaries without Public Accountability: Disclosures***
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Purpose of this paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB) to discuss the implications of its tentative decisions for the disclosure requirements related to gains and losses on transactions with associates in IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

2. References to 'investor', 'associate' and 'significant influence' should be read as also referring to 'joint venturer', 'joint venture' and 'joint control' in relation to investments in joint ventures in consolidated financial statements.[1]

Staff recommendation

3. The staff recommends that the IASB require an eligible subsidiary applying IFRS 19 to disclose:

    (a) the subsidiary's accounting policy for the recognition of gains or losses from transactions with associates;

[1] Entities are permitted to use the equity method in separate financial statements for investments in subsidiaries, joint ventures and associates.

(b) the gains or losses from ‘downstream’ transactions with its associates if the subsidiary chooses to recognise gains or losses in full;

(c) the gains or losses from ‘upstream’ and ‘downstream’ transactions with its associates if the subsidiary chooses to restrict the recognition of gains or losses; and

(d) the nature of transactions with associates and whether they are included in the disclosure of gains and losses.

4. The staff also recommends the IASB require an eligible subsidiary that chooses to restrict the recognition of gains and losses on transactions with associates to disclose:

(a) the amounts of gains and losses restricted at the end of the period and where they are included in the statement of financial position; and

(b) the line items in the statement of comprehensive income where the restricted gains and losses are recognised.

5. The staff recommends that the IASB, for an eligible subsidiary applying IFRS 19 that prepares separate financial statements applying IAS 27 *Separate Financial Statements*:

(a) requires the disclosure of the subsidiary’s accounting policy for the recognition of gains or losses from transactions with investments (associates or subsidiaries) accounted for using the equity method; and

(b) withdraws the proposal in the Exposure Draft to require an intermediate parent that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from ‘downstream’ transactions with those subsidiaries.

6. The staff also recommends the IASB does not:

   (a) include in IFRS 19 the disclosure objective that is planned to be added in paragraph 20 of IFRS 12 *Disclosure of Interests in Other Entities*; and

   (b) require eligible subsidiaries applying IFRS 19 to disclose a reconciliation between the opening and closing balance of restricted gains and losses (reconciliation of restricted gains).

7. The staff recommends that the IASB also provide to eligible subsidiaries the exemption from disclosing gains and losses from transactions with associates only if:

   (a) the information disclosed can be attributed to an individual associate; and

   (b) the transactions are part of the subsidiary's ordinary activities.

8. The staff also recommends that the IASB require an eligible subsidiary that uses the exemption from disclosing gains and losses to disclose the fact that it has used the exemption.

Structure of this paper

9. This paper is structured as follows:

   (a) background (paragraphs 10–13);

   (b) reduced disclosure requirements for IFRS 19 (paragraphs 14–80);

   (c) summary of staff recommendation and questions for the IASB (paragraphs 81–86);

   (d) Appendix A—principles for reducing disclosure requirements in IFRS 19; and

   (e) Appendix B—Extract from Agenda Paper 13E *Feedback from comment letters—Separate Financial Statements, Proposed disclosures for IAS 27 and Reduced disclosures in IFRS 19* of the May 2025 IASB meeting.

Background

10. In its May 2026 meeting, the IASB considered the feedback on the Exposure Draft *Equity Method of Accounting—IAS 28* Investments in Associates and Joint Ventures *(revised 202x)* (the Exposure Draft) related to its proposals on transactions with associates.[2]

11. The IASB tentatively decided to introduce an accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on all transactions with associates, except for gains or losses on transfer of businesses, which would be recognised in full.

12. At its July 2026 meeting, the IASB tentatively decided to require an investor to disclose:

    (a) its accounting policy choice for the recognition of gains or losses from transactions with associates;

    (b) the nature of transactions with associates and whether those transactions are included in the disclosure of gains and losses (see subparagraphs (c) and (d)(i));

    (c) if an investor chooses to recognise gains or losses in full, the gains or losses from 'downstream' transactions with its associates (as proposed in the Exposure Draft);

    (d) if an investor chooses to restrict the recognition of gains or losses:

        (i) the gains or losses from 'upstream' and 'downstream' transactions with its associates;

        (ii) a reconciliation between the opening and closing balance of restricted gains and losses (the reconciliation of restricted gains).

[2] See Agenda Paper 13B *Transactions with associates—Staff analysis of feedback*, Agenda Paper 13C *Transactions with associates—Staff analysis of feedback on proposed disclosure requirement*, Agenda Paper 13D *Transactions with associates—Ways forward* of the May 2026 IASB meeting and the May 2026 IASB *Update*.

(iii) the amount of gains and losses restricted at the end of the period and where it is included in the statement of financial position; and

(iv) the line items in the statement of comprehensive income where the restricted gains and losses have been recognised.

13. The IASB also tentatively decided to:

(a) expand the disclosure objective in paragraph 20 of IFRS 12 that investors use in determining the types of transactions with associates for which gains or losses would be disclosed; and

(b) provide an exemption from disclosing gains and losses from transactions with associates only if:

(i) the information disclosed can be attributed to an individual associate; and

(ii) the transactions are part of the investor's ordinary activities.

Reduced disclosure requirements for IFRS 19

14. IFRS 19 permits subsidiaries that do not have public accountability and meet other specified criteria (eligible subsidiaries) to apply IFRS Accounting Standards with reduced disclosure requirements. The Standard specifies the disclosure requirements an eligible subsidiary applies instead of the disclosure requirements in other IFRS Accounting Standards.

15. In developing the proposed amendments to the disclosure requirements in IFRS 19 in the Exposure Draft, the IASB considered the proposed amendments to the disclosure requirements in IFRS 12:

(a) individually, based on the IASB's agreed principles for reducing disclosures; and

(b) as a group, to ensure that the effect of making the amendments is proportionate and preserves the goal of maintaining the usefulness of financial statements of eligible subsidiaries with reduced disclosure requirements.

16. In developing IFRS 19, the IASB was guided by six broad principles (see paragraph BC33 of the Basis for Conclusions on IFRS 19) for reducing disclosure requirements. These principles are set out in Appendix A.

17. In the Exposure Draft the IASB proposed to require an investor to disclose information about contingent consideration arrangements and gains or losses from 'downstream' transactions with its associates or joint ventures. Feedback on the proposal was discussed in Agenda Paper 13E of the May 2025 IASB meeting. Extract from this paper is set out in Appendix B. The IASB tentatively decided to confirm its proposal to disclose information about contingent consideration arrangements in its June 2026 meeting.[3]

18. In analysing which disclosure requirements on transactions with associates should be included in IFRS 19, the staff has grouped its analysis as:

(a) information about accounting policy (see paragraphs 19–22);

(b) information about gains and losses on transactions with associates (see paragraphs 23–49):

(c) exemption from disclosing gains and losses, this assumes that the IASB has agreed with the staff recommendation in Agenda Paper 13B *Sweep issues* (see paragraphs 50–58);

(d) information about restricted gains and losses (see paragraphs 59–72);

(e) implications on an eligible subsidiary that prepares separate financial statements applying IAS 27 (see paragraphs 73–79); and

(f) collective assessment (see paragraph 80).

[3] See June 2026 IASB *Update*.

Information about accounting policy

Background

19. The IASB has tentatively decided to require an investor to disclose its accounting policy choice for the recognition of gains or losses from transactions with associates. An investor could choose either to recognise in full or restrict the recognition of gains or losses on all transactions with associates, except for gains or losses on transfer of businesses, which would be recognised in full.

Staff analysis

20. Information about the accounting policy chosen by an eligible subsidiary provides important information to users of financial statements as it informs users how the subsidiary recognises gains and losses from transactions with associates. This information satisfies one of the reduced disclosure principles (see paragraph A1(d) of Appendix A). If required, such a disclosure would not be costly as it would be a statement of fact. That is, it would not be difficult for the investor to disclose what its accounting policy is.

Staff conclusion

21. The staff concludes that information about an eligible subsidiary's accounting policy for the recognition of gains or losses from transactions with associates should be included as a disclosure requirement in IFRS 19.

Staff recommendation

22. The staff recommends that the IASB require an eligible subsidiary applying IFRS 19 to disclose its accounting policy choice for the recognition of gains or losses from transactions with associates.

Information about gains and losses on transactions with associates

23. Disclosure requirements related to gains and losses on transactions with associates include:

    (a) disclosing the amounts of gains and losses from transactions with associates (see paragraphs 24–35);

    (b) expanding the disclosure objective in paragraph 20 of IFRS 12 (see paragraphs 36–42); and

    (c) nature of transactions with associates and whether those transactions are included in the disclosure of gains and losses (see paragraphs 43–49).

Amounts of gains and losses from transactions with associates

Background—Amounts of gains and losses from transactions with associates

24. As noted in paragraph 19, the IASB has tentatively decided to introduce an accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on transactions with associates, except for gains or losses on transfer of businesses, which would be recognised in full.

25. An investor that chooses an accounting policy of recognising in full the gains and losses from transactions with associates, discloses the gains and losses on ‘downstream’ transactions. An investor that has chosen to restrict the recognition of gains and losses discloses the gains and losses from ‘upstream’ and ‘downstream’ transactions.

Staff analysis—Amounts of gains and losses from transactions with associates

26. The IASB proposed in the Exposure Draft to require eligible subsidiaries applying IFRS 19 to disclose, for each associate that is material to the investor, gains and losses from ‘downstream’ transactions with associates. That proposed disclosure was on the basis that gains and losses would be recognised in full.

27. In proposing the disclosure, the IASB reasoned that information about gains or losses from transactions with associates is consistent with the disaggregation principle because it would help users of eligible subsidiaries' financial statements to disaggregate those gains or losses from those transactions with third parties (see paragraph BC176(b) of the Basis for Conclusions on the Exposure Draft).

28. As discussed by the IASB in its July 2026 meeting, information about gains and losses from transactions with associates helps users of financial statements understand the financial effects of an investor's interests in its equity-accounted investments, enabling them to evaluate the nature, extent and financial effects of an investor's interests in its associates. The information also allows users to assess the reasonableness and sustainability of these transactions and their pricing for benchmarking against market terms.

29. The staff thinks that information about gains and losses from transactions with associates are also useful to users of eligible subsidiaries' financial statements. Transactions with associates are a related party transaction, users would be interested in assessing the reasonableness and sustainability of these transactions. That is, how the pricing (and volume) of the transactions contributes to the financial performance of the subsidiary. This gives insight into the subsidiary's liquidity and solvency.

30. As discussed in Appendix B to this paper, many respondents supported the proposed disclosure. Some respondents disagreed because:

    (a) they disagreed with the proposal that an investor recognise in full the gains and losses from transactions with associates; and

    (b) they disagreed that the proposals in the Exposure Draft should also apply to investments in subsidiaries to which the equity method is applied in separate financial statements.

31. The staff thinks the reasoning of respondents who disagreed does not hold because:

    (a) the IASB has tentatively decided to provide an accounting policy choice for the recognition of gains and losses from transactions with associates; and

    (b) the IASB's tentative decisions when a parent accounts for its subsidiaries to which the equity method is applied in separate financial statements are different from what was proposed in the Exposure Draft but still permit the use of the equity method as one of the three accounting policy choices to measure investments in subsidiaries in the investor's separate financial statements.

32. The cost–benefit assessment for an eligible subsidiary applying IFRS 19 could be different from a subsidiary/an entity that applies IFRS Accounting Standards but not IFRS 19. That said, the staff thinks that the benefits of the information to users of eligible subsidiaries' financial statements exceeds costs of providing that information.

    (a) For subsidiaries choosing to recognise gains and losses in full, they will only be required to disclose gains and losses from 'downstream' transactions. Subsidiaries would be aware of the amounts of gains and losses from these transactions. Many respondents supported this proposal in the Exposure Draft.

    (b) For subsidiaries choosing to restrict the recognition of gains and losses, they will be required to disclose gains and losses from 'upstream' and 'downstream' transactions. Subsidiaries that apply this accounting policy choice will select the accounting policy in the knowledge that such gains and losses are subject to disclosure. Hence, these subsidiaries will make a cost–benefit decision knowing this disclosure is required.

Staff conclusion—Amounts of gains and losses from transactions with associates

33. The staff concludes that information about gains and losses from transactions with associates are also important to users of eligible subsidiaries' financial statements. The information meets two of the principles for reducing disclosure requirements (see paragraph A1(b) and (e) of Appendix A).

34. If the IASB requires eligible subsidiaries to disclose gains and losses on transactions with associates, the staff think that the IASB should *not* restrict the disclosure to material associates as proposed in the Exposure Draft. The IASB has tentatively decided to require the disclosure of gains and losses on transactions with associates in IFRS 12, it has not restricted this disclosure to material associates. The staff see no reason to make a distinction for eligible subsidiaries applying IFRS 19.

Staff recommendation—Amounts of gains and losses from transactions with associates

35. The staff recommends that the IASB require an eligible subsidiary applying IFRS 19 to disclose:

    (a) the gains or losses from 'downstream' transactions with its associates if the subsidiary chooses to recognise gains or losses in full; and

    (b) the gains or losses from 'upstream' and 'downstream' transactions with its associates if the subsidiary chooses to restrict the recognition of gains or losses.

Expanding the disclosure objective in IFRS 12

Background—Expanding the disclosure objective in IFRS 12

36. The IASB has tentatively decided to expand the disclosure objective in paragraph 20 of IFRS 12. This will enable investors to exercise judgement in determining the types of transactions with associates for which gains or losses will be disclosed. The IASB's rationale in expanding the disclosure objective is to respond to feedback on the Exposure Draft and facilitate application of the requirement to disclose the gains and losses from transactions with associates in determining the scope of the transactions to be disclosed.

Staff analysis—Expanding the disclosure objective in IFRS 12

37. As discussed in paragraph BC50 of the Basis for Conclusions on the Standard, the IASB decided that including disclosure objectives in IFRS 19 might result in the perception that eligible subsidiaries are required to provide the same disclosures they would otherwise have provided had they not applied the Standard. Therefore, IFRS 19 excludes disclosure objectives.

38. However, given the IASB's rationale in expanding the disclosure objective (that is, to help investors to determine which transactions with associates that gains and losses should be disclosed for), not including the objective in IFRS 19 would make the Standard more onerous for eligible subsidiaries compared than the subsidiary not applying the Standard.

39. Disclosure objectives in IFRS Accounting Standards are normally accompanied by guidance. For example, the disclosure objective in paragraph 20 of IFRS 12 and the related disclosure requirements in paragraphs 21–23 are supported by the guidance in paragraphs B10–B20 of Appendix B *Application Guidance* of IFRS 12. As such, the staff thinks, if the IASB gives the staff the permission to ballot (see Agenda Paper 13E *Due* process of this month's meeting), in drafting the disclosure guidance it would explain the disclosure objective (and the related disclosure requirements). Similar to the guidance in paragraph B18–B19 in IFRS 12, it could explain the new disclosure objective and include examples of information that would typically meet the disclosure requirements.

40. The approach described in paragraph 39 is consistent with the approach taken by the IASB in developing IFRS 19. Any relevant guidance in other IFRS Accounting Standards is also available to eligible subsidiaries applying IFRS 19 (see paragraph BC53 of IFRS 19). As such, even if disclosure objectives are not included in IFRS 19, the guidance that explains those objectives supports the application of IFRS 19.

Staff conclusion—Expanding the disclosure objective in IFRS 12

41. Adding the disclosure objective in IFRS 19 would be inconsistent with the approach taken by the IASB in developing IFRS 19. Therefore, the staff concludes that the disclosure objective should not be added in IFRS 19. Nevertheless, guidance that accompanies the disclosure objective would be available to eligible subsidiaries.

Staff recommendation—Expanding the disclosure objective in IFRS 12

42. If the IASB agrees with the staff recommendation on paragraph 35, the staff recommends that the IASB does not include the new disclosure objective that would be added in paragraph 20 of IFRS 12 in IFRS 19.

Nature of transactions with associates

Background—Nature of transactions with associates

43. The IASB has tentatively decided to require disclosure of the nature of transactions with associates and whether those transactions are included in the disclosure of gains and losses.

44. The disclosure of the nature of transactions with associates and whether they are included in the disclosure of gains and losses inform users of financial statements which transactions with associates such gains and losses are disclosed for. This disclosure is intended to address the implications of the use of judgement in applying the disclosure objective in determining the types of transactions with associates for which gains or losses would be disclosed.

Staff analysis—Nature of transactions with associates

45. The staff's observation in paragraph 38 of Agenda Paper 13A *Transactions with associates—Disclosure requirements* of the July 2026 IASB meeting also applies to eligible subsidiaries applying IFRS 19.

> There could still be diversity in practice (some investors may conclude differently based on their own facts and circumstances)

but that diversity is based on judgement by the investors considering the disclosure objective in IFRS 12. To address this, the IASB could, in addition to the requirement in IAS 8 *Basis of Preparation of Financial Statements* to disclose the judgements that management has made in the process of applying the investor's accounting policies that have the most significant effect on the amounts recognised in the financial statements (see paragraph 27G of IAS 8), consider requiring investors to also disclose the nature of transactions with associates and whether they are included in the disclosure of gains and losses. This would inform users of financial statements which transactions with associates gains and losses are disclosed for and those that are not included in the disclosure of gains and losses.

46. If the IASB agrees with the staff analysis and staff recommendation in paragraphs 24–42, applying the disclosure requirement on gains and losses from transactions with associates and the related guidance on the new disclosure objective could also give rise to diversity in practice. The disclosure of the nature of transactions and whether they are included in the disclosure of gains and losses could address this. As such, this also meets the same principle of reducing disclosure requirements as that of the disclosure of gains and losses.

47. Disclosing this information is also not costly for eligible subsidiaries as the information to be disclosed is factual and consequently does not require judgement. Subsidiaries would not be required to collate complex information to comply with the disclosure requirement.

Staff conclusion—Nature of transactions with associates

48. The staff concludes that the disclosure of the nature of transactions with associates and whether they are included in the disclosure of gains and losses taken together with the disclosure of gains and losses would provide useful information to users of eligible subsidiaries' financial statements.

Staff recommendation—Nature of transactions with associates

49. If the IASB agrees with the staff recommendations in paragraphs 35 and 42, the staff recommends that the IASB require eligible subsidiaries applying IFRS 19 to disclose the nature of transactions with associates and whether they are included in the disclosure of gains and losses.

Exemption from disclosing gains and losses

Background

50. The IASB tentatively decided to provide an exemption from disclosing gains and losses from transactions with associates only if:
    - (a) the information disclosed can be attributed to an individual associate; and
    - (b) the transactions are part of the investor's ordinary activities.
51. In Agenda Paper 13B of this month's meeting, the staff recommends the IASB require an investor that uses the exemption from disclosing gains and losses from transactions with associates to disclose the fact that it has used the exemption.
52. The discussion in paragraphs 53–58 assumes that the IASB has agreed with the staff recommendation in that agenda paper.

Staff analysis

53. In undertaking the project that resulted in IFRS 19, the IASB aimed to simplify the reporting systems and processes for entities, reducing the costs of preparing eligible subsidiaries' financial statements, while maintaining the usefulness of those financial statements for their users. As such, exemptions available to eligible subsidiaries applying IFRS Accounting Standards (but not IFRS 19) should also be available to such subsidiaries applying IFRS 19. Specifically, for the exemption discussed in

paragraph 50, the subsidiary should also be exempted from disclosing that information about gains and losses for the same criteria.

54. That said, if the IASB agrees with the staff recommendation in Agenda Paper 13B, the question is whether an eligible subsidiary should also be required to disclose the fact that it has used the exemption.

55. Consistent with the staff's observation in paragraphs 23–26 of Agenda Paper 13B, users of eligible subsidiaries' financial statements should also be made aware that the subsidiary has used the exemption. If required, such a disclosure is not costly or complex as it would be a disclosure of fact.

Staff conclusion

56. The staff concludes that the exemption from disclosing information about gains and losses should also be given to the subsidiary if it meets the criteria in paragraph 50. Information that the subsidiary has used the exemption provides important information or a signal to users of financial statements. Subsidiaries should also be required to reassess the circumstances that led to the exemption being used at each reporting date.

Staff recommendation

57. The staff recommends that the IASB provide to eligible subsidiaries the exemption from disclosing gains and losses from transactions with associates only if:

(a) the information disclosed can be attributed to an individual associate; and

(b) the transactions are part of the subsidiary's ordinary activities.

58. The staff also recommends the IASB require an eligible subsidiary that uses the exemption from disclosing gains and losses to disclose the fact that it has used the exemption.

Information about restricted gains and losses

59. Disclosure requirements related to restricted gains and losses include:

    (a) reconciliation of restricted gains;

    (b) the amount of gains and losses restricted at the end of the period and where they are included in the statement of financial position; and

    (c) the line items in the statement of comprehensive income where the restricted gains and losses have been recognised.

60. The staff has analysed these disclosure requirements collectively.

Background

61. As discussed in paragraph 12(d)(ii), the IASB tentatively decided to require investors that choose to restrict the recognition of gains and losses from transactions with associates to disclose a reconciliation of restricted gains including:

    (a) the opening balance of the restricted gains or losses;

    (b) the amounts of restricted gains or losses recognised in profit and loss included in the opening balance;

    (c) the amounts of restricted gains and losses during the period, separately disclosing the amounts recognised in profit and loss in the current period; and

    (d) the closing balance of restricted gains or losses;

62. The reconciliation of restricted gains complements the proposal in the Exposure Draft to disclose the reconciliation between the opening and closing balance of the carrying amounts of investments in associates (reconciliation of the carrying amounts of investments).

63. The IASB, in tentatively deciding to require disclosure of a reconciliation of restricted gains, is addressing the information needs of users of financial statements and the negative effect on comparability in the financial statements due to permitting an accounting policy choice for the recognition of gains and losses on transactions with associates (see paragraph 51 of Agenda Paper 13C *Transactions with associates—Staff analysis of feedback on proposed disclosure requirement* of the May 2026 IASB meeting).

64. The information helps users of financial statements to evaluate the effects of restricting gains and losses on the financial position and financial performance of the investor while also enabling users of financial statements to compare investors' financial statements prepared using different accounting policies (see paragraphs 85–90 of Agenda Paper 13D *Ways Forward* of the May 2026 IASB meeting).

Staff analysis

65. It could be argued that the reasons why the IASB requires the reconciliation of restricted gains in paragraphs 63–64 also apply to eligible subsidiaries applying IFRS 19.

66. However, at its June 2026 IASB meeting, the IASB tentatively decided not to require eligible subsidiaries applying IFRS 19 to disclose reconciliation of the carrying amounts of investments.[4] The disclosure of reconciliation of restricted gains is most useful when analysed together with the disclosure of reconciliation of the carrying amounts of investments.

67. On its own, the disclosure of the reconciliation of restricted gains provides users of eligible subsidiaries' financial statements with disaggregated information about those gains and their movements. However, considering that these users are mainly lenders and other creditors, the staff is doubtful how much additional useful information the reconciliation will provide to these users compared to the disclosure of amounts of

[4] See June 2026 IASB *Update*.

restricted gains and losses. In addition to disaggregation, users of eligible subsidiaries' financial statements are particularly interested in information about short-term cash flows, liquidity, solvency, accounting policy choices and measurement uncertainty. Depending on how an item of information is disclosed, disaggregation is a feature of almost all disclosure requirements. The staff thinks that in adding a disclosure requirement in IFRS 19, disaggregation should be complemented by other principles.

68. The disclosure of the amounts of gains and losses restricted at the end of the period and where they are included in the statement of financial position and where those gains and losses have been recognised/reversed in the statement of comprehensive income gives insight into how the subsidiary applies the accounting policy to restrict such gains and losses. Taken together with the disclosure of gains and losses from transactions with associates, these disclosures give information about further disaggregation on how gains and losses on transactions with associates contribute to the subsidiary's financial performance during the reporting period.

69. The information that would be required by paragraph 68 would not be costly for the subsidiary to disclose. The fact that the subsidiary chooses to restrict the gains and losses on transactions with associates, the subsidiary is aware where the adjustments related to the restrictions (and their subsequent reversals) are included.

Staff conclusion

70. The staff concludes that:

    (a) the disclosure of the amounts of gains and losses restricted at the end of the period and where they are included in the statement of financial position and the line items in the statement of comprehensive income where the restricted gains and losses have been recognised provides useful information to users of eligible subsidiaries' financial statements.

(b) the information that would be provided by the reconciliation of restricted gains would only be incremental to users of eligible subsidiaries' financial statements in addition to the information that would be provided by the disclosure of amounts of restricted gains and losses.

Staff recommendation

71. The staff recommends that the IASB require eligible subsidiaries applying IFRS 19 that chooses to restrict the recognition of gains and losses on transactions with associates to disclose:

(a) the amounts of gains and losses restricted at the end of the period and where they are included in the statement of financial position; and

(b) the line items in the statement of comprehensive income where the restricted gains and losses are recognised.

72. The staff does not recommend the IASB to require eligible subsidiaries applying IFRS 19 to disclose a reconciliation of restricted gains.

Separate financial statements

Background

73. In the Exposure Draft, the IASB proposed that a parent (that is, an intermediate parent that applies IFRS 19) that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from 'downstream' transactions with those subsidiaries.

74. Agenda Paper 13A *Transactions with Associates—Implications for IAS 27* Separate Financial Statements of this month's meeting discusses the implications of the IASB's tentative decisions on the disclosure requirements related to transactions with associates when an investor prepares separate financial statements applying IAS 27 and uses equity method to account for its interests in subsidiaries, associates and joint

ventures. In that paper, the staff recommends the IASB to require an entity to disclose their accounting policy choice for gains or losses from transactions with investments (associates or subsidiaries) accounted for under the equity method in the entity's separate financial statements.

75. The discussion in paragraphs 76–79 assumes that the IASB has agreed with the staff recommendation in that agenda paper.

Staff analysis

76. An eligible subsidiary preparing separate financial statements applying IAS 27 could also use the equity method to account for its investments in subsidiaries, associates and joint ventures. As such, consistent with paragraphs 19–22, information about the accounting policy chosen by an eligible subsidiary would also provide important information to users of subsidiaries' separate financial statements and would not be costly to disclose.

77. For the same reasons noted in paragraphs 19–25 of Agenda Paper 13A, the staff also thinks that the disclosure of gains and losses from 'downstream' transactions with subsidiaries should not be required.

Staff conclusion

78. The staff concludes that information about an eligible subsidiary's accounting policy for the recognition of gains or losses from transactions with investments should be included as a disclosure requirement in IFRS 19 when a subsidiary prepares separate financial statements.

Staff recommendation

79. The staff recommends that the IASB, for an eligible subsidiary applying IFRS 19 that prepares separate financial statements applying IAS 27:

(a) requires the disclosure of the subsidiary's accounting policy for the recognition of gains or losses from transactions with investments (associates or subsidiaries) accounted for using the equity method; and

(b) withdraws the proposal in the Exposure Draft requiring an intermediate parent that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from 'downstream' transactions with those subsidiaries.

Collective assessment

80. Taken together the staff recommendations in paragraphs 22, 35, 42, 49, 57–58, 71–72 and 79 the staff thinks the recommended amendments to IFRS 19 are proportionate. They give useful information to users of eligible subsidiaries' financial statements while still keeping IFRS 19 attractive to subsidiaries to use.

Summary of staff recommendation and questions for the IASB

81. The staff recommends that the IASB require an eligible subsidiary applying IFRS 19 to disclose:

    (a) the subsidiary's accounting policy for the recognition of gains or losses from transactions with associates;

    (b) the gains or losses from 'downstream' transactions with its associates if the subsidiary chooses to recognise gains or losses in full;

    (c) the gains or losses from 'upstream' and 'downstream' transactions with its associates if the subsidiary chooses to restrict the recognition of gains or losses; and

    (d) the nature of transactions with associates and whether they are included in the disclosure of gains and losses.

82. The staff also recommends the IASB require an eligible subsidiary that chooses to restrict the recognition of gains and losses on transactions with associates to disclose:

    (a) the amounts of gains and losses restricted at the end of the period and where they are included in the statement of financial position; and

    (b) the line items in the statement of comprehensive income where the restricted gains and losses are recognised.

83. The staff recommends that the IASB, for an eligible subsidiary applying IFRS 19 that prepares separate financial statements applying IAS 27:

    (a) requires the disclosure of the subsidiary's accounting policy for the recognition of gains or losses from transactions with investments (associates or subsidiaries) accounted for using the equity method; and

    (b) withdraws the proposal in the Exposure Draft requiring an intermediate parent that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from 'downstream' transactions with those subsidiaries.

84. The staff recommends the IASB does not:

    (a) include the new disclosure objective that is planned to be added in paragraph 20 of IFRS 12 in IFRS 19; nor

    (b) require eligible subsidiaries applying IFRS 19 to disclose a reconciliation of restricted gains.

85. The staff recommends that the IASB also provide to eligible subsidiaries the exemption from disclosing gains and losses from transactions with associates only if:

    (a) the information disclosed can be attributed to an individual associate; and

    (b) the transactions are part of the subsidiary's ordinary activities.

86. The staff also recommends the IASB to require an eligible subsidiary that uses the exemption from disclosing gains and losses to disclose the fact that it has used the exemption.

Questions for the IASB
1. Does the IASB have any comments on the paper? 2. Does the IASB agree with the staff recommendation on paragraphs 81–86?

Appendix A—Principles for reducing disclosure requirements in IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

A1. The International Accounting Standards Board (IASB) was guided by six broad principles in developing the reduced disclosure requirements in IFRS 19.

(a) users of the financial statements of eligible subsidiaries are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities;

(b) users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency;

(c) information on measurement uncertainties is important for eligible subsidiaries;

(d) information about an entity's accounting policy choices is important for eligible subsidiaries;

(e) disaggregation of amounts presented in eligible subsidiaries' financial statements is important for an understanding of those statements; and

(f) some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.

Appendix B—Extract from Agenda Paper 13B of the May 2025 IASB meeting

B1. Paragraphs 22–25 of Agenda Paper 13B of the May 2025 IASB meeting is set out below.

> 22. Many respondents who commented agreed with the proposal to require an eligible subsidiary:
>
>   (a) to disclose gains or losses resulting from 'downstream' transactions with its associates or joint ventures.
>
>   (b) to disclose gains or losses resulting from 'downstream' transactions with its subsidiaries if it chooses to apply the equity method to account for its investments in subsidiaries in its separate financial statements.
>
> 23. Some of these respondents said that the proposal would strike a balance between maintaining the usefulness of the financial statements of eligible subsidiaries and reducing disclosure requirements.
>
> 24. A few respondents who agreed with the proposal (those in paragraph 22 of this paper) also suggested the IASB introduce:
>
>   (a) a requirement to disclose gains or losses from 'upstream' and 'sidestream' transactions as well, to further support transparency and comparability.
>
>   (b) a requirement to disclose a reconciliation between the opening and closing carrying amount of investments in subsidiaries in the separate financial statements.

25. Some respondents who commented disagreed with the proposal:

    (a) a few respondents disagreed with the proposal because they disagreed with the proposal an investor recognise gains and losses in full from transactions with associates and joint ventures; see paragraph 14 of Agenda Paper 13D of this meeting.

    (b) a few respondents disagreed with the proposal because they disagreed that the proposals in the Exposure Draft should apply to investments in subsidiaries to which the equity method is applied in separate financial statements; see paragraph 11 of this paper.