IASB® meeting

Date	**October 2022**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Approach to developing the proposed disclosure requirements**
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Purpose of this paper

1. This paper discusses the feedback on the approach to developing the disclosure requirements in the proposed IFRS Accounting Standard (draft Standard) set out in Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) and asks the International Accounting Standards Board (IASB) to confirm that approach for developing the Standard.

Summary of staff recommendation

2. The staff recommend that the IASB:

   (a) modify the approach to developing the proposed disclosure requirements in the draft Standard to ensure that the language used in the disclosure requirements are the same as IFRS Accounting Standards; and

   (b) explain in the Basis for Conclusions on the Standard:

      (i) why the disclosure requirements in the *IFRS for SMEs* Accounting Standard are an appropriate starting point;

      (ii) how cost–benefit is taken into account; and

      (iii) the reason for the exceptions made to the approach.

Structure of the paper

3. This paper is structured as follows:

   (a) background (paragraphs 4–8);

   (b) summary of feedback on the IASB's approach to developing the disclosure requirements (paragraphs 9–12);

   (c) staff analysis (paragraphs 13–39):

   (d) staff recommendation and question for the IASB (paragraph 40);

(e) Appendix A: Feedback from comment letters and outreach meetings; and

(f) Appendix B: Language used in developing the proposed disclosure requirements.

Background

Question in the Invitation to Comment

4. Question 3 in the Invitation to Comment on the Exposure Draft asked for feedback on the IASB's approach to developing the proposed disclosure requirements in the draft Standard. Respondents were asked if they agreed with the approach. If not, what approach they would suggest and why?

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

5. In developing the proposed disclosure requirements, the IASB started by using the disclosure requirements in the *IFRS for SMEs* Accounting Standard because:

   (a) these disclosures are reduced from IFRS Accounting Standards; and

   (b) subsidiaries that are eligible to apply the draft Standard may also apply the *IFRS for SMEs* Accounting Standard.

6. In developing the proposed disclosure requirements in the draft Standard, the IASB sought to save time and resources by leveraging the work it had already completed when developing the disclosure requirements in the *IFRS for SMEs* Accounting Standard. Therefore, if the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard are:

   (a) the same—the IASB used the disclosure requirements from the *IFRS for SMEs* Accounting Standard in the draft Standard, making amendments to reflect language differences (minor tailoring).

   (b) different—the IASB created new reduced versions of the disclosure requirements in IFRS Accounting Standards by applying the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard (set out in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard).

7. The *IFRS for SMEs* Accounting Standard requires fewer disclosures than IFRS Accounting Standards because the disclosure requirements are intended for non-publicly accountable entities (NPAEs). Users of NPAEs' financial statements have different information needs from users of publicly accountable entities' financial statements. By using the disclosure requirements in the *IFRS for SMEs* Accounting Standard, or by applying the same simplification principles that were previously used to develop those reduced disclosures, the IASB saved time and resources.

8. The IASB can be satisfied that the disclosures developed using this approach are fit for purpose because the *IFRS for SMEs* Accounting Standard works well in practice and has been subject to two comprehensive reviews. Furthermore, the IASB can be confident that any newly reduced disclosure requirements that it has developed for the draft Standard using the same approach will meet user needs.

Summary of feedback on the IASB's approach to developing the disclosure requirements

9. Many respondents agreed with the approach to developing the proposed disclosure requirements. An extract of the feedback set out in Agenda Paper 31A *Feedback from comment letters* and Agenda Paper 31B *Feedback from outreach meetings* of the April 2022 IASB meeting is in Appendix A of this paper.

10. Some respondents expressed concerns on the approach to developing the proposed disclosure requirements, including:

    (a) disagreement with using the *IFRS for SMEs* Accounting Standard as the starting point;

    (b) concern that consideration of cost–benefit trade-off is not clearly explained; and

    (c) the language of the proposed disclosure requirements should be the same as IFRS Accounting Standards.

11. Some respondents expressed concerns on the proposed disclosure requirements that are exceptions to the approach set out in paragraph 6. These concerns particularly related to disclosure objectives, investment entities and defined benefit plans.

12. Finally, some respondents questioned how the approach to developing the proposed disclosure requirements fits with other projects, for example, the *Disclosure Initiative—Targeted Standards-level Review of Disclosure* project and the *IFRS for SMEs* Accounting Standard.

Staff analysis

13. The staff analysis is set out as follows:

    (a) starting with the *IFRS for SMEs* Accounting Standard (paragraphs 14–23);

    (b) cost–benefit trade-off (paragraphs 24–27);

    (c) language of the proposed disclosure requirements (paragraphs 28–32);

    (d) proposed disclosures that are exceptions to the approach (paragraphs 33–37); and

    (e) interaction of the draft Standard with other IASB projects (paragraphs 38–39).

Starting with the *IFRS for SMEs* Accounting Standard

14. Some respondents have concerns on starting with the disclosure requirements in the *IFRS for SMEs* Accounting Standard. These respondents noted that:

    (a) the IASB should have started with IFRS Accounting Standards in developing the disclosure requirements because the draft Standard will be part of IFRS Accounting Standards (see paragraphs 15–17); and

    (b) the information needs of users of eligible subsidiaries are different from those of other entities without public accountability (ie those eligible to apply the *IFRS for SMEs* Accounting Standard) (see paragraphs 18–19).

15. When the project was added into the research pipeline, the IASB investigated an approach that:

    (a) is limited to subsidiaries that meet the definition of a small and medium-sized entity (SME) as defined in the *IFRS for SMEs* Accounting Standard—that is, subsidiaries that do not have public accountability; and

    (b) uses the disclosure requirements from the *IFRS for SMEs* Standard as the starting point for developing the disclosure requirements and tailoring those requirements if recognition or measurement requirements differ between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard.

16. The IASB started by using the disclosure requirements in the *IFRS for SMEs* Accounting Standard because:

    (a) these disclosures are reduced from IFRS Accounting Standards; and

    (b) subsidiaries that are eligible to apply the draft Standard may also apply the *IFRS for SMEs* Accounting Standard.

17. Paragraph BC16 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard notes that the Standard was developed based on IFRS Accounting Standards, modified to reflect information needs of users of those financial statements and cost–benefit considerations.

18. As noted in paragraph 14(b), subsidiaries eligible to apply the draft Standard can also apply the *IFRS for SMEs* Accounting Standard. The IASB reasoned that to the extent the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard are the same, the corresponding disclosure requirements in the *IFRS for SMEs* Accounting Standard would be sufficient to meet information needs of users of eligible subsidiaries' financial statements.

19. If the recognition and measurement requirements differ between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard, the IASB reduced the disclosure requirements in IFRS Accounting Standards using the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard; considering users' information needs of financial statements of entities without public accountability (see paragraph 7 of this agenda paper). The IASB reasoned by reducing the disclosure requirements in IFRS Accounting Standards using the same principles used when developing disclosure requirements for the *IFRS for SMEs* Accounting Standard the resulting disclosures would be sufficient to meet information needs of users of eligible subsidiaries' financial statements.

Staff conclusion

20. In starting with the disclosure requirements in the *IFRS for SMEs* Accounting Standard, the IASB was able to leverage on the work it already completed and saved time and resources in developing the proposed disclosure requirements in the draft Standard.

21. In using the disclosure requirements in *IFRS for SMEs* Accounting Standard as the starting point, the proposed disclosure requirements in the draft Standard are based on IFRS Accounting Standards. Arguably, the proposed disclosure requirements in the draft Standard would have been the same had the IASB started directly with the disclosure requirements in IFRS Accounting Standards and tailored them using the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard (see paragraph 19).

22. Respondents' concerns about starting with the disclosure requirements in the *IFRS for SMEs* Accounting Standard are possibly because these respondents are unaware that the starting point in developing the disclosure requirements in the *IFRS for SMEs* Accounting Standard is IFRS Accounting Standards.

23. In addressing stakeholder concerns, the IASB could explain in the Basis for Conclusions of the Standard, why starting with the disclosure requirements in the *IFRS for SMEs* Accounting Standard would give the same outcome as starting with the disclosure requirements in IFRS Accounting Standards.

Cost–benefit trade-off

24. Some respondents said the consideration of cost–benefit for the proposed disclosure requirements is not clearly explained. Furthermore, respondents said some disclosure requirements that are based on *IFRS for SMEs* Accounting Standard are costly for eligible subsidiaries to provide. They said that it is important to assess if in all cases the IASB's approach to developing the proposed disclosure requirements meets the objective of the draft Standard.

25. The IASB's approach considered cost–benefit trade-off because if recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard were:

(a) the same—the IASB used the disclosure requirements in the *IFRS for SMEs* Accounting Standard. Those disclosure requirements were developed considering cost–benefit trade-off (see paragraph BC156 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard[1]).

(b) different—the IASB tailored the disclosures in IFRS Accounting Standards. In tailoring the disclosures, the IASB took cost–benefit into consideration by focusing on the information needs of users. For example, in developing disclosures about estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, of the 27 disclosure requirements in IAS 36 *Impairment of Assets* (paragraphs 134–137 of IAS 36), 11 disclosure requirements were proposed in the draft Standard. These proposed disclosures were developed on the basis of information needs of users (see paragraphs 13–17 of Agenda Paper 31A *Disclosure about cash-generating units containing goodwill and intangible assets with indefinite useful lives* of the January 2021 IASB meeting) taking into consideration paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard and feedback from meeting with lenders during the second comprehensive review of the *IFRS for SMEs* Accounting Standard.

Staff conclusion

26. The approach applied by the IASB to developing the proposed disclosure requirements considered the cost–benefit trade-off. By focusing on the information needs of non-publicly accountable entities, the IASB takes into consideration cost and benefit.

27. In addressing stakeholder concerns, the IASB could explain in the Basis for Conclusions on the Standard how cost–benefit trade-off is considered in the IASB's approach.

Language of proposed disclosure requirements

28. Applying the approach to developing the disclosure requirements, the IASB tailored the disclosure requirements in the *IFRS for SMEs* Accounting Standard to align terminologies with IFRS Accounting Standards. For example, instead of using the term 'contingent rent' (the term used in the *IFRS for SMEs* Accounting Standard) 'variable lease payments' is used, the term used in IFRS Accounting Standards.

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

…

(d) Some disclosures are not included on the basis of users' needs or cost-benefit considerations (see paragraphs BC44–BC47, BC157 and BC158).

29. Some respondents 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 requirement, should be the same as IFRS Accounting Standards. The staff notes that:

    (a) many of these differences in language are minor. For an example refer to Table 1 of Appendix B.

    (b) some of these differences are in the structure of the disclosure requirement. For an example, refer to Table 2 of Appendix B.

30. Some respondents also questioned whether understanding of the *IFRS for SMEs* Accounting Standard is necessary as the proposed disclosure requirements are from that Standard. These respondents noted that using the language in IFRS Accounting Standards will facilitate application and translation of the draft Standard because it will avoid confusion or different application of the disclosure requirements.

31. The staff agree that using the language in IFRS Accounting Standards will facilitate application and translation. However, updating the proposed disclosure requirements in the draft Standard to be the same as IFRS Accounting Standards, will entail time and resources. The staff do not expect that this will result to substantive changes in the proposed disclosure requirements in the draft Standard.

Staff conclusion

32. On balance, the staff think that the IASB should update the language used in the proposed disclosure requirements to be the same as IFRS Accounting Standards, this will facilitate application and translation. In addition, the staff think this will also address concerns of some respondents that said they would need to understand the *IFRS for SMEs* Accounting Standard in order to apply the draft Standard.

Exceptions made to the IASB's approach

33. After reviewing the results of its approach to develop the disclosure requirements, the IASB, in a limited number of cases made some exceptions to the approach.[2]

34. Feedback on the exposure draft were generally supportive of the exceptions made to the IASB's approach. A few respondents said these exceptions to the IASB's approach were necessary due to the approach applied in developing the disclosure requirements—acknowledging that the *IFRS for SMEs* Accounting Standard is only updated periodically. Some respondents, although broadly supportive of the exceptions to the IASB's approach to developing disclosure requirements, asked that the IASB further clarify these exceptions.

[2] See paragraphs BC40-BC52 of Basis for Conclusions on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

35. This paper is not intended to discuss each exception to the IASB's approach to developing disclosure requirements in the draft Standard, rather it discusses whether the IASB should, in general, make exceptions to its approach.

Staff conclusion

36. As feedback on the Exposure Draft suggests that stakeholders broadly agreed with the exceptions to IASB's approach to developing the proposed disclosure requirements in the draft Standard and each exception relates to a specific disclosure requirement proposed (or not proposed) in the draft Standard, the staff suggests that comments made to these exceptions be considered in analysing the comments to the proposed disclosure requirements. Agenda Paper 31C discusses the staff's recommended process in addressing the comments to the proposed disclosure requirements.

37. In addressing stakeholder concerns, the IASB could explain its reason for the exception to the approach in the Basis for Conclusions on the Standard.

Interaction of the draft Standard with other IASB projects

38. Some respondents said that the IASB should consider the interaction of how the proposed disclosure requirements were developed in the draft Standard with its other projects. Particularly:

    (a) the *Disclosure Initiative—Targeted Standards-level Review of Disclosure* (TSLR) project. The IASB is yet to discuss how to move forward with the proposals in the TSLR project. As such, the staff will consider in a future meeting how the draft Standard interacts with the TSLR project.

    (b) the *IFRS for SMEs* Accounting Standard. If the IASB agrees with the staff recommendation on how the proposed disclosure requirements are developed, the staff think that:

        (i) the IASB should consider feedback about proposed disclosure requirements in the Exposure Draft *Third Edition of the* IFRS for SMEs *Accounting Standard* in finalising the proposed disclosure requirements in the draft Standard.

        (ii) in a future review of the *IFRS for SMEs* Accounting Standard, to the extent that recognition and measurement requirements in that Standard are the same as IFRS Accounting Standards, the IASB should leverage the work it will have completed in updating the Standard. For example, if the IASB, in a future review, decided to align the requirements for leases in the *IFRS for SMEs* Accounting Standard with IFRS Accounting Standards (ie IFRS 16 *Leases*), the IASB should leverage the work it already completed in developing the proposed disclosure requirements for IFRS 16 in the draft Standard.

This is because

(i) subsidiaries eligible to apply the draft Standard are a subset of entities without public accountability; and

(ii) the draft Standard and the *IFRS for SMEs* Accounting Standard shared the same approach in developing disclosure requirements.

As such, if the recognition and measurement requirements for a topic are the same for the draft Standard and the *IFRS for SMEs* Accounting Standard, the same disclosure requirements should be required.

39. In a future meeting, the staff will also consider the interaction of the draft Standard with the *IFRS for SMEs* Standard on discussing how the draft Standard will be maintained (see paragraphs BC87–BC91 of the Basis for Conclusions of Exposure Draft).

Staff recommendation and question for the IASB

40. In light of the analysis in paragraphs 14–39, the staff recommend the IASB:

(a) modify the approach to developing the proposed disclosure requirements in the draft Standard to ensure that the language used in the disclosure requirements are the same as IFRS Accounting Standards; and

(b) explain in the Basis for Conclusions on the Standard:

(i) why the disclosure requirements in the *IFRS for SMEs* Accounting Standard are an appropriate starting point;

(ii) how cost–benefit is taken into account; and

(iii) the reason for the exceptions made to the approach.

Question for IASB members
Does the IASB agree with the staff recommendation in paragraph 40 about the approach to developing the proposed disclosure requirements in the draft Standard?

Appendix A: Feedback from comment letters and outreach events

Feedback from comment letters (Extract from Agenda Paper 31A of the April 2022 meeting)

IASB's approach to developing the proposed disclosure requirements and exceptions to that approach

…

32. Most respondents commented on the IASB's approach to developing the proposed disclosure requirements. Of those who responded:

    (a) many agreed with the proposed approach (see paragraphs 33–34); and

    (b) some disagreed with the proposed approach (see paragraphs 35–36). Of those who disagreed, many—mostly from Europe and a few from Global— suggested that the starting point to developing the disclosure requirements should be IFRS Accounting Standards and then considering exemptions to remove disclosure requirements that are deemed not applicable for eligible subsidiaries (top-down approach), rather than starting with the *IFRS for SMEs* Accounting Standard (bottom-up approach).

Agreement with the IASB's approach

33. Of those who agreed with the IASB's approach to developing the proposed disclosure requirements:

    (a) some said the IASB's approach strikes the right balance considering the information needs of users of subsidiaries' financial statements and the work that stakeholders and the IASB would need to do in developing and finalising the draft Standard;

    (b) a few said the IASB's approach recognises that the eligible subsidiaries are also eligible to apply the *IFRS for SMEs* Accounting Standard, and that the disclosure requirements of the *IFRS for SMEs* Accounting Standard remain suitable for entities without public accountability; and

    (c) a few said that the IASB's approach is similar to the approach adopted in developing the mandatory reduced disclosure regimes in Australia and New Zealand.

34. The Financial Reporting Council (FRC) said:

> …We agree with the logical steps applied in developing the proposed disclosure requirements… The disclosure requirements of the IFRS for SMEs Standard have already been assessed by the IASB as suitable for entities without public accountability, and therefore are appropriate when recognition and measurement requirements are the same in both IFRS Standards and the IFRS for SMEs Standard. When the recognition and measurement requirements differ between IFRS Standards and the IFRS for SMEs

Standard, we agree that tailoring the disclosure requirements is the correct way to deal with these differences.

Disagreement—proposal for an alternative approach

35. Of those who disagreed with IASB's approach to developing the disclosure requirements and suggested following a top-down approach, some gave the following reasons:

    (a) users of an eligible subsidiary's financial statements typically have different information needs to users of financial statements of other entities that do not have public accountability (ie that are not part of a group). The IASB's approach leads, in some instances, to disclosures that go beyond the information needs of users of eligible subsidiaries' financial statements.

    (b) some eligible subsidiaries are already using, and are more familiar with IFRS Accounting Standards, and do not have a working knowledge of the *IFRS for SMEs* Accounting Standard.

    (c) a top-down approach may be better, for example, this was used to develop FRS 101 *Reduced Disclosure Framework* issued by the FRC and adopted in the United Kingdom and the Republic of Ireland.

    (d) the approach applied by the IASB could be burdensome in the future for both standard-setting and application because there is an inevitable disconnect between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard, and this would outweigh the benefits of the proposals.

36. BlackRock said:

> …Some disclosures which are deemed 'useful' for a stand-alone entity's users may not be 'useful' for a subsidiary entity's users. It is also difficult to identify users of subsidiary financial statements, and we believe that the number of users and their needs are limited, this is particularly the case where there are no minority interests and when funding is from within the group rather than external sources…

Other comments on the IASB's approach

37. In addition, some respondents suggested the IASB to consider:

    (a) the cost–benefit trade off—it is important to consider whether, in all cases, the IASB's approach meets the objective of the draft Standard (see paragraph 12).

    (b) the timing difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard—users of subsidiaries' financial statements should not be denied access to improvements made in IFRS Accounting Standards that have not yet been considered in the *IFRS for SMEs* Accounting Standard. Some of this information is already provided by subsidiaries to their parents for group reporting purposes.

(c) interaction with the *Disclosure Initiative—Targeted Standards-level Review of Disclosure* (TSLR) project—whether the disclosure requirements in IFRS Accounting Standards should be principle-based rather than prescribing specific disclosure requirements. If the current proposals in the TSLR project are finalised, the IASB should consider aligning the approach in the draft Standard to a more principle-based approach (see paragraph 78).

38. EFRAG said:

> … EFRAG considers that the key principles proposed by the IASB in paragraph BC33 of the Basis for Conclusions should encompass cost-benefit considerations, including reduction of costs for preparers, which is one of the main objectives of the project. The IASB already refers to this in paragraph BC29 of the Basis for Conclusions about *"users' needs and cost–benefits"*. This should be better reflected in the principles used by the IASB's when the recognition and measurement requirements differ between the IFRS for SMEs Standard and IFRS Standards.

39. A few respondents said that the best approach to developing the disclosure requirements depends on the scope of the draft Standard. If:

(a) the scope is retained, a top-down approach would be preferable.

(b) the scope is widened to include other entities without public accountability, the proposed approach is suitable.

Exceptions to the Approach

40. Respondents generally agreed with the exceptions and noted that they are necessary given the approach used by the IASB in developing the disclosure requirements in the draft Standard.

41. Most respondents commented only on specific exceptions. Concerns mainly related to:

(a) disclosure objectives—the IASB should consider the interaction of the proposals in the draft Standard with the proposals in the TSLR project (see paragraph 78);

(b) investment entities—requiring disclosure requirements for investment entities might be unnecessary because investment entities are unlikely to be eligible to apply the draft Standard; and

(c) defined benefit obligations—the information needs of users of eligible subsidiaries' financial statements should be the same as for users of other SMEs' financial statements and therefore additional disclosures to those required in the *IFRS for SMEs* Accounting Standard is not useful to those users.

42. A few respondents disagreed with all of the exceptions and said:

    (a) eliminating exceptions will enhance understandability of the draft Standard.

    (b) subsidiaries eligible to apply the draft Standard are also eligible to apply the *IFRS for SMEs* Accounting Standard. As such, the draft Standard should not require additional or different disclosure requirements compared to the *IFRS for SMEs* Accounting Standard when there is no recognition or measurement difference.

43. A few respondents noted that the IASB's rational for the exceptions should be better explained. For example, these respondents asked the IASB to clarify whether the exceptions are exceptions to the principles in paragraph BC157 of the Basis for Conclusions of the *IFRS for SMEs* Accounting Standard, or exceptions based on some other principle.

Feedback from outreach meetings (Extract from Agenda Paper 31B of the April 2022 meeting)

23. Many participants agreed with the approach to developing the disclosure requirements. A few participants described it as logical to use the disclosure requirements in the *IFRS for SMEs* Accounting Standard as a starting point as they are already developed from IFRS Accounting Standards. These participants agreed that the usefulness of subsidiaries' financial statements would be maintained.

24. While not disagreeing with the approach, some respondents raised concerns on other aspects of the approach:

    (a) the language in the IFRS for SMEs Accounting Standard is not aligned with IFRS Accounting Standards. These participants suggested that if a disclosure requirement in the draft Standard (that is based on the *IFRS for SMEs* Accounting Standard) is the same as in IFRS Accounting Standards, the language in IFRS Accounting Standards should be used (ie verbatim) to prevent confusion or different application of those requirements.

    (b) interaction of the draft Standard with the IASB's *Disclosure Initiative—Targeted Standards-level Review of Disclosure* (TSLR) project. Some participants noted that both projects are under the IASB's Disclosure Initiative but follow a different approach to disclosures—the draft Standard being a prescriptive, checklist-based approach and TSLR project being an objective-based approach.

    (c) the rationale for the exceptions made by the IASB to the approach in the draft Standard are not clearly explained in the Basis for Conclusions. These respondents asked that such explanations be improved.

    (d) the information needs of users of the financial statements of a wholly-owned subsidiary are different from that of a majority-owned subsidiary. These respondents noted that some of the disclosure requirements are excessive if the eligible subsidiary is wholly-owned (no non-controlling shareholders).

25. Some participants disagreed with the approach to developing the disclosure requirements and noted that the starting point should be IFRS Accounting Standards. Some of these participants believed that subsidiaries without public accountability are different from entities within the scope of the *IFRS for SMEs* Accounting Standard (entities without public accountability) because they already provide IFRS information for group reporting purposes. The staff noted that some of these participants are not familiar that the *IFRS for SMEs* Accounting Standard was based on from IFRS Accounting Standards.

Appendix B: Language used in developing the proposed disclosure requirements

Table 1—Minor difference in language

B1. Some differences in language are minor. For example, in the disclosure requirements for inventories pledged as security for liabilities, the language in the *IFRS for SMEs* Accounting Standard is almost identical with the language in IAS 2 *Inventories*. Difference in language is **bolded**.

Reference	*Requirement*
Paragraph 128(e) of the draft Standard	the **total** carrying amount of inventories pledged as security for liabilities
Paragraph 36(h) of IAS 2 *Inventories*	the carrying amount of inventories pledged as security for liabilities
Paragraph 13.22(e) of the *IFRS for SMEs* Accounting Standard	the **total** carrying amount of inventories pledged as security for liabilities

Table 2—Difference in structure

B2. Some of these differences are in the structure of the disclosure requirement. For example, in the disclosure about write-down and reversal of any write-down on inventories, the structure in of the *IFRS for SMEs* Accounting Standard is used.

Reference	*Requirement*
Paragraph 128(d) of the draft Standard	the amount of any write-down recognised or reversed in profit or loss as required by paragraph 34 of IAS 2
Paragraph 36(e)–(f) of IAS 2 *Inventories*	(e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34; (f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34; and
Paragraph 13.22(d) of the *IFRS for SMEs* Accounting Standard	impairment losses recognised or reversed in profit or loss in accordance with Section 27 *Impairment of Assets*[3]

[3] Under IFRS Accounting Standards, inventories are not in the scope of the impairment requirements of IAS 36 *Impairment of Assets*.