IFRS Accounting

Staff paper

Agenda reference: 31A

IASB® meeting

Date	**May 2023**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Feedback on proposed disclosure requirements**
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Purpose of the paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB) to discuss the feedback on proposed disclosure requirements in the draft Standard set out in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) and decide whether to revise any of the proposed disclosure requirements.

2. The staff recommendations are set out in paragraph 21 of this paper.

3. In this paper, the term 'eligible subsidiary' refers to an entity that meets the requirements in paragraph 6 of the draft Standard set out in the Exposure Draft.

Structure of the paper

4. This paper is structured as follows:
   (a) background (paragraphs 6–16);
   (b) feedback on individual proposed disclosure requirements (paragraphs 17–20);
   (c) staff recommendation and questions for the IASB (paragraph 21); and
   (d) Appendix A—Analysis of the feedback on individual proposed disclosure requirements.

5. Feedback was received on many of the individual proposed disclosure requirements in the draft Standard. To aid the readability of this paper this feedback is analysed in Appendix A to this paper.

Background

Invitation to Comment

6. Question 8 of the Invitation to Comment on the Exposure Draft is reproduced below:

   Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7:

   (a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why?

   (b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why?

   (c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Approach to developing the proposed disclosure requirements[1]

7. In developing the proposed disclosure requirements in the draft Standard (the IASB's approach), the IASB started with the disclosure requirements in the *IFRS for SMEs* Accounting Standard. If the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard are:

   (a) the same—the IASB proposed the disclosure requirements from the *IFRS for SMEs* Accounting Standard in the draft Standard. These disclosure requirements are based on IFRS Accounting Standards and therefore the work on reducing those disclosure requirements did not need to be repeated.

   (b) different—the IASB proposed disclosure requirements based on IFRS Accounting Standards. It reduced these disclosure requirements by applying the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard (principles for reducing disclosure requirements)[2].

[1] See Agenda Paper 31B *Approach to developing the proposed disclosure requirements* of the October 2022 IASB meeting.

[2] Set out in paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard.

8. The principles for reducing disclosure requirements applied by the IASB consider the information needs of users of non-publicly accountable entities and that these users find information about the following useful:

   (a) short-term cash flows, obligations, commitments and contingencies;

   (b) liquidity and solvency;

   (c) measurement uncertainty;

   (d) accounting policy choices; and

   (e) disaggregation of amounts.

9. In developing the proposed disclosure requirements in the draft Standard, the IASB made exceptions to its agreed approach (see paragraphs BC40–BC52 of the Basis for Conclusions on the Exposure Draft). Some exceptions made by the IASB were related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs* Accounting Standard had not been updated for (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft).

10. In considering the feedback on the draft Standard the IASB has tentatively decided to use the language from IFRS Accounting Standards, rather than the language from the *IFRS for SMEs* Accounting Standard used in the draft Standard.[3]

Analysing the feedback on the proposed disclosure requirements[4]

11. In October 2022, the IASB decided on an approach to analysing the feedback on the proposed disclosure requirements in the draft Standard. The IASB agreed to categorise the feedback into four groups based on how the proposed disclosure requirements were developed:

[3] See IASB *Update* of the October 2022 IASB meeting.

[4] See Agenda Paper 31C *Addressing comments on proposed disclosure requirements* and IASB *Update* of the October 2022 IASB meeting.

Table 1—categories of feedback on the proposed disclosure requirements

Group	Characteristic
1	Proposed disclosure requirement is from the *IFRS for SMEs* Accounting Standard because recognition and measurement requirements are the same in the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards.
2	Proposed disclosure requirement is reduced from IFRS Accounting Standards because there *is* a recognition and measurement difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard.
3	Proposed disclosure requirement is an exception to the IASB's approach to developing the proposed disclosure requirements as set out in paragraphs BC40–BC52 of the Basis for Conclusions on the Exposure Draft.
4	Comments relate to proposed disclosure requirements not categorised in any of the groups above.

12. The IASB also agreed to assess the feedback on the proposed disclosure requirements taking into consideration the following factors:

Table 2—factors for assessing feedback on proposed disclosure requirements

Factor	Characteristic
Users' information needs	Whether the comment provides further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper).
Cost–benefit considerations	Whether the comment would lead to a better balance between the costs and benefits of applying the requirements.
Distribution of the comment	Whether the comment is specific to a particular jurisdiction or a particular stakeholder group.
Overall usefulness of information	Whether the overall disclosure requirements for a topic or a Standard provides useful information to users of eligible subsidiaries' financial statements.
IASB decision(s)	Whether the proposed disclosure requirement has been specifically discussed by the IASB and the feedback provides further insights.

13. In analysing the feedback applying the factors in paragraph 12 of this paper, the staff applied a 'high hurdle' on comments asking to delete proposed disclosure requirements categorised in Group 1 or suggesting additional disclosures when there is no recognition and measurement difference.

14. Deleting a proposed disclosure requirement categorised in Group 1 would be an exception to the IASB's approach (see paragraph 7 of this paper). It should also be noted that the IASB has already decided the disclosure requirements in the *IFRS for SMEs* Accounting Standard are appropriate for users of non-publicly accountable entities and those disclosure requirements have been subject to the comprehensive reviews of that Standard.[5]

Tentative decisions on proposed disclosure requirements

15. At its April 2023 meeting, the IASB discussed the feedback and decided to revise some of the proposed disclosure requirements in the draft Standard.[6] Among the IASB's tentative decisions were:

    (a) *not* to revise the draft Standard to include:

        (i) disclosure objectives; and

        (ii) guidance in IFRS Accounting Standards on how to apply the disclosure requirements in the new Standard; and

    (b) *retain* the relief from providing comparative information proposed in the draft Standard.

16. The staff considered these tentative decisions in analysing the feedback on proposed disclosure requirements in the draft Standard in Appendix A of the paper.

[5] The IASB completed its initial comprehensive review of the *IFRS for SMEs* Accounting Standard in May 2015 and is currently undertaking its second comprehensive review.

[6] See IASB *Update* of the April 2023 IASB meeting.

Feedback on individual proposed disclosure requirements

17. Many respondents commented on individual proposed disclosure requirements in the draft Standard. Comments received included deleting, adding and clarifying the proposed disclosure requirements in the draft Standard. This feedback is analysed in Appendix A to this paper.

18. In some instances, only one respondent commented on a proposed disclosure requirement. The staff did not consider just because only one respondent commented on a proposed disclosure requirement this was justification to exclude the comment from the analysis.

19. For each IFRS Accounting Standard, the analysis is generally structured as follows:

    (a) categorisation of the proposed disclosure requirements (see paragraph 11);

    (b) development of the proposed disclosure requirement(s);

    (c) summary of feedback;

    (d) staff analysis; and

    (e) staff recommendation(s).

20. The analysis in Appendix A of this paper only includes those proposed disclosure requirements respondents commented on. That is, if there is no comment on a proposed disclosure requirement, that disclosure is not included in Appendix A.

Staff recommendation and questions for the IASB

Staff recommendation

21. The staff recommends that the IASB retain the proposed disclosure requirements in the draft Standard for IFRS Accounting Standards analysed in Appendix A of this paper, subject to recommendations in Table 3—summary of revisions to the individual proposed disclosure requirements.

Table 3—summary of revisions to the individual proposed disclosure requirements

IFRS Accounting Standard	Revision	Rationale	Appendix A reference
IFRS 3 *Business Combinations*	Add paragraph B64(j)(i) of IFRS 3	Provides information about contingencies and measurement uncertainties	A2.6–A2.12
	Add paragraph B67(a)(iii) of IFRS 3	Provides information about measurement uncertainties	A2.18–A2.21
IFRS 7 *Financial Instruments: Disclosures*	Restrict application of paragraphs 62, 66 and 67 of the draft Standard to eligible subsidiaries that provide financing to customers as a main business activity	Considering costs and benefits of applying the proposed disclosure requirements for IFRS 7	A3.1–A3.4
IFRS 12 *Disclosure of Interests in Other Entities*	Align paragraph 68 of the draft Standard with paragraph B4 of IFRS 12	Clarifies how information required are presented	A4.2–A4.5
	Add paragraphs 14–15 and 17 of IFRS 12	Provides information about (i) cash flows, obligations and commitments, and (ii) liquidity and solvency	A4.19–A4.24
	Add paragraphs 19D(b), 19E and 19F of IFRS 12	Provides information about (i) cash flows, obligations and commitments, and (ii) liquidity and solvency	A4.19–A4.24
	Add paragraphs 30–31 of IFRS 12	Provides information about (i) cash flows, obligations and commitments, and (ii) liquidity and solvency	A4.19–A4.24
IFRS 15 *Revenue from Contracts with Customers*	Delete paragraph 93 of the draft Standard	Cost–benefit reasons	A5.19–A5.27
	Add paragraph 119(a) of IFRS 15	Provides information about accounting policy choices	A5.35–A5.39 and A5.42(a)
IFRS 16 *Leases*	Delete paragraph 100(d) of the draft Standard	Other proposed disclosure requirements provide similar information	A6.1–A6.17

IFRS Accounting Standard	Revision	Rationale	Appendix A reference
	Add paragraph 53(e) and 53(g) of IFRS 16	Provides information about cash flows	A6.1–A6.17
	Add paragraph 53(i) of IFRS 16	Provides information about (i) cash flows and commitments, and (ii) disaggregation of amounts	A6.32–A6.37
IAS 1 *Presentation of Financial Statements*	Retain paragraphs 112–114 of IAS 1 as applicable *in situ* in the new Standard and delete paragraphs 120–122 of the draft Standard	Consistent with the IASB's tentative decisions to not include guidance in the new Standard	A7.11–A7.20
	Add paragraph 137 of IAS 1	Provides information about liquidity and solvency	A7.32–A7.39
IAS 19 *Employee Benefits*	Require more reconciling items to be disclosed in paragraph 152(c) of the draft Standard	Provides further disaggregation of amounts disclosed	A8.1–A8.9
	Add paragraph 147(b) of IAS 19	Provides information about short-term cash flows, liquidity and solvency	A8.10–A8.14
IAS 27 *Separate Financial Statements*	Replace paragraphs 177–180 of the draft Standard with a reference to the applicable proposed disclosure requirements in IFRS 12	Consistent with the IASB's tentative decision to update the language	A9.6–A9.13

Questions for the IASB

Questions for the IASB
1. Does the IASB have any comments on the analysis in this paper?
2. Does the IASB agree with the staff recommendations in paragraph 21?

Appendix A—Analysis of feedback on the proposed disclosure requirements

IFRS 2 *Share-based Payment*

Table A1.1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
33	1	The proposed disclosure requirement is based on paragraph 26.20 of the *IFRS for SMEs* Accounting Standard. One comment received. See paragraphs A1.1–A1.6.

Paragraph 33 of the draft Standard

Development of the proposed disclosure requirement

A1.1. Paragraph 33 of the draft Standard proposes disclosure of how an eligible subsidiary measures the liability arising from cash-settled share-based payment transactions.

Summary of feedback

A1.2. One respondent noted the disclosure is not required by IFRS 2. The respondent suggested retaining the disclosure but identifying it as an exception to the IASB's agreed approach and as an 'additional disclosure requirements in the *IFRS for SMEs* Accounting Standard' (see paragraph BC52 of the Basis for Conclusions on the Exposure Draft).

Staff analysis

A1.3. As noted in Table A1.1, the proposed disclosure requirement in paragraph 33 of the draft Standard was based on the *IFRS for SMEs* Accounting Standard because there is no recognition and measurement difference between IFRS 2 and the *IFRS for SMEs* Accounting Standard. Therefore, the staff disagrees that the disclosure is an exception to the IASB's agreed approach.

A1.4. IFRS 2 does not include a specific requirement for an entity to disclose information about how it measured the liability in cash-settled share-based payment transactions.

However, entities applying IFRS Accounting Standards often disclose this information:

(a) as part of the disclosure of material accounting policies required by IAS 1 *Presentation of Financial Statements*;

(b) as part of the disclosure of major sources of estimation uncertainty required by IAS 1; or

(c) to meet the disclosure objectives of IFRS 2.

A1.5. The liability in a cash-settled share-based payment transaction is measured at fair value. The fair value of the liability can be subject to a high degree of measurement uncertainty as it is based on expectations about the underlying equity instruments. Therefore, the staff thinks information about how this liability is measured would benefit users of eligible subsidiaries' financial statements and thinks that paragraph 33 of the draft Standard should be retained.

Staff recommendation

A1.6. The staff recommends the IASB take no action in response to the matter raised by the respondent.

Other comment—suggested additional disclosure

Summary of feedback

A1.7. One respondent questioned the omission of the disclosure in the example in paragraph 52 of IFRS 2.

A1.8. Paragraph 52 of IFRS 2 requires an entity to disclose additional information necessary to satisfy the disclosure objectives of the Standard if the information required by IFRS 2 does not satisfy those objectives. The paragraph includes an example of additional information that would be considered necessary to satisfy the disclosure objectives of IFRS 2. The example is the disclosure of the amount an entity expects to transfer to the tax authority to settle an employee's tax obligation associated with a share-based payment.

A1.9. The respondent believed adding the disclosure in the example in paragraph 52 of IFRS 2 to the new Standard would be consistent with the principles that users of eligible subsidiaries' financial statements are particularly interested in short-term cash flows (see paragraph 8 of this paper).

Staff analysis

A1.10. The IASB tentatively decided at its April 2023 meeting not to include disclosure objectives included in IFRS Accounting Standards in the draft Standard. , the requirement in paragraph 52 of IFRS 2 to disclose additional information is not included in the draft Standard. Similarly, the disclosure in the example in paragraph 52 of IFRS 2 is not included in the draft Standard as it is an example of how an entity would satisfy the disclosure objectives of IFRS 2.

A1.11. The disclosure in the example in paragraph 52 of IFRS 2 relates to an amendment made to IFRS 2 in 2016.[7] At the time of developing the proposed disclosure requirements in the draft Standard, the *IFRS for SMEs* Accounting Standard did not include the disclosure.

A1.12. Adding the disclosure in the example in paragraph 52 of IFRS 2 to the new Standard would result in eligible subsidiaries being required to disclose information that an entity applying IFRS 2 would only provide if it determines the information necessary to meet the disclosure objectives of IFRS 2. Therefore, the disclosure would be additional compared to the disclosure requirements in IFRS 2.

A1.13. The staff also notes that paragraph 31 of IAS 1 remains applicable to eligible subsidiaries applying the new Standard. Paragraph 31 of IAS 1 is highlighted in paragraph 16 of the draft Standard and requires an eligible subsidiary to consider whether to make additional disclosures when compliance with the specific requirements in the draft Standard is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, an

[7] *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2), June 2016

eligible subsidiary would make the disclosure in the example in paragraph 52 if it determines that it is necessary to provide relevant information to users.

A1.14. The staff disagrees with adding the disclosure in the example in paragraph 52 of IFRS 2 to the new Standard. The disclosure was not proposed in the draft Standard as it is an example of how an entity would satisfy a disclosure objective, not a disclosure requirement. Adding the disclosure would elevate the status of the disclosure from an example to a requirement and would be inconsistent with the IASB's tentative decision not to include disclosure objectives in the new Standard.

Staff recommendation

A1.15. The staff recommends the IASB does not add the disclosure in the example in paragraph 52 of IFRS 2 to the new Standard.

Other comments—further reduction of the disclosure requirements (information available in the group's consolidated financial statements)

Table A1.2—disclosures suggested for deletion

Paragraph of draft Standard	Group	Disclosure	Respondents' comments
31(b)	1	The number and weighted average exercise prices of share options, including: (i) a reconciliation of the options outstanding at the beginning and end of the period; and (ii) options exercisable at the end of the period.	The proposed disclosure requirement is based on paragraph 26.18(b) of the *IFRS for SMEs* Accounting Standard and paragraph 45(b) of IFRS 2. Three respondents suggested deleting the proposed disclosure requirement.
32	1	For equity-settled share-based payment transactions, information about how the fair value of goods or services received or the fair value of the equity instruments granted was measured. If a valuation method was used, the valuation method and the reason for choosing it.	The proposed disclosure requirement is based on paragraph 26.19 of the *IFRS for SMEs* Accounting Standard and paragraphs 46 and 47(a)(i) of IFRS 2. Four respondents suggested deleting the proposed disclosure requirement.

Paragraph of draft Standard	Group	Disclosure	Respondents' comments
33	1	For cash-settled share-based payment transactions, information about how the liability was measured.	The proposed disclosure requirement is based on paragraph 26.20 of the *IFRS for SMEs* Accounting Standard. Four respondents suggested deleting the proposed disclosure requirement.
34	1	Explanation of modifications made to share-based payment arrangements.	The proposed disclosure requirement is based on paragraph 26.21 of the *IFRS for SMEs* Accounting Standard and paragraph 47(c)(i) of IFRS 2. Four respondents suggested deleting the proposed disclosure requirement.
35	1	The total expense recognised in profit or loss for the period and the total carrying amount at the end of the period for liabilities arising from share-based payment transactions	The proposed disclosure requirement is based on paragraph 26.23 of the *IFRS for SMEs* Accounting Standard and paragraph 51 of IFRS 2. Two respondents suggested deleting the proposed disclosure requirement.

Summary of feedback

A1.16. In addition to the comments discussed above, some respondents recommended further reducing the proposed disclosure requirements based on the requirements in IFRS 2. These respondents suggested deleting the disclosure requirements in Table A1.2 of this paper because the information could be obtained from the group's consolidated financial statements.

A1.17. Two of the respondents based in the United Kingdom suggested disclosure exemptions similar to those in the United Kingdom's Financial Reporting Council's FRS 101 *Reduced Disclosure Framework* (FRS 101). FRS 101 includes exemptions from the disclosure requirements in IFRS 2 for qualifying subsidiaries if the share-based payment arrangement involves equity instruments of another group entity, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Staff analysis

A1.18. As noted in Table A1.2, the proposed disclosure requirements for IFRS 2 in the draft Standard were based on the *IFRS for SMEs* Accounting Standard because there is no recognition and measurement difference. Therefore, deleting the proposed disclosure requirements for IFRS 2 would be an exception to the IASB's agreed approach.

A1.19. For an eligible subsidiary, share-based payment transactions are likely to be based on the equity instruments of a publicly accountable entity within the same group, and not the subsidiary itself. Information about these transactions will be included in the group entity's individual financial statements if the group entity has an obligation to settle the transactions.

A1.20. In developing the proposed disclosure requirements in the draft Standard, the IASB intended that an eligible subsidiary's financial statements should provide information about that subsidiary's financial position and performance (whether separate or consolidated) regardless of whether the information would be reported (or not) in its parent's consolidated financial statements (see paragraph BC22 of the Basis for Conclusions on the Exposure Draft). The staff consider that deleting the proposed disclosure requirements for IFRS 2 because information about the share-based payment transaction is reported in the group's consolidated financial statements would be inconsistent with this rationale and does not justify deleting the disclosure requirements.

A1.21. It is common practice for subsidiaries to not have an obligation to settle share-based payment transactions based on the equity instruments of a publicly accountable entity within the same group. Instead, these transactions are settled by the group entity on behalf of the subsidiary who grants right to its equity instruments directly to the counterparty. In accordance with IFRS 2, the transaction would be classified as equity-settled in the subsidiary's individual financial statements: the goods or services received are recognised as an expense and the equity element is recognised as a contribution from the group entity based on the requirements in IFRS 2.

A1.22. Alternatively, the subsidiary may have an obligation to settle the share-based payment transactions by granting rights to the equity instruments of the group entity to the counterparty. The transaction would be classified as cash-settled in the subsidiary's individual financial statements: the goods or services received would be recognised as an expense and the future transfer of the equity instruments of the group entity to the counterparty recognised as a liability based on the requirements in IFRS 2.

A1.23. The proposed disclosure requirements for IFRS 2 provide:

(a) information on components that are used to estimate the fair value of share options (see paragraph 31(b) of the draft Standard). The estimate of the fair value of a share option is inherently uncertain.

(b) information about the measurement of share-based payment transactions, which can be subject to high degree of measurement uncertainty (see paragraphs 32–34 of the draft Standard).

(c) disaggregated information about the cost and carrying amounts of liabilities arising from share-based payment transactions (see paragraph 35 of the draft Standard).

A1.24. The staff thinks that the information described in paragraph A1.23:

(a) will be useful to users of eligible subsidiaries' financial statements (see paragraph 8); and

(b) is relevant to the amounts recognised by eligible subsidiaries to account for those group share-based payment transactions described in paragraphs A1.21–A1.22.

A1.25. Consequently, the staff disagrees with the respondents that suggested deleting paragraphs 31(b)–35 of the draft Standard.

Staff recommendation

A1.26. The staff recommends the IASB retain paragraphs 31(b)–35 of the draft Standard.

IFRS 3 *Business Combinations*

Suggested additional disclosures

Table A2—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' comments
B64(d)	Primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.	Three respondents suggested adding this disclosure requirement. The respondents are of the view that this disclosure requirement: (a) provides useful information for users of eligible subsidiaries' financial statements; and (b) would not be costly to prepare. See paragraphs A2.1–A2.5.
B64(j)(i–ii)	Information required by paragraph 86 of IAS 37, if a contingent liability is not recognised because its fair value cannot be measured reliably, and the reasons why the liability cannot be measured reliably.	Three respondents suggested adding this disclosure requirement. The respondents are of the view that this disclosure requirement provides the users with useful information to assess the potential liabilities (ie the contingencies). See paragraphs A2.6–A2.12.
B64(j)(first sentence) and B67(c)	Information required by paragraphs 84 and 85 of IAS 37 when a contingent liability is recognised.	Two respondents suggested adding the disclosure requirement when a contingent liability is recognised for the same reasons. See paragraphs A2.6–A2.12.
B64(p)	For a business combination achieved in stages, disclosure of the fair value of the acquirer's previously held equity interest in the acquiree and the amount of gain or loss recognised in the statement of comprehensive income.	Six respondents suggested adding this disclosure requirement. The respondents: (a) are of the view that this disclosure requirement provides useful information for users of eligible subsidiaries' financial statements. (b) noted that *IFRS for SMEs* Accounting Standard does not include any guidance for business combinations achieved in stages. See paragraphs A2.13–A2.17.

Disclosure paragraph	Disclosure	Respondents' comments
B67(a)	Information about the status of items that have been measured only provisionally.	Five respondents suggested adding this disclosure requirement. The respondents are of the view that if a business combination is not finalised at the end of the reporting period, information on the amounts recognised that have been determined provisionally, particularly information on measurement uncertainty, is useful to users. See paragraphs A2.18–A2.21.

Paragraph B64(d) of IFRS 3

Staff analysis

A2.1. Paragraph B64(d) of IFRS 3 was not proposed in the draft Standard because it was assessed that it did not relate to a recognition or measurement difference, and the *IFRS for SMEs* Accounting Standard does not require this disclosure requirement.

A2.2. The staff note that should the IASB require the disclosure requirement in paragraph B64(d) of IFRS 3 it would be an exception to its approach for developing disclosure requirements.

A2.3. Having assessed the feedback against the factors set out in Table 2 of paragraph 12 to this paper, the staff thinks that the feedback did not provide:

(a) further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper); or

(b) sufficient evidence for why adding such a disclosure requirement would provide useful information to users of eligible subsidiaries' financial statements.

A2.4. The staff, therefore, do not consider there is any reason for the IASB to deviate from its approach or make an exception to it by adding paragraph B64(d) of IFRS 3 to the new Standard.[8]

Staff recommendation

A2.5. The staff recommends the IASB not add paragraph B64(d) of IFRS 3 to the new Standard.

Paragraph B64(j)(i–ii) of IFRS 3, including B64(j) and B67(c) of IFRS 3

Staff analysis

A2.6. Paragraph B64(j)(i) of IFRS 3 was not proposed in the draft Standard because it was assessed that it did not relate to a recognition or measurement difference, and although the *IFRS for SMEs* Accounting Standard has a similar requirement it is include in the subsequent accounting requirements, rather than identified as a disclosure requirement.

A2.7. Nevertheless, in developing the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (SMEs Exposure Draft), the IASB proposes to relocate the disclosure requirement for contingent liabilities assumed whose fair value cannot be measured reliably (equivalent to paragraph B64(j)(i) of IFRS 3) from the subsequent accounting requirements to be part of the disclosure requirements.

A2.8. Also, having assessed the feedback against the principles set out in paragraph 8 of this paper and the factors set out in Table 2 of paragraph 12 of this paper, the staff agrees with the respondents and think that adding paragraph B64(j)(i) of IFRS 3 to the draft Standard will provide useful information to users of eligible subsidiaries' financial statements as it provides information on contingencies including measurement

[8] As part of the *Business Combinations—Disclosures, Goodwill and Impairment* project, the staff note that the IASB tentatively decided to propose replacing the requirement in IFRS 3 for an entity to disclose the 'primary reasons for the business combination' in paragraph B64(d) of IFRS 3 with a requirement to disclose the 'strategic rationale for undertaking the business combination' (see *IASB Update* of the September 2022 IASB meeting). The possible implications, to the new Standard will be considered as part of the consultation document of the *Business Combinations—Disclosures, Goodwill and Impairment* project.

uncertainties. This is because it would effectively refer to paragraph 86 of IAS 37 (equivalent to paragraphs 197–198 of the draft Standard), where it requires disclosing:

(a) an estimate of the contingent liability's financial effect;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

A2.9. Nevertheless, the staff disagrees with adding paragraph B64(j)(ii) of IFRS 3. In the staff's view, disclosing the reasons why the liability cannot be measured reliably:

(a) does not meet any of the principles for reducing disclosure requirements; and

(b) is not required under the *IFRS for SMEs* Accounting Standard.

A2.10. The staff also disagrees with adding the first sentence of paragraph B64(j) and paragraph B67(c) of IFRS 3. In the staff's view, disclosing information when a contingent liability is recognised:

(a) is not required under the *IFRS for SMEs* Accounting Standard;

(b) is not an improved disclosure requirement (see paragraph 9 of this paper) and thus not warrant an exception to the IASB's agreed approach; and

(c) to some extent, would be part of the disclosure in paragraph B64(i) of IFRS 3 (equivalent to paragraph 36(g) of the draft Standard), where an acquirer shall disclose the amounts recognised as of the acquisition date for each class of assets acquired and liabilities assumed.

A2.11. Having assessed the feedback, on adding the first sentence of paragraph B64(j) and paragraph B67(c) of IFRS 3, against the factors set out in Table 2 of paragraph 12 of this paper, the staff thinks that the feedback does not provide further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper).

Staff recommendation

A2.12. The staff recommends the IASB:

(a) add paragraph B64(j)(i) of IFRS 3 to the new Standard; and

(b) not add paragraph B64(j)(ii), the first sentence of paragraph B64(j) or paragraph B67(c) of IFRS 3 to the new Standard.

Paragraph B64(p) of IFRS 3

Staff analysis

A2.13. The staff acknowledge that the *IFRS for SMEs* Accounting Standard does not provide guidance on the accounting for business combinations achieved in stages. However, paragraph 14.8(i)(i) of the *IFRS for SMEs* Accounting Standard states that if an associate becomes a subsidiary, the investor shall remeasure its previously held equity interest to fair value and recognise the resulting gain or loss, if any, in profit or loss. The staff, therefore, disagrees with the respondent's feedback that argued that the *IFRS for SMEs* Accounting Standard does not include *any* guidance for business combinations achieved in stages.

A2.14. The staff also note that in developing the SMEs Exposure Draft, guidance for business combinations achieved in stages is being proposed without adding equivalent disclosure requirements as paragraph B64(p) of IFRS 3.

A2.15. Having assessed the feedback against the principles set out in paragraph 8 of this paper and the factors set out in Table 2 of paragraph 12 of this paper, the staff thinks that the feedback does not provide sufficient evidence for why adding such requirements would provide useful information to users of eligible subsidiaries' financial statements. In the staff's view, this information provides valuation information about an existing interest (that is retained) but does not provide information about short-term cash flows, obligations, commitments, liquidity or solvency (see paragraph 8 of this paper).

A2.16. In addition, the staff note if, before obtaining control, the acquirer's previously held equity interest was a financial asset measured in accordance with IFRS 9, the acquirer immediately before the acquisition date would measure the investment at fair value at each reporting dates. In other words, obtaining control would not change the measurement requirements for previously held interests. The staff, therefore, do not think that adding the requirements in paragraph B64(p) of IFRS 3 would provide users of eligible subsidiaries' financial statements additional information than already provided in applying IFRS 9.

Staff recommendation

A2.17. The staff recommends the IASB not add paragraph B64(p) of IFRS 3 to the new Standard.

Paragraph B67(a) of IFRS 3

Staff analysis

A2.18. Paragraph B67(a) of IFRS 3 was not proposed in the draft Standard because it does not relate to a recognition or measurement difference, and the *IFRS for SMEs* Accounting Standard does not require the disclosure requirements. Adding the disclosure requirements in paragraph B67(a) of IFRS 3 in the new Standard would be an exception to the IASB's agreed approach.

A2.19. In developing paragraph B67(a) of IFRS 3, paragraphs BC393 and BC422(m) of the Basis for Conclusions on IFRS 3 explained that the IASB:

(a) concluded that acquirers should provide users of their financial statements with relevant information about the status of items that have been measured only provisionally; and

(b) revised the disclosures in paragraph B67(a) of IFRS 3 about aspects of the purchase price allocation not yet completed to make them consistent with the requirements about the measurement period.

A2.20. Having assessed the feedback against the principles set out in paragraph 8 of this paper, the factors set out in Table 2 of paragraph 12 of this paper and the rationale behind paragraph B67(a) of IFRS 3, the staff agrees with the respondents and think that, particularly, adding paragraph B67(a)(iii) of IFRS 3 to the new Standard (so that, disclosing the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49 of IFRS 3) will provide useful information for users of eligible subsidiaries' financial statements; it provides information on measurement uncertainties (see paragraph 8 of this paper). In the staff's view, disclosing the nature and amount of any measurement period adjustments would effectively provide relevant information about the status of items that have been measured provisionally and, therefore, be sufficient to address the users' information needs. Furthermore, the costs of providing those disclosures are not excessive.

Staff recommendation

A2.21. The staff recommends the IASB add paragraph B67(a)(iii) of IFRS 3 to the new Standard.

Other comments

Summary of feedback

A2.22. In addition to the comments on specific paragraphs of the draft Standard discussed in paragraphs A2.1–A2.21, the IASB received the following general comments on the proposed disclosure requirements relating to IFRS 3:

(a) two respondents suggested further reducing the proposed disclosure requirements by deleting from the draft Standard paragraphs 36(f), 36(i), and 38(a–b) (equivalent to paragraphs B64(g), B64(o), B67(b)(i) and B67(b)(iii), respectively, of IFRS 3), which require disclosure of information about contingent consideration arrangements and non-controlling interest. The respondents suggested to reduce those disclosure requirements in order to reflect the needs of users of eligible subsidiaries' financial statements.

(b) one respondent suggested adding a disclosure requirement based on paragraph B64(q) of IFRS 3, which requires disclosures about post-combination performance of the acquiree. The respondent suggested to add this disclosure requirement in order to reflect the needs of users of eligible subsidiaries' financial statements.

(c) one respondent suggested adding a disclosure requirement based on paragraph B65 of IFRS 3, which requires disclosure, for individually immaterial business combinations occurring during the reporting period that are material collectively, in aggregate the information required by paragraph B64(e)–(q) of IFRS 3.

Staff analysis

A2.23. In developing the proposed disclosure requirements in the draft Standard, the IASB followed its approach and made exceptions for improvements to disclosure requirements in IFRS Accounting Standards (see paragraph 9 of the paper). Respondents suggesting further deletions or additions to proposed disclosure requirements have not provided:

(a) further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper); or

(b) sufficient evidence for why such requirements would (would not) provide useful information to users of eligible subsidiaries' financial statements.

A2.24. The staff also note that:

(a) in developing the SMEs Exposure Draft, some of these disclosure requirements (that respondents suggesting further reduction) are proposed in Section 19, for example the disclosure requirements in paragraphs 36(f) and 38(a–b) of the draft Standard, as a consequence of the proposal to align Section 19 with the requirements for contingent consideration in IFRS 3. The staff will bring a paper to the IASB on any feedback related to these proposed disclosure requirements at a future meeting.

(b) paragraph BC422(c) of the Basis for Conclusions on IFRS 3 explains that the disclosure requirement in paragraph B64(q) of IFRS 3 is primarily intended for public business entities.

Staff recommendation

A2.25. The staff recommends the IASB take no action regarding other comments received on IFRS 3.

IFRS 7 *Financial Instruments: Disclosures*

A3.1. At the April 2023 IASB meeting, the staff recommended deleting paragraphs 62, 66 and 67 of the draft Standard as it would lead to a better balance between the costs and benefits of the required disclosures. Some IASB members suggested to retain these disclosure requirements because the disclosed information would be useful to users of eligible subsidiaries financial statements when subsidiaries provide financing to customers as a main business activity. Paragraphs 62, 66 and 67 of the draft Standard relate to credit risk management practices, changes in the loss allowance and credit risk exposure.

A3.2. Some IASB members noted that non-bank lenders could be in the scope of the new Standard. The staff is aware that in some emerging economies, non-bank lenders such as non-deposit-taking microfinance institutions could be eligible to apply the new Standard.

A3.3. The staff agrees that for eligible subsidiaries that provide financing to customers as a main business activity, the proposed disclosure requirements in paragraphs 62, 66 and 67 of the draft Standard will provide useful information to users of that subsidiaries' financial statements. The new IFRS Accounting Standard that will replace IAS 1 proposes requirements for an entity to assess whether it provides financing to customers as a main business activity.[9] The staff agrees with the IASB members that, in considering costs and benefits, paragraphs 62, 66 and 67 of the draft Standard

[9] See IASB *Update* of the March 2022 IASB meeting.

should only apply to eligible subsidiaries that provide financing to customers as a main business activity.

Staff recommendation

A3.4. The staff recommends the IASB revises its proposal in the draft Standard and restricts the application of paragraphs 62, 66 and 67 of the draft Standard to eligible subsidiaries that provide financing to customers as a main business activity.

IFRS 12 *Disclosure of Interest in Other Entities*

A4.1. The analysis of feedback on disclosures for IFRS 12 is presented by topics as follows:

(a) Scope (see paragraphs A4.2–A4.5);

(b) Interests in subsidiaries (see paragraphs A4.6–A4.10);

(c) Consequences of losing control of a subsidiary during the reporting period (see paragraphs A4.11–A4.14);

(d) Investment entity status and interest in unconsolidated subsidiaries (investment entities) (see paragraphs A4.15–A4.18); and

(e) Suggested additional disclosures (see paragraphs A4.19–A4.24).

Scope

Table A4.1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
68(a)–(c)	2	The proposed disclosure requirement is based on paragraph B4(a)–(b) and (d) of IFRS 12. One comment received. See paragraphs A4.2–A4.5.

Development of the proposed disclosure requirements

A4.2. Paragraph 68 of the draft Standard states that an eligible subsidiary shall disclose information separately for interests in subsidiaries, joint ventures and associates.

Paragraph 68 of the draft Standard was proposed to specify how disclosures should be disaggregated.

Summary of feedback

A4.3. One respondent sought clarity on paragraph 68 of the draft Standard as it does not require an eligible subsidiary to disclose information separately for joint operations.

Staff analysis

A4.4. Paragraph 68 of the draft Standard includes only one type of joint arrangement. On the contrary, IFRS 12 applies to joint arrangements—joint operations or joint ventures. The staff acknowledge that eligible subsidiaries applying the new Standard will apply IFRS 11, when it is a party to a joint arrangement. Therefore, depending on the rights and obligations of the eligible subsidiary relating to the joint arrangement, the eligible subsidiary could classify the joint arrangement as either a joint operation or a joint venture.

Staff recommendation

A4.5. The staff recommends the IASB align paragraph 68 of the draft Standard with paragraph B4 of IFRS 12.

Interests in subsidiaries

Table A4.2—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
69(a)	1	The proposed disclosure requirement is based on paragraph 9.23(a) of the *IFRS for SMEs* Accounting Standard and paragraph 51(b) of IAS 1.
69(b)		The proposed disclosure requirement is based on paragraph 9.23(b) of the *IFRS for SMEs* Accounting Standard and paragraph 9(b) of IFRS 12.
69(c)		The proposed disclosure requirement is based on paragraph 9.23(c) of the *IFRS for SMEs* Accounting Standard and paragraph 11(a) of IFRS 12.
69(d)		The proposed disclosure requirement is based on paragraph 9.23(d) of the *IFRS for SMEs* Accounting Standard and paragraph 13(a) of IFRS 12. One comment received. See paragraphs A4.6–A4.10.

Development of the proposed disclosure requirements

A4.6. Paragraph 69 proposes disclosure requirements when an eligible subsidiary has interests in subsidiaries which include disclosure of the fact that the statements are consolidated financial statements, basis of concluding that control exists and the nature and extent of any significant restrictions on the ability of subsidiaries to transfer funds to the parent.

Summary of feedback

A4.7. One respondent suggested that paragraph 69(b) of the draft Standard be replaced by paragraph 7 of IFRS 12. This is because the areas of significant judgements and assumptions in respect of interests in other entities are not limited to what is described in paragraph 69(b) of the draft Standard.

Staff analysis

A4.8. The staff agrees that there are more areas of significant judgement in paragraph 7 of IFRS 12 than the proposed disclosure requirements in paragraph 69(b). Paragraph 124 of the draft Standard requires disclosure of information about judgements and is partly based on paragraph 7 of IFRS 12.

A4.9. Paragraph 124 of the draft Standard includes a list of examples of judgements that an eligible subsidiary may be required to disclose. This is because IAS 1 has a general requirement to disclose judgements that management has made in the process of applying the entity's accounting policies. The staff noted that other IFRS Accounting Standards sometimes include a specific requirement to disclose judgements made, for example paragraph 123 of IFRS 15 *Revenue from contracts with Customers* requires an entity to explain the judgements in determining the timing of the satisfaction of performance obligations, transaction price and the amounts allocated to performance obligations. To facilitate the application of the requirements, those specific disclosure requirements were brought in a single location in the draft Standard under the subheading IAS 1.

Staff recommendation

A4.10. The staff recommends the IASB retain paragraph 69(b) of the draft Standard without updating for paragraph 7 of IFRS 12.

Consequences of losing control of a subsidiary during the reporting period

Table A4.3—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
70(a)–(b)	2	The proposed disclosure requirement is based on paragraph 19 of IFRS 12. Four comments received. See paragraphs A4.11–A4.14.

Development of the proposed disclosure requirements

A4.11. Paragraph 70 of the draft Standard proposes disclosure of the gain or loss for interests in subsidiaries. Paragraph 70 was added because there is a recognition and measurement difference between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards. IFRS Accounting Standards require remeasurement of retained interest at fair value whereas the *IFRS for SMEs* Accounting Standard does not require remeasurement.

Summary of feedback

A4.12. Three respondents suggested deleting paragraph 70 of the draft Standard and one respondent sought clarity. This is because the proposed disclosure requirement is not in the *IFRS for SMEs* Accounting Standard, furthermore it is not related to a recognition and measurement difference with IFRS Accounting Standards.

Staff analysis

A4.13. The staff disagrees that there is no recognition and measurement difference between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards. Therefore, staff disagrees with deleting paragraph 70 of the draft Standard as it provides information about measurement uncertainty and supports the disaggregation principle (see paragraph 8).

Staff recommendation

A4.14. The staff recommends the IASB retain paragraph 70 of the draft Standard.

Investment entity status and interests in unconsolidated subsidiaries (investment entities)

Table A4.4—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
71	2	The proposed disclosure requirement is based on paragraph 9A of IFRS 12. Two comments received. See paragraphs A4.15–A4.18.
72(a)–(c)	2	The proposed disclosure requirement is based on paragraph 9B of IFRS 12. Two comments received. See paragraphs A4.15–A4.18.
73	2	The proposed disclosure requirement is based on paragraph 19A of IFRS 12. Two comments received. See paragraphs A4.15–A4.18.
74	2	The proposed disclosure requirement is based on paragraph 19D(a) of IFRS 12. Two comments received. See paragraphs A4.15–A4.18.

Development of the proposed disclosure requirements

A4.15. Paragraphs 71–74 of the draft Standard propose disclosure requirements for investment entities and their interests in unconsolidated subsidiaries. The *IFRS for SMEs* Accounting Standard does not include requirements for investment entities and unconsolidated subsidiaries.

Summary of feedback

A4.16. The respondents suggested deleting paragraphs 71–74 of the draft Standard to further reduce the disclosure requirements in the draft Standard as they expect that only a few eligible subsidiaries are likely to be investment entities.

Staff analysis

A4.17. The staff thinks when specific circumstances are present, that is when the eligible subsidiary is an investment entity and/or has interests in unconsolidated subsidiaries, the information required by paragraphs 71–74 of the draft Standard will be useful to the users of its financial statements. The proposed disclosure requirements provide information on measurement uncertainties, accounting policy choices, and support the disaggregation principle (see paragraph 8).

Staff recommendation

A4.18. The staff recommends the IASB retain paragraphs 71–74 of the draft Standard.

Suggested additional disclosures

Summary of feedback

A4.19. A number of respondents suggested the IASB add paragraphs 14–17, 30, 31, 19D(b) and 19E–19G of IFRS 12 to the new Standard which are about an entity's interests in consolidated structured entities, interests in unconsolidated subsidiaries (investment entities) and unconsolidated structured entities. The respondents believe that the information provided by these disclosure requirements meet some of the principles of reducing disclosure, provides information on obligations and commitments and cash flows, and will assist users to assess the liquidity and solvency of eligible subsidiaries.

Development of the proposed disclosure requirements

A4.20. Paragraphs 14–17, 30, 31, 19D(b) and 19E–19G of IFRS 12 require disclosure of:

(a) contractual arrangements that could require support to a consolidated structured entity or an unconsolidated, controlled, structured entity (paragraphs 14 and 19F of IFRS 12);

(b) support provided to a consolidated structured entity, an unconsolidated subsidiary or an unconsolidated structured entity when there was no contractual obligation to do so (paragraphs 15(a), 19E(a) and 30(a) of IFRS 12);

(c) explanation of why support was provided to a consolidated structured entity, an unconsolidated subsidiary or an unconsolidated structured entity without a contractual obligation to do so if that support resulted in the investment entity controlling the structured entity (paragraphs 15(b), 19E(b) and 30(b) of IFRS 12);

(d) support provided to an unconsolidated structured entity or an unconsolidated structured entity without the contractual obligation to do so, resulting in control (paragraphs 16 and 19G of IFRS 12); and

(e) commitments or intentions to provide support to a consolidated structured entity, an unconsolidated subsidiary or an unconsolidated structured entity (paragraphs 17, 19D(b) and 31 of IFRS 12).

A4.21. Paragraphs 14–17 of IFRS 12 requires similar disclosure as paragraphs 19D(b) and 19E-19G of IFRS 12 about an entity's consolidated structured entities. In developing the draft Standard, paragraphs 14–17, 30 and 31 of IFRS 12 were not proposed because they did not stem from a recognition or measurement difference. For consistency, paragraphs 19D(b) and 19E–19G of IFRS 12 were not proposed so investment entities are not required to make disclosures that other entities are not required to make.

A4.22. Paragraphs 14–17, 30, 31, 19D(b) and 19E–19G of IFRS 12 are disclosure improvements in full IFRS Accounting Standards for which the *IFRS for SMEs* Accounting Standard has not been updated for. Although the IASB made exceptions to its agreed approach and added some of the improved disclosure requirements in IFRS Accounting Standards (see paragraph BC51 of Basis of Conclusions on the Exposure Draft) paragraphs 14–17, 30, 31, 19D(b) and 19E–19G of IFRS 12 were not included as exceptions.

Staff analysis

A4.23. Adding the disclosure requirements in paragraphs 14–15, 17, 19D(b), 19E, 19F, 30 and 31 of IFRS 12 to the new Standard would be an exception to the IASB's agreed approach. However, the staff thinks that users of eligible subsidiaries' financial statements should be able to access this information. The staff agrees that those disclosure requirements in IFRS 12 provide information on obligations and commitments and cash flows and will assist users to assess the liquidity and solvency of eligible subsidiaries. The staff thinks the additional costs of providing the information required by paragraphs 14–15, 17, 19D(b), 19E, 19F, 30 and 31 of IFRS 12 would not be significant and will be outweighed by the expected benefits of this information. The information required to be disclosed should be readily available to eligible subsidiaries.

Staff recommendation

A4.24. The staff recommends the IASB add paragraphs 14–15, 17, 19D(b), 19E, 19F, 30 and 31 to the new Standard) which will be an exception to the IASB's approach.

Table A4.5—suggested additional disclosures (comments and analysis)

Disclosure paragraph	Disclosure	Respondents' comments	Staff analysis and recommendation
Interest in subsidiaries			
10(a)(i)	Disclosure objective—composition of the group.	The information disclosed provides useful information about the composition of the group.	As discussed in paragraphs 15–19 of this paper, disclosure objectives are not included in the new Standard. The staff recommends the IASB not add paragraph 10(i)(a) of IFRS 12 to the new Standard.
The interest that non-controlling interests have in the group's activities and cash flows			
12	Information for each of the entity's subsidiaries that have non-controlling interest that are material to the reporting entity.	The information disclosed provides useful information about the composition of the group.	The information provided by paragraph 12 of IFRS 12 does not meet the principles of reducing disclosure requirements. The staff recommends the IASB not add paragraph 12 of IFRS 12 to the new Standard.
Nature of the risks associated with an entity's interest in consolidated structured entities			
16	The explanation of the relevant factors in reaching the decision, if parent or any of its	The disclosure requirements in paragraph 16–17 of IFRS 12 provide	The staff thinks that the proposed disclosure requirements in paragraphs 14, 15 and 17 of IFRS 12 (which the staff is

	subsidiaries provided financial or other support to a previously unconsolidated structured entity (without having a contractual obligation to do so) and the provision of the support resulted in the entity controlling the structured entity.	information that meets the principles of reducing disclosure requirements (information about cash flows, obligations, commitments and liquidity and solvency).	recommending adding) will be sufficient to address the users' information needs. Additionally, the eligible subsidiary will be required to disclose information about judgements in determining that it has control of another entity (see paragraph 124(c) of the draft Standard) and the parent-subsidiary relationships in paragraph 165 of the draft Standard. The staff recommends the IASB not add paragraph 16 of IFRS 12 to the new Standard.
Interests in unconsolidated subsidiaries (investment entities)			
19B–19C	Information for each unconsolidated subsidiary.	The disclosure requirements in paragraph 19B–19G provides information that meets the principles of reducing disclosure (information about cash flows, obligations, commitments and liquidity and solvency).	The information provided by paragraph 19B of IFRS 12 does not meet the principles of reducing disclosure requirements. The staff recommends the IASB not add paragraph 19B-19C of IFRS 12 to the new Standard.
19G	The explanation of the relevant factors in reaching the decision, if an investment entity or any of its unconsolidated subsidiaries provided financial or other support to an unconsolidated structured entity (without having a contractual obligation to do so) and the provision of the support resulted in the investment entity controlling the structured entity.		The staff thinks that the information required to be disclosed in paragraph 19D(b), 19E and 19F of IFRS 12 (which the staff is recommending adding) will be sufficient to address the users' information needs. Additionally, the eligible subsidiary will be required to disclose information about judgements in determining that it has control of another entity (see paragraph 124(c) of the draft Standard) and the parent-subsidiary relationships (see paragraph 165 of the draft Standard). The staff recommends the IASB not add paragraph 19G of IFRS 12 to the new Standard.
Nature, extent and financial effect of an entity's interest in joint arrangements and associates			
21(a)	Information for each joint arrangement and associate that is	The information disclosed provides useful information	The information provided by paragraph 21(a) of IFRS 12 does not meet the principles of

	material to the reporting entity.	about the composition of the group.	reducing disclosure requirements. The staff recommends the IASB not add paragraph 21 of IFRS 12 to the new Standard.
22(a)	The nature and extent of any significant restrictions on the ability of the joint ventures or associates to transfer funds to the entity.	The information disclosed meets the principle of reducing disclosure requirements (information about cash flows and liquidity and solvency).	The staff thinks the related party information that will be disclosed in accordance with paragraph 169-170 of the draft Standard will provide sufficient information to address users' information needs. The staff recommends the IASB not add paragraph 22(a) of IFRS 12 to the new Standard.

IFRS 15 *Revenue from Contracts with Customers*

A5.1. In developing the proposed disclosure requirements for IFRS 15 in the draft Standard, the IASB followed the approach in paragraph 7 of this paper. In applying the approach, the IASB compared the recognition and measurement requirements in IFRS 15 and Section 23 *Revenue*. Section 23 of the *IFRS for SMEs* Accounting Standard is based on the predecessor IFRS Accounting Standards to IFRS 15[10]. Following its approach, the IASB used the disclosure requirements in IFRS 15 and applied the principles for reducing disclosure requirements where the recognition and measurement requirements were different. As an exception to its approach, the IASB used the disclosure requirements in IFRS 15 where the recognition and measurement requirements were the same, but the disclosure related to an improvement made to the disclosure requirements in IFRS Accounting Standards that provides useful information to users of eligible subsidiaries' financial statements (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft).

[10] IAS 11 *Construction Contracts* and IAS 18 *Revenue*.

A5.2. In analysing respondents' comments on the proposed disclosure requirements for IFRS 15, the staff also considered IASB's rationale in proposing new disclosure requirements in the revised Section 23 in the SMEs Exposure Draft.

A5.3. The analysis of feedback on disclosures for IFRS 15 is presented by topics as follows:

(a) disclosure objective (see paragraphs A5.4–A5.6);

(b) contracts with customers (see paragraphs A5.7–5.11);

(c) contract balances (see paragraphs A5.12–A5.27);

(d) performance obligations (see paragraphs A5.28–A5.42);

(e) transaction price allocated to the remaining performance obligations (see paragraphs A5.43–A5.47);

(f) determining the transaction price—variable consideration (see paragraphs A5.48–A5.53); and

(g) significant judgements in the application of IFRS 15 (see paragraphs A5.54–A5.56).

Disclosure objective—suggested additional disclosures

Summary of feedback

A5.4. Four respondents suggested adding paragraph 110(b) of IFRS 15 to the new Standard. Paragraph 110(b) of IFRS 15 requires disclosure of significant judgements and changes in the judgements made in applying IFRS 15. The respondents said the disclosure requirement provides information about significant judgements and estimates which provides users with useful information about measurement uncertainties.

Staff analysis

A5.5. Paragraph 110 of IFRS 15 is a disclosure objective and not a disclosure requirement. The IASB tentatively decided at its April 2023 meeting to retain its proposal not to include disclosure objectives in the new Standard (see paragraph 15 of this paper).

Furthermore, the draft Standard requires disclosure of information about judgements and sources of estimation uncertainty, see paragraphs 124–125 of the draft Standard.

Staff recommendation

A5.6. The staff recommends the IASB not add paragraph 110(b) of IFRS 15 to the new Standard.

Contracts with customers—suggested additional disclosures

Summary of feedback

A5.7. Three respondents suggested adding paragraph 113(a) of IFRS 15 to the new Standard. Paragraph 113(a) of IFRS 15 requires disclosure of revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue. Disclosure need not be provided if the amount is presented separately in the statement of comprehensive income in accordance with other IFRS Accounting Standards.

A5.8. The respondents said the disclosure requirement provides information about significant judgements and estimates, which provides users with useful information about measurement uncertainties, and further said this disclosure will provide useful information when analysing the financial statements.

Staff analysis

A5.9. Paragraph 89 of the draft Standard proposes disclosure of revenue recognised from contracts with customers to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

A5.10. The staff thinks that applying paragraph 89 of the draft Standard, the eligible subsidiary would disclose revenue recognised from *contracts with customers*. Therefore, the staff do not think it is necessary to add paragraph 113(a) of IFRS 15 to the new Standard that requires disclosure of revenue recognised from *contracts with customers* separately from its other sources of revenue.

Staff recommendation

A5.11. The staff recommends the IASB not add paragraph 113(a) of IFRS 15 to the new Standard.

Contracts balances

Table A5.1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
92(b)–(c)	2	The proposed disclosure requirement is based on paragraph 116(b)–(c) of IFRS 15. Three comments received. See paragraphs A5.12.–A5.18.
93	3	The proposed disclosure requirement is based on paragraph 118 of IFRS 15. Two comments received. See paragraphs A5.19–A5.27.

Paragraph 92(b)–(c) of the draft Standard

Development of the proposed disclosure requirements

A5.12. Paragraph 92(b)–(c) of the draft Standard proposes an eligible subsidiary discloses revenue recognised in the reporting period:

(a) that was included in the contract liability balance at the beginning of the period (subparagraph (b)); and

(b) from performance obligations satisfied or partially satisfied in previous periods (subparagraph (c)).

A5.13. The disclosure requirements were proposed in the draft Standard as it provide information on short-term cash flows, commitments and supports the disaggregation principle (see paragraph 8 of the paper).

Summary of feedback

A5.14. Three respondents suggested deleting paragraph 92(b)–(c) of the draft Standard for the following reasons:

(a) the proposed disclosure requirement in paragraph 89 of the draft Standard provides all the relevant information for users (paragraph 89 proposes the disclosure of revenue to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors);

(b) the proposed disclosure requirements are costly to prepare compared to disclosures required for entities reporting under the *IFRS for SMEs* Accounting Standard; and

(c) the proposed disclosure requirement in paragraph 92(b) of the draft Standard may be burdensome in cases where a significant portion of the revenue results from intercompany transactions and those amounts are eliminated at the consolidated or group level.

Staff analysis

A5.15. Paragraph 92(b)–(c) of the draft Standard satisfies the principles for reducing disclosure requirements (see paragraph 8 of this paper). Paragraph 92(b) provides users with information on short-term cash flows—it provides information on the relationship between cash received and satisfaction of performance obligations. It also provides information regarding commitments to provide goods or services if the contract liability balance has not been recognised as revenue in the current year. Whereas paragraph 92(c) provides users with information on disaggregation of revenue by providing amounts of revenue recognised that was not a result of performance in the current period which is useful in analysing current period operating results and on predicting future revenues (see paragraph BC347 of the Basis for Conclusions on IFRS 15).

A5.16. The staff disagrees with the respondents' view that paragraph 89 of the draft Standard is sufficient to not require paragraph 92(b)–(c) of the draft Standard. The proposed disclosure requirement in paragraph 89 (similar to paragraphs 114 and B87–B89 of IFRS 15) provides information on disaggregation of revenue consistent on how the entity evaluate its performance (see paragraph BC337 of the Basis for Conclusions of IFRS 15). This differs from what paragraph 92(b)–(c) of the draft Standard provides; although paragraph 92(b)–(c) provides some disaggregated information it provides further information about cash flows and commitments.

A5.17. Furthermore, the staff disagrees that the proposed disclosure requirements were costly to prepare. In developing those disclosure requirements in IFRS 15, the IASB decided that instead of requiring a reconciliation of the aggregate contract balances, it would require disclosure of qualitative and quantitative information about the entity's contract balances which balances the information needs of users of financial statements and preparer's concern on the costs of providing those disclosures. The IASB observed that those disclosure requirements would be more cost-effective than a reconciliation (see paragraph BC346 of the Basis for Conclusions on IFRS 15).

Staff recommendation

A5.18. The staff recommends the IASB retain paragraph 92(b)–(c) of the draft Standard.

Paragraph 93 of the draft Standard

Development of the proposed disclosure requirements

A5.19. Paragraph 93 of the draft Standard proposes an eligible subsidiary explains the significant changes in the contract asset and the contract liability balances during the reporting period.

A5.20. The IASB identified this proposed disclosure requirement as an exception to its agreed approach (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft) because it is an improved disclosure requirement that provides useful information to users of eligible subsidiaries' financial statements (information about short-term cash flows, commitments and obligations).

Summary of feedback

A5.21. Two respondents suggested deleting this paragraph (these same respondents suggested deleting paragraph 92(b)–(c) of the draft Standard) because:

(a) inclusion of paragraph 93 of the draft Standard is inconsistent with the other disclosure requirement in the draft Standard which generally do not require eligible subsidiaries to explain changes between current and prior period balances;

(b) paragraph 89 is sufficient to meet information needs of users of eligible subsidiaries' financial statements; and

(c) the information required by paragraph 93 is costly to prepare.

Staff analysis

A5.22. The draft Standard generally does not require entities to explain movements between current and prior period balances. Therefore, the staff agrees with the respondents' view in paragraph A5.21(a) of this paper, that paragraph 93 is an exception to the proposed disclosure requirements in the draft Standard. For this reason, the staff thinks the qualitative information required by the disclosure will be more costly for eligible subsidiaries to prepare compared to the other proposed disclosure requirements in the draft Standard.

A5.23. The staff disagrees with the respondent's view in paragraph A5.21(b) of this paper that paragraph 89 of the draft Standard is sufficient to not require paragraph 93 for similar reasons set out in paragraph A5.16 of this paper.

A5.24. Regarding the costs for preparers, the staff notes that movements between contract assets and contract liabilities will be specific to each entity. Therefore, an eligible subsidiary is unlikely to provide an explanation of these movements for the purpose of explaining the movements in the contract assets and contract liabilities in its parent's consolidated financial statements.

A5.25. Other projects on the IASB workplan provide information about paragraph 93 of the draft Standard:

(a) The IASB agreed not to propose the information required by paragraph 93 in the SMEs Exposure Draft for the reason described in paragraph A5.22 of this paper and because it was not considered necessary for SMEs to provide further information about contract balances given the disclosure requirements in paragraph 92 of the draft Standard.[11]

(b) Feedback was received during the first phase of the Post-implementation Review of IFRS 15 about disclosure requirements related to contract assets and contract liabilities.[12] Some preparers found it difficult to provide the disclosures in IFRS 15 related to these balances and to explain fluctuations in these balances that arise between contract milestones.

A5.26. Paragraphs A5.24–A5.25 of this paper describe cost-benefit considerations that the IASB did not consider when it developed the proposed disclosure requirements in the draft Standard. Based on these considerations, the staff thinks the additional costs of providing the information required by paragraph 93 of the draft Standard would not be outweighed by the expected benefits of this information.

Staff recommendation

A5.27. The staff recommends the IASB delete paragraph 93 of the draft Standard.

Performance obligations

Table A5.2—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
94(a)–(c)	3	The proposed disclosure requirement is based on paragraph 119(b), (d) and (e) of IFRS 15. Two comments received. See paragraphs A5.28–A5.34.

[11] See Appendix B to Agenda Paper 30B *Towards an exposure draft—Additional simplifications to IFRS 15* Revenue from Contracts with Customers of the June 2022 IASB meeting.

[12] See paragraphs 43 of Agenda Paper 6D *Analysis of outreach feedback—Other areas* of the March 2023 IASB meeting.

Paragraph 94 of the draft Standard

Development of the proposed disclosure requirements

A5.28. Paragraph 94 of the draft Standard states:

> An entity shall disclose information about its performance obligations in contracts with customers, including a description of:
>
> (a) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained applying paragraphs 56–58 of IFRS 15);
>
> (b) obligations for returns, refunds and other similar obligations; and
>
> (c) types of warranties and related obligations.

A5.29. The IASB identified this proposed disclosure requirement as an exception to its agreed approach (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft) because it is an improved disclosure requirement that provides useful information to users of eligible subsidiaries' financial statements (information about short-term cash flows, commitments and obligations).

Summary of feedback

A5.30. Two respondents suggested deleting this proposed disclosure requirement because paragraph 89 of the draft Standard is sufficient to meet information needs of users of eligible subsidiaries' financial statements and that it is costly to prepare.

Staff analysis

A5.31. The staff disagrees with the respondent's view that paragraph 89 of the draft Standard is sufficient to not require paragraph 94 and that the proposed disclosure requirements would be costly to prepare.

A5.32. The proposed disclosure requirement in paragraph 94(a) of the draft Standard provides information about short term cash inflows that an entity is due to receive based on the terms of contracts with customers and information on how entity has estimated variable consideration, which could be a source of measurement uncertainty. Paragraph 94(b) and (c) provide information about obligations due to returns, refunds and warranties which is consistent with the principles that users of eligible subsidiaries' financial statements are particularly interested in information about an entity's obligations (see paragraph 8 of this paper).

A5.33. The proposed disclosure requirements in paragraph 94(a)–(c) are different from paragraph 89, which as discussed in paragraph A5.16 of this paper, provides information on disaggregation of revenue consistent on how the entity evaluate its performance; paragraph 94 proposes an eligible subsidiary discloses information about its performance obligations in contracts with customers. In considering the cost of providing the proposed disclosure requirements in paragraph 93, the IASB only require three items out of the five items required by paragraph 119 of IFRS 15, which the proposed disclosure requirement is based upon.

Staff recommendation

A5.34. The staff recommends the IASB retain paragraph 94 of the draft Standard.

Performance obligations—suggested additional disclosures

Summary of feedback

A5.35. Five respondents suggested adding paragraph 119(a) and (c) of IFRS 15 to the new Standard. Paragraph 119(a) of IFRS 15 requires an entity to disclose information about when it typically satisfies its performance obligations. Paragraph 119(c) of IFRS 15 requires disclosure on information about the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services.

A5.36. The respondents suggest adding this paragraph because the disclosure requirement provides information:

(a) on significant judgements and estimates which provides users with information about measurement uncertainties; and

(b) regarding the performance of the entity.

Staff analysis

Paragraph 119(a) of IFRS 15

A5.37. Paragraph 119(a) of IFRS 15 was not proposed in the draft Standard applying the IASB's agreed approach—it was not related to a recognition and measurement differences and the *IFRS for SMEs* Accounting Standard did not have a similar disclosure requirement. Adding this disclosure requirement in the new Standard would be an exception to the IASB's agreed approach. Notwithstanding the agreed principles, the IASB subsequently decided at its June 2022 meeting to propose a disclosure requirement based on paragraph 119(a) of IFRS 15 in the SMEs Exposure Draft to act as a trigger for an SME to revisit its accounting policy for revenue on the application of the revised Section 23.[13]

A5.38. The IASB in developing this disclosure requirement in IFRS 15, noted that this will complement accounting policy disclosure requirements by requiring an entity to provide more descriptive information abouts its performance obligations (see paragraph BC354 of the Basis for Conclusions on IFRS 15). Therefore, the staff thinks that such a disclosure would also provide useful information to users of eligible subsidiaries' financial statements because it provides information on eligible subsidiaries' accounting policy choices.

[13] See page 21 of Agenda Paper 30B *Towards an Exposure Draft—Additional simplifications to IFRS 15* Revenue from Contracts with Customers and IASB *Update* of the June 2022 IASB meeting. No comments were received in this proposed disclosure requirement in the *IFRS for SMEs* Exposure Draft.

A5.39. The disclosure requirement should not be costly to provide because the information is readily available as it will be inherent in the eligible subsidiaries' revenue recognition process.

Paragraph 119(c) of IFRS 15

A5.40. Paragraph 119(c) of IFRS 15 was not proposed in the draft Standard applying the IASB's agreed approach—it was not related to a recognition and measurement differences and the *IFRS for SMEs* Accounting Standard did not have a similar disclosure requirement. Adding this disclosure requirement in the new Standard would be an exception to the IASB's agreed approach.

A5.41. The staff do not think the information required by paragraph 119(c) of IFRS 15 meets the principles for reducing disclosure requirements (see paragraph 8 of this paper).

Staff recommendation

A5.42. The staff recommends the IASB:

(a) add paragraph 119(a) of IFRS 15 to the new Standard; and

(b) not add paragraph 119(c) of IFRS 15 to the new Standard.

Transaction price allocated to the remaining performance obligations

Table A5.3—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
96	3	The proposed disclosure requirement is based on paragraph 120 of IFRS 15. One comment received. See paragraphs A5.43–A5.47.

Paragraph 96 of the draft Standard

Development of the proposed disclosure requirements

A5.43. Paragraph 96 of the draft Standard proposes disclosure of a quantitative or qualitative explanation of the significance of unsatisfied performance obligations and when they are expected to be satisfied.

A5.44. The IASB identified this proposed disclosure requirement as an exception to its agreed approach (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft) because it is an improved disclosure requirement that provides useful information to users of eligible subsidiaries' financial statements (information about short-term cash flows, commitments and obligations).

Summary of feedback

A5.45. Two respondents suggested deleting this proposed disclosure requirement because paragraph 89 of the draft Standard is sufficient to meet information needs of users of eligible subsidiaries' financial statements and that it is costly to prepare.

Staff analysis

A5.46. The staff disagrees with the respondent's view that paragraph 89 of the draft Standard is sufficient to not require paragraph 96 of the draft Standard and that the proposed disclosure requirement would be costly to prepare. The proposed disclosure requirements in paragraph 96 is different from paragraph 89 which as discussed in paragraph A5.16 of this paper, provides information on disaggregation of revenue consistent on how the entity evaluates its performance; paragraph 96 proposes that an eligible subsidiary provides an explanation of the significance of unsatisfied performance obligations and when they are expected to be satisfied. Furthermore, the proposed disclosure requirement is not costly to provide because a practical expedient is included that proposes that the disclosure need not apply to contracts with original terms of less than one year and therefore offers relief to eligible subsidiaries. Paragraph 96 of the draft Standard provides information about cash flows due to be received and commitments to provide goods or services arising from the unsatisfied performance obligations which is consistent with the principles for reducing disclosure requirements. (see paragraph 8 of this paper).

Staff recommendation

A5.47. The staff recommends the IASB retain paragraph 96 of the draft Standard.

Determining the transaction price—variable consideration

Table A5.4—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
97	2	The proposed disclosure requirement is based on paragraph 126(b) of IFRS 15. One comment received. See paragraphs A5.48–A5.53.

Paragraph 97 of the draft Standard

Development of the proposed disclosure requirements

A5.48. Paragraph 97 of the draft Standard proposes that an entity discloses information about the methods, inputs and assumptions used for assessing whether an estimate of variable consideration is constrained.

A5.49. The proposed disclosure requirement is related to a recognition and measurement difference because IFRS 15 requires that variable consideration is only included in the transaction price to the extent that it is highly probable that a significant reversal will not occur. Whereas the *IFRS for SMEs* Accounting Standard requires revenue to be recognised when it can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Summary of feedback

A5.50. Respondent suggested deleting this proposed disclosure requirement because paragraph 89 of the draft Standard is sufficient to meet information needs of users of eligible subsidiaries' financial statements and that it is costly to prepare.

Staff analysis

A5.51. When variable consideration is constrained, this disclosure requirement will provide information about how an entity has estimated constrained variable consideration which provides users with information about measurement uncertainties (see paragraph 8).

A5.52. The staff disagrees with the respondent's view that paragraph 89 of the draft Standard is sufficient to not require paragraph 97 of the draft Standard and that the proposed disclosure requirement would be costly to prepare. The proposed disclosure requirement in paragraph 97 is different from paragraph 89 which as discussed in paragraph A5.16 of this paper, provides information on disaggregation of revenue consistent on how the entity evaluate its performance; paragraph 97 provides information on measurement uncertainty. Furthermore, the proposed disclosure requirement would not be costly to provide because those information are readily available.

Staff recommendation

A5.53. The staff recommends the IASB retain paragraph 97 of the draft Standard.

Significant judgements in the application of IFRS 15—suggested additional disclosures

Table A5.5—suggested additional disclosures

<table>
<tr><th>Disclosure paragraph</th><th>Disclosure</th><th>Respondents’ comments</th></tr>
<tr><td>123</td><td>Explain judgements and changes in the judgements used in determining:
(a) the timing of satisfaction of performance obligations; and
(b) the transaction price and the amounts allocated to performance obligations.</td><td>Six comments received.
The respondents said the disclosure requirement provides information about significant judgements and estimates which provides users with information about measurement uncertainties.</td></tr>
<tr><td>124</td><td>For performance obligations satisfised over time, entity shall disclose:
(a) methods used to recognise revenue; and
(b) an explanation of why the methods used provide a faithful depiction of the transfer of goods and services.</td><td rowspan="2">One comment received.
The respondent said the disclosure requirement provides information about significant judgements and estimates which provides users with information about measurement uncertainties.</td></tr>
<tr><td>125</td><td>For performance obligations satisfied at a point in time, entity shall disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services.</td></tr>
<tr><td>126(a), (c) and (d)</td><td>Disclose information about the methods, inputs and assumptions used for the following:
(a) determining the transaction price;
(b) assessing whether an estimate of variable consideration is constrained;
(c) allocating the transaction price; and
(d) measuring obligations for returns, refunds, and other similar obligations.</td><td>Two comments received.
The respondents said:
(a) the disclosure requirement provides information about significant judgements and estimates which provides users with information about measurement uncertainties.
(b) the suggested additional disclosure requirements are no less important than paragraph 126(b) of IFRS 15 which has been included in paragraph 97 of the draft Standard.</td></tr>
</table>

Staff analysis

A5.54. Paragraphs 124–125 of the draft Standard proposes disclosure of information about judgements and sources of estimation uncertainty. Paragraph 124 of the draft Standard includes a list of examples of judgments that an eligible subsidiary may be required to disclose. This is because IAS 1 has a general requirement to disclose judgements that management has made in the process of applying the entity's accounting policies. The staff noted that other IFRS Accounting Standards sometimes include a specific requirement to disclose judgements made. To facilitate the application of the requirements, those specific disclosure requirements were brought in a single location in the draft Standard under the subheading IAS 1.

A5.55. The staff noted that some of the disclosure requirements that respondents suggested to be added are already included in the examples of judgments that an eligible subsidiary may be required to disclose in paragraph 124(a) of the draft Standard. The examples include judgements relating to timing of when revenue is recognised; transaction price, the amounts allocated to performance obligations, and the timing of satisfaction of performance obligations. The list is non-exhaustive.

Staff recommendation

A5.56. The staff recommends the IASB take no action on the matters raised in Table A5.5.

IFRS 16 *Leases*

Table A6—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
100	2	The proposed disclosure requirement is based on paragraph 53(a), (b) and (d)(i) of IFRS 16. Five comments received suggesting additions, clarifications and deletions. See paragraphs A6.1–A6.17.
105	2	The proposed disclosure requirement is based on paragraph 60A of IFRS 16. One comment received. See paragraphs A6.18–A6.22.
106	1	The proposed disclosure requirement is based on paragraph 20.23 of the *IFRS for SMEs* Accounting Standard and paragraph 94 of IFRS 16. One comment received. See paragraphs A6.23–A6.26.
107	1	The proposed disclosure requirement is based on paragraph 20.30 of the *IFRS for SMEs* Accounting Standard and paragraph 97 of IFRS 16. One comment received. See paragraphs A6.27–A6.31.

109	1	The proposed disclosure requirement is based on paragraph 20.35 of the *IFRS for SMEs* Accounting Standard and paragraphs 59(d) and B52 of IFRS 16. Three comments received. See paragraphs A6.32–A6.37.

Paragraph 100 of the draft Standard

Development of the proposed disclosure requirement

A6.1. There is a difference in recognition and measurement requirements between IFRS 16 *Leases* and the *IFRS for SMEs* Accounting Standard because the *IFRS for SMEs* Accounting Standard is based on IAS 17 *Leases,* the predecessor to IFRS 16.

A6.2. Applying the IASB's approach to developing the proposed disclosure requirements the disclosure requirements developed for the *IFRS for SMEs* Accounting Standard were used as a basis for the requirements in the draft Standard relating to lessors. For lessees, where the recognition and measurement requirements are different, the disclosure requirements in the *IFRS for SMEs* Accounting Standard had to be adapted to take account of those differences, by looking directly to the requirements in IFRS 16. Paragraph 100 of the draft Standard proposes disclosures by lessees, and was drafted from parts of paragraph 53 of IFRS 16.

Summary of feedback

A6.3. It was to be expected that most of the feedback on the proposed disclosures for IFRS 16 would relate to paragraph 100 of the draft Standard, as many decisions were made in the drafting about which of the disclosures from paragraph 53 of IFRS 16 merited inclusion in the draft Standard based on the agreed principles for reducing disclosures.

A6.4. Five comments referred to paragraph 100 specifically, in addition there were general comments or suggestions that would, if they gave rise to changes, affect this paragraph.

A6.5. Respondents suggested additional disclosures:

(a) the expense relating to variable lease payments not included in the measurement of lease liabilities (paragraph 53(e) of IFRS 16);

(b) income from sub-leasing right of use assets (paragraph 53(f) of IFRS 16); and

(c) total cash outflow for leases (paragraph 53(g) of IFRS 16).

A6.6. Respondents suggested clarifying or deleting the requirements in paragraph 100(d) of the draft Standard on future lease payments categorised into time buckets, because it is not clear whether the disclosure relates to discounted or undiscounted amounts.

A6.7. Comments not attributed to paragraph 100 of the draft Standard but are nonetheless relevant relate to paragraph 59 of IFRS 16. One respondent suggested adding to paragraph 100 a disclosure requirement based on paragraph 59 of IFRS 16, which is a general requirement to provide other information necessary to meet the disclosure objective in IFRS 16.

Staff analysis

Adding paragraph 53(e) of IFRS 16

A6.8. The draft Standard did not propose disclosure requirements for variable lease payments, leading to asymmetry with the disclosures required of lessors in paragraph 107 of the draft Standard. Asymmetry alone would not justify altering the lessee or lessor disclosures to remove this difference; however the disclosures by lessees about variable lease payments applying IFRS 16 provide information about short term cash flows (see paragraph 8 of this paper). There is no substantive recognition and measurement difference from the *IFRS for SMEs* Accounting Standard in this respect, so including different disclosures would be an exception to the principle. The staff thinks that this exception is justified because adding paragraph 53(e) of IFRS 16 provides information to users on cash flow variability and is therefore consistent with the IASB's approach to developing the disclosure requirements.

Adding paragraph 53(f) of IFRS 16

A6.9. With regard to the potential addition of disclosures based on paragraph 53(f) of IFRS 16, similar disclosures were required by IAS 17 but the *IFRS for SMEs* Accounting Standard did not include these disclosure requirements. The disclosure was not proposed in the draft Standard because it was assessed that it did not relate to an area where there was a recognition or measurement difference, and the *IFRS for SMEs* Accounting Standard does not require those disclosure requirements.

Adding paragraph 53(g) of IFRS 16

A6.10. The disclosures in paragraph 53(g) of IFRS 16 on total cash outflows for leases went further than IAS 17, and paragraph BC217(d) of IFRS 16 noted that the disclosure was identified by users as being very useful in understanding lease cash flows and forecasting future payments. These arguments are equally valid for users of financial statements of eligible subsidiaries so adding the disclosure satisfies the principles for reducing disclosure requirements. Adding this requirement would be another exception since there is no recognition and measurement difference in this regard, but would be consistent with the IASB's decision in its November 2020 meeting to add requirements to disclose the lease liability and interest expense.

Clarifying or deleting the requirements in paragraph 100(d) of IFRS 16

A6.11. The interpretation difficulties around paragraph 100(d) of IFRS 16 will be resolved by the revised disclosure requirement for IFRS 7. At its meeting in April 2023, the IASB tentatively decided to require a maturity analysis for financial liabilities (paragraph 39 of IFRS 7) that allows for judgement on the time buckets that are presented.[14] This means that paragraph 100(d) is no longer necessary as it would duplicate one of the IFRS 7 disclosures. The staff recommends the IASB revises the proposal in the draft Standard and deletes this proposed disclosure.

Add to paragraph 100 a disclosure requirement based on paragraph 59 of IFRS 16

A6.12. In relation to the suggestion to add to paragraph 100 of the draft Standard a disclosure requirement based on paragraph 59 of IFRS 16, the disclosure requirements in the draft Standard do not include disclosure objectives consequently, adding a requirement based on paragraph 59 of IFRS 16 would be inconsistent with the IASB's tentative decision not to include disclosure objectives in the new Standard.

[14] See IASB *Update* of the April 2023 IASB meeting.

A6.13. The staff notes, however, that paragraph 31 of IAS 1 remains applicable to eligible subsidiaries applying the new Standard which is included in paragraph 16 of the draft Standard and states:

> "consider whether to provide additional disclosures when compliance with the specific requirements in the [draft] Standard is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance."

A6.14. In the staff's view paragraph 16 of the draft Standard resolves the concern raised by the respondent suggesting to add paragraph 59 of IFRS 16.

A6.15. The analysis in paragraphs A6.8 to A6.10 supports adding disclosure requirements from IFRS 16 to the draft Standard, and all of these disclosure requirements (variable lease payments, cash flows from leases and gain or loss on sale and leaseback transactions) appear in paragraph BC217 of IFRS 16 as examples of "information that users of financial statements have identified as being most useful to their analyses". This provides further support for their inclusion in the new Standard.

A6.16. Finally, the staff have considered the balance of costs and benefits. The benefits are set out in paragraph A6.15 of this paper. In relation to costs, the additional disclosures would not require acquisition of more data by preparers or lengthy notes in the financial statements so the staff do not expect there would be significant costs associated with the disclosures.

Staff recommendation

A6.17. The staff recommends the IASB:

(a) add paragraph 53(e) and 53(g) of IFRS 16 to the new Standard;

(b) delete paragraph 100(d) of the draft Standard; and

(c) take no action on the other matters suggested by respondents.

Paragraph 105 of the draft Standard

Development of the proposed disclosure requirement

A6.18. Paragraph 105 of the draft Standard proposes disclosures where an entity has taken advantage of the practical expedient with respect to Covid-19 rent concessions. This practical expedient in paragraphs 46A–46B arose from an amendment to IFRS 16 in May 2020 and its applicability was later extended so it applies to lease payments originally due on or before 30 June 2022.

A6.19. At the time of the publication of the Exposure Draft, the practical expedient was still available to preparers and the disclosures were considered relevant to users because they satisfied the principle of giving more information on accounting policy choices.

Summary of feedback

A6.20. One respondent suggested that since the new Standard will not be issued until after June 2022, the practical expedient, and therefore the associated disclosures, would no longer be relevant, and the disclosures should be removed.

Staff analysis

A6.21. The Covid-19 practical expedient has not been extended again but remains in IFRS 16. If the new Standard is issued in 2024 and early adoption is permitted, then some preparers could still be presenting comparative information that may use the expedient. Those that do not need or choose to use it will not be required to make any disclosures under paragraph 105 of the draft Standard.

Staff recommendation

A6.22. The staff recommends the IASB retain the proposed disclosure requirements in paragraph 105 of the draft Standard and revisit this proposed disclosure requirement in the future when the corresponding requirement in IFRS 16 is amended.

Paragraph 106 of the draft Standard

Development of the proposed disclosure requirement

A6.23. Paragraph 106 of the draft Standard proposes disclosure requirements for lessors relating to finance leases. There are no recognition and measurement differences between IFRS 16 and the *IFRS for SMEs* Accounting Standard in respect of lessor accounting. The proposed disclosure requirements were based on the *IFRS for SMEs* Accounting Standard applying the IASB's agreed approach.

Summary of feedback

A6.24. One respondent suggested to delete paragraph 106(e) of the draft Standard. The respondent observed that lessees are not required to disclose expenses from variable lease payments not included in their lease liability, and suggested that to mirror this, paragraph 106 should be deleted so that lessors are not required to disclose income from variable lease payments not included in the lease receivable.

Staff analysis

A6.25. In the staff's view there is no justification for deleting this proposed disclosure requirement, because it does not relate to a recognition and measurement difference and the disclosure requirement is required by the *IFRS for SMEs* Accounting Standard (see paragraph 20.23(e)). Deleting the proposed disclosure requirement will be an exception to the IASB's agreed approach. However, the staff acknowledge the lack of symmetry with lessee disclosures, and also note that in IFRS 16 there is a comparable disclosure for lessees.

Staff recommendation

A6.26. As discussed in paragraph A6.8 of the paper, the staff recommends the IASB add paragraph 53(e) of IFRS 16 to the new Standard in order to enhance users' understanding of lessees' exposure to variability in lease payments. This means there will no longer be the asymmetry noted in the comment.

Paragraph 107 of the draft Standard

Development of the proposed disclosure requirement

A6.27. Paragraph 107 of the draft Standard proposes disclosure requirements for lessor's operating leases. It is based on the *IFRS for SMEs* Accounting Standard as there are no recognition and measurement differences for lessors.

Summary of feedback

A6.28. One respondent said that for paragraph 106 of the draft Standard, as proposed there is an asymmetry between the disclosure requirements for lessees and for lessors, this time in the requirement to disclose income recognised in the period relating to variable lease payments that do not depend on an index or a rate (paragraph 107(b) of the draft Standard) and asked that the inconsistency be addressed.

Staff analysis

A6.29. The staff agrees that there is an inconsistency. However, symmetry is not in itself a goal of the IASB's approach to developing disclosures; instead as discussed in paragraphs A6.8 and A6.17 the needs of users to understand variability in lessees' cash flows have been considered, and adding disclosures for lessees based on paragraph 53(e) of IFRS 16 would meet these user needs. The new disclosure would not be based on the *IFRS for SMEs* Accounting Standard as this has different recognition and measurement requirements for lessees.

A6.30. Following the respondent's suggestion and removing the requirements for lessors would introduce a difference from the *IFRS for SMEs* Accounting Standard which would not be consistent with the IASB's approach where there are no recognition and measurement differences. Accordingly, it would appear more appropriate to add the matching disclosure for lessees into paragraph 100 based on paragraph 53(e) of IFRS 16.

Staff recommendation

A6.31. The staff recommends the IASB does not make any changes to paragraph 107 of the draft Standard, but instead add disclosure requirements for lessees to paragraph 100 of the draft Standard, based on paragraph 53(e) of IFRS 16 addressing variable lease payments (see paragraph A6.17 of the paper).

Paragraph 109 of the draft Standard

Development of the proposed disclosure requirement

A6.32. Paragraph 109 of the draft Standard proposes lessors and lessees in sale and leaseback transactions to provide the proposed disclosures from paragraphs 100–108 of the draft Standard and requires a description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions. The proposed disclosure requirement is based on paragraph 20.35 of the *IFRS for SMEs* Accounting Standard.

Summary of feedback

A6.33. Respondents commenting on this disclosure asked for paragraph 53(i) of IFRS 16 to be added. Paragraph 53(i) of IFRS 16 requires gains or losses arising from sale and leaseback transactions in to be disclosed.

Staff analysis

A6.34. There is no recognition and measurement difference in relation to sale and leaseback transactions. Applying the IASB's agreed approach, the proposed disclosure requirements should be based on the *IFRS for SMEs* Accounting Standard.

A6.35. The principles for reducing disclosure requirements include that users are interested in disaggregation of amounts reported in the financial statements. In the staff view this could include disclosing gains or losses which otherwise would not be visible within income or expenses. Also, sale and leaseback transactions can be significant sources of financing, so disclosures on gains or losses help users to reach a better understanding of how short-term cash flows (in which they are interested) have arisen, along with understanding the future consequences (such as an ongoing commitment to make lease payments).

A6.36. Introducing new disclosure requirements in this area will be an exception to the IASB's agreed approach. It is supportable because there are significant differences more generally on lessee accounting: the *IFRS for SMEs* Accounting Standard distinguishes between whether a sale and leaseback transaction results in an operating lease or a finance lease, and this is not a distinction relevant to lessees under IFRS 16.

Staff recommendation

A6.37. The staff recommends the IASB add paragraph 53(i) of IFRS 16 to the new Standard.

IAS 1 *Presentation of Financial Statements*

Table A7.1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
114	2	The proposed disclosure requirement is based on paragraph 40C of IAS 1. Three comments received. See paragraphs A7.1–A7.6.
115	1	The proposed disclosure requirement is based on paragraph 3.12 of the *IFRS for SMEs* Accounting Standard and paragraph 41 of IAS 1. One comment received. See paragraphs A7.7–A7.10.
120(a)–(c)	1	The proposed disclosure requirement is based on paragraph 8.2 of the *IFRS for SMEs* Accounting Standard and paragraph 112 of IAS 1. One comment received. See paragraphs A7.11–A7.20.
121–122	1	The proposed disclosure requirements are based on paragraphs 8.3–8.4 of the *IFRS for SMEs* Accounting Standard and paragraphs 113 and 114(c) of IAS 1. One comment received. See paragraphs A7.11–A7.20.
124	1	The proposed disclosure requirement is based on paragraph 8.6 of the *IFRS for SMEs* Accounting Standard and paragraph 122 of IAS 1. Three comments received See paragraphs A7.21–A7.26.
125	1	The proposed disclosure requirement is based on paragraph 8.7 of the *IFRS for SMEs* Accounting Standard and paragraph 125 of IAS 1. One comment received. See paragraphs A7.27–A7.31.

126	4	The proposed disclosure requirement is based on paragraph 16A(f) of IAS 34. Three comments received See paragraphs A7.32–A7.39.

Paragraph 114 of the draft Standard

Development of the proposed disclosure requirements

A7.1. Paragraph 114 of the draft Standard proposes the disclosures that are relevant when an eligible subsidiary presents a third statement of financial position in accordance with paragraph 40A of IAS 1.

A7.2. Paragraph 114 of the draft Standard relates to a difference in presentation requirements between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards. The *IFRS for SMEs* Accounting Standard does not require an entity to present a 'third statement of financial position' when there is a change in accounting policy, correction of prior period errors or reclassification.

Summary of feedback

A7.3. Three respondents suggested deleting paragraph 114 of the draft Standard. One of the respondents noted that the users of eligible subsidiaries' financial statements are interested in the current and future financial information, rather than the impact on previous balances or the effect such changes may have for presentation purposes. Other respondents did not provide an explanation for the deletion.

Staff analysis

A7.4. Paragraph 114 of the draft Standard is based on paragraphs 40A–40D of IAS 1. Paragraph 40A of IAS 1 remains applicable to subsidiaries applying the new Standard.

A7.5. The proposed disclosures in paragraph 114 of the draft Standard are consistent with the principles for reducing the disclosure requirements and complement the requirement in paragraph 40A of IAS 1 (information on the eligible subsidiary's accounting policy choices). Consequently, the staff thinks that the proposed disclosure requirement in paragraph 114 of the draft Standard meets information needs of users of eligible subsidiaries' financial statements when an entity is required to present an additional statement of financial position.

Staff recommendation

A7.6. The staff recommends the IASB retain paragraph 114 of the draft Standard.

Paragraph 115 of the draft Standard

Development of the proposed disclosure requirements

A7.7. Paragraph 115 of the draft Standard is based on paragraphs 3.12 of the *IFRS for SMEs* Accounting Standard and sets out disclosure requirements about the reclassification of comparative amounts when an eligible subsidiary changes its presentation or classification of items in the financial statements.

Summary of feedback

A7.8. One respondent suggested deleting paragraph 115 of the draft Standard. The respondent has the same reasoning as their suggestion to delete paragraph 114 of the draft Standard (see paragraph A7.3 of this paper).

Staff analysis

A7.9. Deleting the proposed disclosure requirements in paragraph 115 of the draft Standard would be an exception to the IASB's agreed approach because the *IFRS for SMEs* Accounting Standard includes requirements on reclassification of comparatives. Deletion of paragraph 115 would also require deletion of paragraph 116 of the draft Standard, leaving the new Standard void on any disclosure requirements about comparatives when an entity changes its presentation or classification of items in its financial statements.

Staff recommendation

A7.10. The staff recommends the IASB retain paragraphs 115 of the draft Standard.

Paragraphs 120–122 of the draft Standard

Development of the proposed disclosure requirements

A7.11. Paragraph 120 of the draft Standard sets out what is required in the notes to the financial statements and is based on paragraph 8.2 of the *IFRS for SMEs* Accounting Standard and paragraph 112 of IAS 1.

A7.12. Paragraph 121 of the draft Standard requires that, as far as practicable, the notes in the financial statements are presented in a systematic manner and is based on paragraph 8.3 of the *IFRS for SMEs* Accounting Standard and paragraph 113 of IAS 1.

A7.13. Paragraph 122 of the draft Standard provides an example of systematic ordering of the notes and is based on paragraph 114 of IAS 1.

Summary of feedback

A7.14. One respondent sought clarification about the inclusion of paragraph 120(c) of the draft Standard because in the respondent's view, it is a disclosure objective.

A7.15. One respondent suggested to revise paragraphs 121–122 of the draft Standard to reflect the improvements to paragraphs 113 and 114(c) of IAS 1.

Staff analysis

A7.16. Paragraphs 113 and 114 of IAS 1 were amended by the Disclosure Initiative (Amendments to IAS 1), issued in December 2014. At the time of developing the draft Standard, the *IFRS for SMEs* Accounting Standard had not been updated for this amendment.

A7.17. Arguably, paragraphs 120–122 of the draft Standard do not include specific disclosure requirements but include guidance about the structure and order of the notes to the financial statements.

A7.18. In view of the IASB's tentative decisions not to include guidance in the new Standard (see paragraph 15 of this paper), and to align the language of the new Standard with the language of full IFRS Accounting Standards (see paragraph 10 of this paper), the staff consider an alternative would be to retain paragraphs 112–114 of IAS 1 as applicable *in situ* in the new Standard and delete paragraphs 120–122 of the draft Standard.

A7.19. The staff thinks this alternative is consistent with the IASB tentative decisions to date in the project and responds to the feedback in paragraphs A7.14–A7.15 of this paper.

Staff recommendation

A7.20. The staff recommends the IASB retain paragraphs 112–114 of IAS 1 as applicable *in situ* in the new Standard and delete paragraphs 120–122 of the draft Standard.

Paragraph 124 of the draft Standard

Development of the proposed disclosure requirements

A7.21. Paragraph 124 of the draft Standard proposes the disclosure of the information about judgements that have the most significant effect on the amounts recognised in the financial statements. The paragraph provides examples of judgements that may be required to be disclosed by an eligible subsidiary.

Summary of feedback

A7.22. Four respondents suggested to clarify paragraph 124 of the draft Standard. Two of the respondents said that paragraph 124 of the draft Standard includes examples while paragraph 125 of the draft Standard (‘Sources of estimation uncertainty’) does not include examples. In the respondents’ view, this is an undesirable inconsistency. One respondent suggested adding examples to paragraph 125 of the draft Standard.

A7.23. One of the respondents suggested adding a cross-reference in the disclosure requirements of IFRS 15 in the draft Standard to paragraph 124(a) of the draft Standard (like the cross-reference in paragraph 123 of IFRS 15). This respondent suggested this would ease application of paragraph 124 of the draft Standard.

Staff analysis

A7.24. Paragraph 124 of the draft Standard is based on paragraph 8.6 of the *IFRS for SMEs* Accounting Standard and paragraph 122 of IAS 1. Paragraph 124 includes a list of examples of judgments that an eligible subsidiary may be required to disclose. This is because IAS 1 has a general requirement to disclose judgements that management has made in the process of applying the entity's accounting policies. To facilitate the application of the requirements, those specific disclosure requirements were brought in a single location in the draft Standard under the subheading IAS 1 (see paragraph A4.9 of this paper).

A7.25. Locating the examples with the requirement to disclose significant judgements was proposed in the draft Standard as it simplified disclosure requirements and avoided repetition.

Staff recommendation

A7.26. The staff recommends the IASB explains in the Basis for Conclusions on the new Standard its rationale for bringing those specific disclosure requirements on judgements in other IFRS Accounting Standard into a single location.

Paragraph 125 of the draft Standard

Development of the proposed disclosure requirements

A7.27. As noted in Table A7.1, paragraph 125 of the draft Standard is based on paragraph 125 of IAS 1 and paragraph 8.7 of the *IFRS for SMEs* Accounting Standard. Paragraph 125 of the draft Standard proposes disclosures about the assumptions an eligible subsidiary makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment of the carrying amount of assets and liabilities within the next financial year.

A7.28. Paragraphs 126–133 of IAS 1 provide guidance and examples of the types of disclosures an entity makes when applying paragraph 125 of IAS 1.

Summary of feedback

A7.29. One respondent suggested adding the examples of types of disclosure in paragraph 129 of IAS 1 to paragraph 125 of the draft Standard. In this respondent's view, information on measurement uncertainties is important for the users of financial statements and the existing proposal could result in very limited information being provided by eligible subsidiaries in an area that is important to users. The respondent said that adding the examples would be consistent with the inclusion of examples in paragraph 124 of the draft Standard; having examples in paragraph 125 of the draft Standard would be helpful to preparers and set clearer expectations.

Staff analysis

A7.30. At its April 2023 meeting, the IASB tentatively decided not to include guidance on how to apply disclosure requirements that are in IFRS Accounting Standards in the new Standard (see paragraph 15 of this paper). The staff thinks including the examples in paragraph 129 of IAS 1 would not be consistent with this tentative decision.

Staff recommendation

A7.31. The staff recommends the IASB not include examples in paragraph 129 of IAS 1 and retain paragraph 125 of the draft Standard as proposed.

Paragraph 126 of the draft Standard and adding paragraph 137 of IAS 1

Development of the proposed disclosure requirements

A7.32. Paragraph 126 of the draft Standard proposes the disclosure of dividends paid separately for ordinary shares and other shares where an eligible subsidiary has more than one class of shares. As noted in Table A7.1, the proposed disclosure requirement is based on paragraph 16A(f) of IAS 34, no similar disclosure requirement is in IAS 1. In its November 2020 meeting, the IASB decided to propose this disclosure requirement in the draft Standard.[15]

Summary of feedback

A7.33. Two respondents suggested deleting paragraph 126 of the draft Standard. The respondents said that the disclosure does not reflect information needs of users of eligible subsidiaries' financial statements.

[15] See IASB *Update* of the November 2020 meeting.

A7.34. One respondent suggested adding paragraph 137 of IAS 1; one respondent suggested to add paragraph 137(a) of IAS 1 and one respondent suggested to add paragraph 137(b) of IAS 1 to the new Standard. In respondents' view, the disclosure is important for users, as the users are typically interested in disclosures about distributable dividends within a group and it provides information on liquidity and solvency.

Staff analysis

A7.35. The proposed disclosure requirement in paragraph 126 of the draft Standard was discussed at the November 2020 IASB meeting when the IASB decided to propose the disclosure requirement in the draft Standard, it is an exception to the IASB's approach to developing disclosure requirements.

A7.36. Paragraph 137 of IAS 1 is not included in the draft Standard because it does not relate to a recognition or measurement difference and no similar disclosure is required in the *IFRS for SMEs* Accounting Standard.

A7.37. Paragraph 137 of IAS 1 requires:

(a) the disclosure of the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and

(b) the amount of any cumulative preference dividends not recognised.

A7.38. The information provided in applying paragraph 126 of the draft Standard is about dividends paid, the information required in paragraph 137 of IAS 1 is about dividends proposed or declared. The staff thinks that the nature of the information is similar to that proposed in paragraph 126 of the draft Standard and it would be consistent to add paragraph 137 of IAS 1. Adding paragraph 137 of IAS 1 will be an exception to the IASB's agreed approach and the staff thinks it will provide information on liquidity and solvency.

Staff recommendation

A7.39. The staff recommends the IASB:

(a) retain paragraph 126 of the draft Standard; and

(b) add paragraph 137 of IAS 1 to the new Standard.

IAS 1—suggested additional disclosures

Table A7.2—suggested additional disclosures

Disclosure paragraph	Requirement	Respondents' comments	Staff analysis and recommendation
Fair presentation and compliance with IFRSs			
15	Fair presentation of financial statements	Adopt text of paragraph 15 of IAS 1 into the draft Standard or add a reference to clarify the requirements on fair presentation applies when disclosing information according to the draft Standard.	Paragraph 15 of IAS 1 remains applicable for eligible subsidiaries applying the new Standard. Also, paragraph 17(c) of IAS 1 remains applicable which states a fair presentation requires an entity to provide additional disclosures in specific circumstances. The staff thinks with these two paragraphs being applicable it is clear that fair presentation applies when disclosing information according to the draft Standard. The staff recommends the IASB not add nor refer to paragraph 15 of IAS 1 in the new Standard.
Current/non-current distinction			
61	Disclosure for each asset and liability line item amount expected to be recovered or settled within twelve months and more than twelve months after the reporting period.	The disclosure requirements in paragraph 61 of IAS 1 provides useful information to users of eligible subsidiaries' financial statements and provides information on liquidity and solvency.	The disclosure requirement in paragraph 61 of IAS 1 is not proposed in the draft Standard because it does not relate to a recognition or measurement difference and no similar disclosure is required in the *IFRS for SMEs* Accounting Standard. The disclosure requirement is not an improved disclosure requirement in IAS 1. Adding this disclosure requirement to the new Standard would be an

Disclosure paragraph	Requirement	Respondents' comments	Staff analysis and recommendation
			exception to the IASB's agreed approach. The staff noted that the IASB tentatively decided to add disclosures on liquidity risk in paragraph 39 of IFRS 7 to the new Standard. Among the disclosures that would be required is a maturity analysis for financial liabilities; the eligible subsidiary would also be required to disclose maturity analysis of financial assets it holds for managing liquidity risk. This disclosure will provide similar information to that required by paragraph 61 of IAS 1. The staff recommends the IASB not add paragraph 61 of IAS 1 to the new Standard.
Current liabilities			
76	For loans classified an current liabilities events disclosed as non-adjusting events in accordance with IAS 10 *Events after the Reporting Period* that occur between the end of the reporting period and the date the financial statements are authorised for issue.	The respondent did not provide an explanation.	The disclosure requirement in paragraph 76 of IAS 1 is not proposed in the draft Standard because it does not relate to a recognition or measurement difference and no similar disclosure is required in the *IFRS for SMEs* Accounting Standard. Adding this disclosure requirement in the new Standard will be an exception to the IASB's agreed approach. However, an eligible subsidiary could disclose this information in accordance with paragraphs 143 and 144 of the draft Standard. The staff recommends the IASB not add paragraph 76 of IAS 1 to the new Standard.
Information to be presented in the statement(s) of profit or loss and other comprehensive income or in the notes			
104	It requires an entity classifying expenses by function to disclose additional information on the	Disclosures on the nature of expenses when an entity classifies expenses by function, including	Paragraph 104 of IAS 1 was not proposed in the draft Standard because it does not relate to a recognition or measurement difference. Also, depreciation and

Disclosure paragraph	Requirement	Respondents' comments	Staff analysis and recommendation
	nature of expenses, including depreciation and amortisation expense and employee benefits expense.	depreciation and amortisation expense and employee benefits expense, tends to be useful for users of financial statements (as discussed with users of financial statements in the IASB's Primary Financial Statements project).	amortisation are required to be disclosed by paragraphs 148, 201 and 209 of the draft Standard and employee benefit expense are required to be disclosed by paragraphs 151 and 152 of the draft Standard. The staff recommends the IASB not add paragraph 104 of IAS 1 to the new Standard.
Information to be presented in the statement of changes in equity or in the notes			
106A	It requires an entity to present an analysis of other comprehensive income by item, either in the statement of changes in equity or in the notes.	The respondent did not provide an explanation.	Paragraph 106 remains applicable to eligible subsidiaries applying the new Standard and it provides similar information to paragraph 106A of IAS 1. The staff recommends the IASB not add paragraph 106A of IAS 1 to the new Standard.

IAS 19 *Employee Benefits*

Table A8.1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
152(b)–(c)	3	The proposed disclosure requirement is based on paragraph 28.41(e)–(f) of the *IFRS for SMEs* Accounting Standard and paragraphs 140–141 of IAS 19. Eight respondents commented on this paragraph 152(b)–(c). See paragraphs A8.1–A8.9.

Paragraph 152(b)–(c) of the draft Standard

Development of the proposed disclosure requirements

A8.1. Paragraph BC50 of the Basis for Conclusions on the Exposure Draft explains that paragraph 28.41(e) of the *IFRS for SMEs* Accounting Standard requires a reconciliation of the opening and closing balances of a defined benefit obligation, showing separately benefits paid and all other changes. IAS 19 requires a separate reconciliation of the net defined liability (asset) and requires more detail about the reconciling items to be disclosed (see paragraphs 140–141 of IAS 19).[16]

A8.2. In developing the proposed disclosure requirements in the draft Standard, the IASB proposed disclosure of more reconciling items (see paragraph 152(b) of the draft Standard) than the *IFRS for SMEs* Accounting Standard requires, including:

(a) current service cost;

(b) interest expense;

(c) remeasurements of the present value of the defined benefit obligation; and

(d) past service costs.

A8.3. The IASB acknowledge this proposed disclosure requirement as an exception to its agreed approach. In the IASB's view, its proposal would provide useful information to users of the financial statements of eligible subsidiaries financial statements because disaggregation is important in understanding the change in the present value of the entity's defined benefit obligations. Subject to an assessment of materiality, an eligible subsidiary would provide the more detailed reconciliation for group reporting purposes.

[16] It should be noted that the revised IAS 19 (2011 amendments) introduced a new method of disaggregating defined benefit cost: the net interest approach. This approach is similar to the previous disaggregation required by IAS 19 (before 2011 amendments, which the *IFRS for SMEs* Accounting Standard aligned with) but replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component. Therefore, the composition of the net defined liability (asset) can be the same for both IAS 19 (before 2011 amendments) and Section 28 (of the *IFRS for SMEs* Accounting Standard).

Summary of feedback

A8.4. The views of respondents who commented on 'details about reconciling items to be disclosed' were mixed:

(a) six respondents suggested clarifying why such disclosure requirements would be useful to users of eligible subsidiaries' financial statements.

(b) three of the respondents in sub-paragraph (a), suggested deleting the disclosure requirements as these disclosures would be costly to prepare.

(c) two respondents agreed with the IASB rationale and proposal set out in paragraph BC50 of the Basis for Conclusions on the Exposure Draft, see paragraphs A8.1–A8.3 of this paper. However, the respondents noted that the remaining items that would be combined into '...all other changes…' set out in paragraphs 152(b)(vi) and 152(c)(iv) of the Exposure Draft would require further disaggregation as it is also important in understanding the change in both plan assets and defined benefit obligations.

The respondents think that adding to the disaggregation of items to be disclosed would avoid confusion, be consistent with the full list in IAS 19 and is not costly to prepare as an eligible subsidiary would have to prepare this information for group reporting purposes.

Staff analysis

A8.5. The most significant concern raised by respondents was why the line had been drawn in the usefulness of information between users of eligible subsidiaries' financial statements and users of other SMEs entities applying the *IFRS for SMEs* Accounting Standard.

A8.6. The staff thinks that paragraph BC50 of the Basis for Conclusions on the draft Standard sufficiently explains how the IASB reasoned the 'disaggregation' principle sets out in paragraph A8.3 of this paper and viewed that the more detailed reconciliation would also be required for group reporting purposes (that is, no additional cost to preparers).

A8.7. However, the staff agrees with the respondents' feedback set out in paragraph A8.4(c) of this paper and thinks that, in particular, paragraph 152(c) (on plan assets) of the draft Standard could also:

(a) include more disaggregation of items, showing separately the effects of interest income; and

(b) replace 'the actual return on plan assets' with 'remeasurements of the defined benefit asset', showing separately the return on plan assets, excluding amounts included in interest income in (a).

A8.8. In the staff's view, adding to the list of disaggregation items set out in paragraph A8.7 of this paper would be consistent with the rationale in the IASB's exception set out in paragraph BC50 of the Basis for Conclusions on the draft Standard.

Staff recommendation

A8.9. The staff recommends the IASB to require more reconciling items to be disclosed in paragraph 152(c) of the draft Standard by:

(a) including more disaggregation of items, showing separately the effects of interest income; and

(b) replacing 'the actual return on plan assets' with 'remeasurements of the defined benefit asset', showing separately the return on plan assets, excluding amounts included in interest income in (a).

IAS 19—suggested additional disclosures

Table A8.2—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' comments
147	Information about the effect of a defined benefit plan on an entity's future cash flows. This is an improved disclosure requirement.	Two respondents suggested adding the disclosure requirements in paragraph 147 of IAS 19 to the draft Standard. The respondents are of the view that disclosing an indication of the effect of the defined benefit plan on the entity's future cash flows will be useful information to users as it provides information about liquidity and solvency. See paragraphs A8.10–A8.14.
Guidance in paragraph 144	Guidance on how to disclose the principal actuarial assumptions used.	One respondent suggested adding the narrative of paragraph 144 of IAS 19 in disclosing the principal actuarial assumptions used, so that such disclosure shall be in absolute terms (eg as an absolute percentage, and not just as a margin between different percentages and other variables). As discussed in paragraph 15 of this paper, the IASB tentatively decided that guidance on how to apply the disclosure requirements that is available in IFRS Accounting Standards is not included in the new Standard.

Paragraph 147 of IAS 19

Staff analysis

A8.10. Paragraph 147 of IAS 19 was not proposed in the draft Standard because it was assessed that it did not relate to a recognition or measurement difference, and the *IFRS for SMEs* Accounting Standard does not include similar disclosure requirements.

A8.11. The staff note that should the IASB require the disclosure in paragraph 147 of IAS 19 it would be an exception to its approach for developing disclosure requirements. The IASB made exceptions to the agreed approach but these exceptions mainly related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs* Accounting Standard had not been updated for. As noted in Table A8.2, this disclosure requirement is an improved disclosure requirement.

A8.12. Paragraph 147(a)–(b) of IAS 19 provides information about the effect of a defined benefit plan on an entity's future cash flows (a narrative description of any funding arrangements and funding policy that affect future contributions and the expected contributions to the plan for the next annual reporting period). In amending IAS 19, the IASB noted that the disclosure requirements in paragraph 147(a)–(b) of IAS 19 would be relevant to users in assessing the risk related to changes in contribution and forecasting how much cash outflow will be incurred to cover the employee benefits (see paragraphs BC240–BC242 of the Basis for Conclusions on IAS 19).

A8.13. Having assessed the feedback with the principles for reducing disclosure requirements set out in paragraph 8 of this paper, the staff agrees with the feedback. However, the staff notes paragraph 152(a) of the draft Standard requires disclosing a general description of the type of plan, including funding policy, therefore we recommend adding only the disclosure requirements in paragraph 147(b) of IAS 19, expected contributions to the plan. Paragraph 147(b) of IAS 19 would provide information on short-term cash flows, liquidity and solvency.

Staff recommendation

A8.14. The staff recommends the IASB:

(a) add paragraph 147(b) of IAS 19 to the new Standard; and

(b) not add paragraph 147(a) of IAS 19 to the new Standard.

Other comments

Summary of feedback

A8.15. In addition to the comments in paragraphs A8.1–A8.14, the IASB received the following general comments on the proposed disclosure requirements relating to IAS 19:

(a) one respondent suggested further reducing the proposed disclosure requirements by deleting from the draft Standard paragraphs 152(b)–(e) and 155–156, which proposes to require disclosure of:

(i) a reconciliation of opening and closing balances of the present value of the defined benefit obligation, the plan assets and of any reimbursement right recognised as an asset (based on paragraph 28.41(e)–(f) of the *IFRS for SMEs* Accounting Standard and paragraphs 140–141 of IAS 19);

(ii) for each major class of plan assets, the percentage or amount that each major class of plan assets constitutes of the fair value of the total plan assets at the reporting date (based on paragraph 28.41(h) of the *IFRS for SMEs* Accounting Standard and paragraph 142 of IAS 19);

(iii) the amounts included in the fair value of plan assets for each class of the entity´s own financial instruments and any property occupied by, or other assets used by the entity (based on paragraph 28.41(i) of the *IFRS for SMEs* Accounting Standard and paragraph 143 of IAS 19); and

(iv) information if an entity participates in a defined benefit plan that shares risks between entities under common control (based on the last sentence of paragraph 28.41 of the *IFRS for SMEs* Accounting Standard and paragraphs 149–150 of IAS 19).

The respondent suggested deleting those proposed disclosure requirements as they are not relevant and do not reflect the information needs of users of eligible subsidiaries' financial statements.

(b) five respondents suggested further reducing the proposed disclosure requirements by removing from the draft Standard paragraphs 158–159 (based on paragraphs 28.42–28.43 of the *IFRS for SMEs* Accounting Standard), which require disclosure of the nature of the benefit, the amount of its obligation and the extent of funding for other long term employee benefits and termination benefits. The respondents suggested to delete those disclosure requirements as they:

(i) were previously included in IAS 19 when the *IFRS for SMEs* Accounting Standard was developed but have since been removed from IFRS Accounting Standards.

(ii) are not relevant and do not reflect the information needs of users of eligible subsidiaries' financial statements.

(c) two respondents suggested introducing the full disclosure requirements of IAS 19 into the draft Standard. The respondents are of the view that the information required for such disclosures would be required for the parent entity's consolidated financial statements so would not cause increased cost for eligible subsidiaries.

(d) one respondent suggested using an approach to developing the proposed requirements which has an additional step to assess whether a further reduction is warranted considering the more restricted group of users of financial statements and cost-benefit consideration.

(e) one respondent suggested adding the disclosure requirements in paragraph 148 of IAS 19 in the draft Standard, which requires certain disclosures if an entity is part of a multi-employer defined benefit plan, as this is relevant information to users.

Staff analysis

A8.16. In developing the proposed disclosure requirements in the draft Standard, the IASB followed its approach and made exceptions for improvements to disclosure requirements in IFRS Accounting Standards. Respondents suggesting further reducing/adding to the proposed disclosure requirements have not provided:

(a) further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper); or

(b) sufficient evidence for why such requirements would (would not) provide useful information to users of eligible subsidiaries' financial statements.

A8.17. In particular, the staff also:

(a) note that the *IFRS for SMEs* Accounting Standard has the same disclosure requirements as the draft Standard, for example the disclosure requirements in paragraphs 158–159 of the draft Standard, see paragraph A8.15(b) of this paper. Particularly, the staff note that paragraph BC52(d) of the Basis for Conclusions on the Exposure Draft explains that paragraphs 158–159 were proposed in the draft Standard (equivalent to paragraphs 28.42–28.43 of the

IFRS for SMEs Accounting Standard) because the IASB evaluated that if that information is useful to users of SMEs' financial statements then it would also be equally useful to users of subsidiaries' financial statements applying the draft Standard.[17] Therefore, deleting the proposed disclosure requirements outlined in paragraphs A8.15(b) of this paper would be contrary to the IASB's approach or its previous decision regarding usefulness to users of SMEs' financial statements.

(b) understand that defined benefit plans are increasingly moving towards more complex investment strategies (for example, liability driven investment strategies, so-called asset-liability matching strategies). Consequently, the staff thinks that information about the investment strategies and associated risks is becoming increasingly important, for example adding the requirements in paragraphs 146 of IAS 19 (that is, information about any asset-liability matching strategies, including the use of annuities and other techniques, such as longevity swaps, to manage risk).

However, in the staff's view, introducing the full disclosure requirements of IAS 19 into the draft Standard, see paragraph A8.15(c) of this paper would be contrary to the project objective, namely:

(i) no sufficient feedback was received that such information is relevant to the users of eligible subsidiaries' financial statements; and

(ii) paragraph 152(d)–(e) of the draft Standard requires disclosing disaggregated information on the fair value of the plan assets.

(c) note that the IASB assessed users' needs and cost–benefit considerations when developing or updating the *IFRS for SMEs* Accounting Standard. This

[17] The staff note that, at its September 2008 meeting, the IASB discussed the working group's recommendation, where the working group members do not think this disclosure is onerous or that it really goes beyond what would be required under IAS 1, see page 63 of Agenda Paper 6B *Redeliberation—Issues relating to disclosure (including Working Group recommendations)* of the September 2008 IASB meeting for more details.

assessment of users' needs and cost–benefits equally apply to subsidiaries eligible to apply the draft Standard.

Staff recommendation

A8.18. The staff recommends the IASB take no action regarding other comments received on IAS 19.

IAS 27 *Separate Financial Statements*

Table A9—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
175(a)–(b)	1	The proposed disclosure requirement is based on paragraph 9.27 of the *IFRS for SMEs* Accounting Standard and paragraph 16(a) and (c) of IAS 27.
175(c)	1	The proposed disclosure requirement is based on paragraph 9.27 of the *IFRS for SMEs* Accounting Standard and paragraphs 16(a) and 17 of IAS 27. Three comments received. See paragraphs A9.1–A9.5.
176	2	The proposed disclosure requirement is based on paragraph 16A of IAS 27. Two comments received. See paragraphs A9.6–A9.13.
177	2	The proposed disclosure requirement is based on paragraph 9A of IFRS 12. Two comments received. See paragraphs A9.6–A9.13.
178	2	The proposed disclosure requirement is based on paragraph 9B of IFRS 12. Two comments received. See paragraphs A9.6–A9.13.
179	2	The proposed disclosure requirement is based on paragraph 19A of IFRS 12. Two comments received. See paragraphs A9.6–A9.13.
180	2	The proposed disclosure requirement is based on paragraph 9.23(d) of the *IFRS for SMEs* Accounting Standard and paragraph 19D(a) of IFRS 12. Two comments received. See paragraphs A9.6–A9.13.

Paragraph 175 of the draft Standard

Development of the proposed disclosure requirements

A9.1. Paragraph 175 of the draft Standard proposes disclosure requirements in the separate financial statements of a parent or an investor in an associate or a joint venturer that has joint control of a joint venture.

Summary of feedback

A9.2. One respondent suggested that paragraph 175(c) of the draft Standard be deleted to further reduce the disclosure requirements. Another respondent said the text in paragraph 175 of the draft Standard is confusing and suggested using the text from paragraph 17(c) of IAS 27.

Staff analysis

A9.3. The staff disagrees with deleting paragraph 175(c) of the draft Standard, as there is no recognition and measurement difference between IFRS Accounting Standards and *IFRS for SMEs* Accounting Standard.

A9.4. Paragraph 175 of the draft Standard is a result of combining aspects of paragraphs 16 and 17 of IAS 27 into one paragraph. The staff thinks that paragraph 175 should be updated to be consistent with paragraph 16 and 17 of IAS 27. This would be consistent with the IASB's tentative decision to update the language in the draft Standard to be the same as IFRS Accounting Standards.

Staff recommendation

A9.5. The staff recommends the IASB retain paragraph 175 of the draft Standard, subject to updating the language.

Paragraph 176–180 of the draft Standard

Development of the proposed disclosure requirements

A9.6. Paragraphs 176–180 proposes disclosure requirements for investment entities and interests in unconsolidated subsidiaries (investment entities). Paragraphs 31 and 32 of IFRS 10 state that a parent that is an investment entity does not consolidate its subsidiaries that are investment entities. Such subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9. The *IFRS for SMEs* Accounting Standard does not contain any requirements specific to investment entities and the general consolidation principles apply to investment entities. Consequently, there is a recognition and measurement difference between full IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard.

A9.7. Paragraph 176 of the of the draft Standard proposes disclosure requirements for investment entities that prepare separate financial statements.

A9.8. Paragraphs 177–178 of the draft Standard proposes disclosure requirements about an investment entity's status, which includes when the entity does not have one or more of the typical characteristics of an investment entity and when the entity becomes or ceases to be an investment entity. The proposed disclosure requirements in paragraph 177 of the draft Standard provide information about measurement uncertainty (see paragraph 8). The proposed disclosure requirements in paragraph 178 of the draft Standard provide information about measurement uncertainty and supports the disaggregation principle (see paragraph 8).

A9.9. Paragraphs 179–180 of the draft Standard proposes disclosure requirements for interests in unconsolidated subsidiaries (investment entities) which include disclosure of the exception to consolidation and the nature and extent of significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the investment entity. The proposed disclosure requirements in paragraph 179 of the draft Standard provide information about the eligible subsidiaries' measurement uncertainty and useful information about the composition of the group. The proposed disclosure requirements in paragraph 180 of the draft Standard provide information about liquidity and solvency (see paragraph 8).

A9.10. As noted in Table A9, paragraph 176 of the draft Standard is based on paragraph 16A of IAS 27. Paragraph 16A of IAS 27 directs an entity to provide the disclosures relating to investment entities required by IFRS 12 *Disclosure of Interests in Other Entities*. Paragraph 176 of the draft Standard, similarly, directs an entity to provide disclosures relating to investments entities; the corresponding paragraphs are paragraphs 177–180 which are reproduced from paragraphs 71–74 of the draft Standard.

Summary of feedback

A9.11. Respondents suggested that paragraphs 176–180 of the draft Standard be deleted, to better reflect the information needs of users of eligible subsidiaries' financial statements.

Staff analysis

A9.12. Consistent with the IASB's tentative decision to update the language in the draft Standard to be the same as IFRS Accounting Standards, the staff thinks the disclosure requirements in paragraphs 177–180 of the draft Standard should be deleted and replaced by a reference to the proposed disclosure requirements for IFRS 12 in the draft Standard. Furthermore, the proposed disclosure requirements in paragraphs 177–180 of the draft Standard are consistent with the principles for reducing disclosure requirements.

Staff recommendation

A9.13. The staff recommends the IASB replace paragraphs 177–180 of the draft Standard with a reference to the proposed disclosure requirements for IFRS 12 in the draft Standard.

Other comments—suggested additional disclosures

Summary of feedback

A9.14. Two respondents suggested adding paragraph 16(b) of IAS 27 to the new Standard—paragraph 16(b) of IAS 27 requires an entity to disclose a list of significant investments in subsidiaries, joint ventures, and associates. The disclosure requirements include the name and principal place of business of the investee and the proportion of the ownership interest held in the investee. The respondents said the disclosures would provide useful information to users of eligible subsidiaries' financial statements.

Staff analysis

A9.15. The staff do not agree with adding paragraph 16(b) of IAS 27 to the new Standard. The disclosures are not included in the *IFRS for SMEs* Accounting Standard and there is no recognition and measurement difference with IFRS Accounting Standards. Applying the IASB's approach, paragraph 16(b) of IAS 27 was not proposed in the draft Standard. The staff has not identified which of the principles for reducing disclosure requirements the information provided by paragraph 16(b) of IAS 27 would relate to.

Staff recommendation

A9.16. The staff recommends the IASB not add paragraph 16(b) of IAS 27 to the new Standard.