IFRS Accounting

Staff paper

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Project	**Power Purchase Agreements (PPAs)**
Topic	**Proposed disclosure- and transition requirements**
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Introduction and purpose

1. As Agenda Paper 3 to this meeting explains, this paper includes our analysis and recommendations for the International Accounting Standards Board (IASB) to amend IFRS 7 *Financial Instruments: Disclosures* to include proposed disclosure requirements for the contracts within the scope of the proposed amendments as outlined in Agenda Paper 3A of this meeting (hereafter contracts for renewable electricity) and the transition requirements of the proposed amendments to both IFRS 9 *Financial Instruments* and IFRS 7.

Structure and papers for this meeting

2. This paper is structured as follows:

   (a) summary of staff recommendations;

   (b) disclosure requirements for entities applying IFRS Accounting Standards;

   (c) disclosure requirements disclosure requirements for Subsidiaries without Public Accountability (SWOPA); and

   (d) transition.

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3. We include the questions to the IASB in each subsection of the paper. This paper includes one appendix with extracts of disclosure requirements in IFRS Accounting Standards.

Summary of staff recommendations

4. For the proposed disclosures for contracts for renewable electricity, we recommend that the IASB requires an entity:

   (a) as specific disclosure objectives, to disclose information that enable investors to assess the effects of the contracts within the scope of the proposed amendments:

      (i) on an entity's financial performance; and

      (ii) on the amount, timing and uncertainty of the entity's future cash flows.

   (b) as items of information, to disclose for all its contracts for renewable electricity within the scope of the proposed amendments:

      (i) the terms and conditions of contracts. These terms and conditions are, for example, the term of the contract, the type of pricing including whether the contracts include price adjustment clauses, minimum or maximum quantities, cancellation clauses and whether the contracts include RECs.

      (ii) either the fair value of the contracts at the reporting date, accompanied by the information required by paragraphs 93(g)–93(h) of IFRS 13, or the items of information listed in paragraph (c).

   (c) if that entity does not disclose the fair value of its contracts for renewable electricity applying paragraph (b)(ii), to disclose for these contracts:

      (i) the total volume of renewable electricity sold or purchased under the contracts during the reporting period.

(ii) the average market/spot price per unit of electricity for the reporting period.

(iii) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the contracts. This information could be provided as a range for each of the following periods: not later than one year; later than one year and not later than five years and later than five years.

(iv) the methods and assumptions used in preparing the analysis in (iii), including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.

5. For the proposed disclosures for SWOPA, we recommend that the IASB requires those entities:

(a) to disclose the terms and conditions of contracts for renewable electricity. These terms and conditions are, for example, the term of the contract, the type of pricing including whether the contracts include price adjustment clauses, minimum or maximum quantities, cancellation clauses and whether the contracts include RECs.

(b) to disclose either the fair value of the contracts accompanied by the information required by the *Subsidiaries Standard* (as defined in paragraph 45 of this paper) for other assets or liabilities measured at a Level 3 fair value, or the items of information listed in paragraph (c).

(c) if that entity does not disclose the fair value of contracts applying paragraph (b), to disclose for these contracts:

(i) the total volume of renewable electricity sold or purchased under the contracts during the reporting period.

(ii) the average market/spot price per unit of electricity for the reporting period.

(iii) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the contracts. This information could be provided as a range for each of the following periods: not later than one year; later than one year and not later than five years and later than five years.

(iv) the methods and assumptions used in preparing the analysis in (iii), including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.

6. For the transition requirements we recommend that the IASB:

(a) requires an entity to apply the proposed amendments to the own-use requirements retrospectively applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* but the entity is not required to restate prior periods to the reflect the application of the proposed amendments. However, an entity may restate prior periods only if it is possible to do so without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount of its contracts and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

(b) requires an entity to apply the proposed amendments to the hedge-accounting requirements prospectively. However, during the annual reporting period in which an entity first applies the proposed amendments, an entity is permitted:

(i) for hedging relationships that are already designated, to alter the designation of the hedged item. Such alterations to the hedged item will not constitute the discontinuation of the hedging relationship.

(ii) for potential hedging relationships that would have met the qualifying hedge accounting criteria if the proposed amendments are available at

that time, designate the hedging relationship from the date the criteria would have been met.

(c) for the transition requirements described in paragraphs (b)(i) and (b)(ii), requires that such designations can be made if, and only if, the entity do so without the use of hindsight and the formal documentation of the hedging relationship is in place by the end of the reporting period in which the entity first applies the proposed amendments. For the avoidance of doubt, this means that an entity needs to have the required information available from the date on which the entity would be designating the hedging relationship.

(d) exempts an entity from disclosing, for the current period and for each prior period presented, the quantitative information as required by paragraph 28(f) of IAS 8.

(e) permits early application of the proposed amendments and requires an entity that applies the amendments early to disclose that fact.

(f) does not provide transition relief for first-time adopters.

Disclosure requirements for entities applying IFRS Accounting Standards

Preliminary thinking

7. In January 2024 we noted that many IASB members asked us to consider the need for transparency about PPAs that, when applying the proposed amendments, will be accounted for as a normal purchase as opposed to derivatives—the latter being subject to the requirements of IFRS 7.[1] Therefore, in preparation for the January 2024 IASB meeting, we had informal discussions with some members of our Capital Markets Advisory Committee (CMAC).

[1] We use the term 'normal purchase' with the same meaning as it is used in paragraph BCZ2.18 of the Basis for Conclusions on IFRS 9.

8. Consequently, we reported to the IASB in January 2024 that the investors we spoke to, suggested some items of information that they personally may find useful about PPAs.[2] We list these items within our analysis.

9. Input and feedback from these investors explained that the specific disclosure objective for these items of information is to enable investors to understand the effect of PPAs have on an entity's financial performance and future cash flows.[3]

10. IFRS 7 already include comprehensive disclosure requirements for all financial instruments within the scope of IFRS 9 and for designated hedging relationships. Considering the information those investors that we have consulted so far told us will be useful for long-term PPAs, at the time, we were of the view that additional disclosure requirements for virtual PPAs are not needed.

Feedback on our preliminary thinking

11. Input and feedback from IASB members, members from the Accounting Standards Advisory Forum (ASAF) and the investors we spoke to agreed (or did not disagree) with the need for additional disclosure about physical PPAs that accounted for as own use contracts and are therefore excluded from the scope of IFRS 9.

12. There were questions about whether the costs of disclosing those items of information would outweigh the benefits. There were also concerns that some of the items of information may be commercially sensitive or very costly to prepare. One ASAF member suggested developing risk-based disclosure requirements—for example requiring information to be disclosed about how an entity manages the risk of selling unused quantities at a spot price that is lower than the price in the PPA. Another

[2] We use the term 'items of information' as described in the IASB's project summary) for its project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*.

[3] We use the term 'specific disclosure objective' as described in the IASB's project summary) for its project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*.

ASAF member suggested the IASB include an exemption to the proposed disclosure requirements for short-term PPAs.

13. Questions also arose about whether the disclosure requirements need to apply to all contracts to buy or sell non-financial items that are excluded from the scope of IFRS 9 instead of only those that would be subject to the proposed amendments.

Staff analysis

14. In developing our recommendations, we considered:
    - (a) that PPAs are an important tool for entities to not only fix the price of future sales and purchases of renewable electricity, but also to secure the access to renewable electricity or Renewable Energy Certificates (RECs).
    - (b) that entities may (already) provide information (inside or outside the financial statements) about its PPAs to communicate to its stakeholders how these contracts contribute towards their carbon reduction strategies. We have considered the relevant requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* with regards to Scope 2 emissions and entity's commitments in this regard.
    - (c) existing disclosure requirements in IFRS Accounting Standards.
    - (d) input and feedback on our preliminary thinking.
    - (e) results from a desktop review of publicly available financial statements.

15. We analysed:
    - (a) the specific disclosure objectives;
    - (b) the items of information;
    - (c) the scope of the proposed disclosure; and
    - (d) the costs and benefits of the proposed disclosure.

The specific disclosure objectives

16. A specific disclosure objective:

    (a) describes the detailed investor information needs within an individual IFRS Accounting Standard;

    (b) requires an entity to disclose all material information to enable those investor information needs to be met; and

    (c) explains what investors might do with the information provided.

17. Input and feedback confirmed, and added to, our preliminary thinking. In our understanding, investors want to understand the effect PPAs (both physical and virtual) have:

    (a) *on an entity's financial performance in the reporting period*—for example, disclosure about the terms and conditions and what revenue and expenses would have been in the absence of the PPA; and

    (b) *on the amount, timing and uncertainty of the entity's future cash flows*—for example, disclosure of an indication of the fair value of the contract at the reporting date.

18. We do not recommend the IASB adding an overall disclosure objective for any proposed disclosure requirements about PPAs.[4] In our view, paragraphs 7 and 31 of IFRS 7 already include such objectives for all financial instruments within the scope of that Standard.

19. We also note that paragraph B3 of IFRS 7 explains that an entity decides how much detail it provides to satisfy the requirements of that Standard and how it aggregates information to display the overall picture without combining information with different characteristics. Therefore, we do not recommend the IASB include additional guidance about aggregation or disaggregation of information to satisfy the

[4] We use the term 'overall disclosure objective' as described in the IASB's project summary) for its project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*.

specific disclosure objectives. For clarity, it is not our intention that an entity would disclose the items of information for each of its PPAs separately.

The items of information

20. As per the principles established as part of the IASB's project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*, items of information:

    (a) provide an entity with the specific details of what it may, or sometimes is required to, disclose to satisfy each specific disclosure objective.

    (b) help an entity to apply judgement and to determine how to satisfy specific disclosure objectives.

21. In our view, the items of information the investors we spoke to (and included within our preliminary thinking) identified that would enable them to understand the effect of PPAs on an entity's financial performance are:

    (a) the type of pricing (fixed vs variable);

    (b) the price agreed in the PPA (and possibly the market price as at the reporting date);

    (c) the proportion of such contracts compared to total sales or purchases of the same non-financial item;

    (d) the effect of the PPA on the revenue and expenses during the reporting period, for example what electricity costs for the period would have been in the absence of the PPA (ie if all purchases were made at spot rates); and

    (e) an indication of the fair value of the contract at the reporting date.

22. IFRS Accounting Standards include disclosure requirements that may apply to some contracts for renewable electricity that would enable investors to understand the effect of these contracts on an entity's financial performance and future cash flows (this is not an exhaustive list but provide examples of relevant items of information):

Disclosure that may apply to PPAs measured at fair value through profit or loss

(a) *paragraph 20(a)(i) of IFRS 7*—the net gains or net losses on financial instruments measured at fair value through profit or loss;

(b) *paragraph 93(e) of IFRS 13* Fair Value Measurement— for recurring fair value measurements categorised within Level 3, total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised;

Disclosure that may apply to PPAs measured at fair value and designated as a hedging instrument

(c) *paragraph 23A of IFRS 7*—information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity;

Disclosures that may apply to PPAs accounted for as a normal sale contract for the seller of renewable electricity

(d) *paragraph 119 of IFRS 15* Revenue from Contracts with Customers—information about its performance obligations in contracts, including information about the nature of the goods or services and significant payment terms;

(e) *paragraph 120 of IFRS 15*—an explanation of when the entity expects to recognise as revenue the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied;

Disclosures that may apply to PPAs accounted for as a normal purchase contract for the purchaser of renewable electricity

(f) *paragraphs 29, 97 and 104 of IAS 1* Presentation of Financial Statements—material items of income and expenses by nature;[5]

[5] [Draft] IFRS 18 *Presentation and Disclosure in Financial Statements* will include principles for aggregating and disaggregating items of income and expenses in the financial statements and specific disclosure requirements for particular items of expenses by their nature.

(g) *paragraph 36(d) of IAS 2*—the amount of inventories recognised as an expense during the period;

(h) *paragraphs 84 and 85 of IAS 37* Provisions, Contingent Liabilities and Contingent Assets—information, including a reconciliation, about each class of provision, including onerous contracts.

23. However, IFRS Accounting Standards include limited disclosure requirements for unrecognised contractual commitments—that, in our view, would typically not apply to contracts for renewable electricity but provide the information investors identified for these contracts:

(a) *paragraph 22(i) of IAS 10* Events after the Reporting Period—significant commitments entered into after the reporting period.

(b) *paragraph 74(c) of IAS 16* Property, Plant and Equipment—the amount of contractual commitments for the acquisition of property, plant and equipment. Similar disclosure requirements are also included in paragraph 122(e) of IAS 38 *Intangible Assets* and paragraph 49(b) of IAS 41 *Agriculture*.

(c) *paragraph 18 of IAS 24* Related Party Disclosures—commitments entered into with related parties.

24. Input and feedback from IASB members and members from ASAF raised concerns about:

(a) disclosing information about PPAs that may be commercially sensitive, for example information about the fixed price agreed; and

(b) disclosing 'pro-forma' or 'hypothetical' information about what income or expenses would have been if the PPA had not been in place; and

(c) whether the costs of disclosing the fair value of the PPA would outweigh the benefits—determining the fair value is complex and subject to high levels of measurement uncertainty.

25. Reviewing a small sample of publicly available financial statements, we observed that entities that are purchasers of non-financial items typically disclose the following information about long-term unrecognised contractual commitments:

(a) the nature of the item to be purchased, for example purchases of raw materials, services for maintenance of infrastructure or electricity; and

(b) in aggregate, future payments arising from the commitments, disclosed by time bands. For example, one entity (a mining company) made use of the following time bands:

(i) within one year;

(ii) between one and two years;

(iii) between two and three years;

(iv) between three and four years;

(v) between four and five years; and

(vi) after five years.

26. Considering examples of existing disclosure requirements that may apply to some contracts for renewable electricity, the concerns raised by feedback providers and the results of our desktop review, we are still of the view that disclosure of additional items of information must be required to enable investors to understand the effect of these contracts on an entity's financial performance and future cash flows for the following reasons:

(a) current disclosure requirements listed in paragraphs 22–23 of this paper do not apply to all PPAs under all circumstances. An investor may not receive sufficient information about PPAs from those disclosure requirements because they may not capture information about the particular characteristics (and the risks arising) from PPAs. We, however, do not intend for an entity to duplicate information already provided applying another IFRS Accounting Standard.

(b) if the IASB agrees with our recommendations in Agenda Paper 3A of this meeting, some physical PPAs would, if the proposed amendments are

finalised, be accounted for as a normal purchase and would therefore be excluded from the current scope of IFRS 7. This change in accounting will result in less disclosures being required for those contracts.

27. To enable users of the financial statements (investors) to understand the effects of contracts for renewable electricity on an entity's financial performance, we recommend that entities disclose:

    (a) the terms and conditions of the contracts. These terms and conditions are, for example, the term of the contract, the type of pricing including whether the contracts include price adjustment clauses, minimum or maximum quantities, cancellation clauses or penalties and whether the contracts include RECs.

    (b) the total volume of renewable electricity sold or purchased under the contracts during the reporting period.

    (c) the average market/spot price per unit of electricity for the reporting period.

28. To enable investors to understand the effects of contracts for renewable electricity on the amount, timing and uncertainty of an entity's future cash flows, we recommend that entities disclose qualitative and quantitative information including:

    (a) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the PPA. This information could be provided as a range for each of the following periods:

        (i) not later than one year;

        (ii) later than one year and not later than five years;

        (iii) later than five years.

    (b) the methods and assumptions used in preparing this analysis, including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.

29. For the items of information in paragraphs 27(c), input and feedback from an organisation that represents preparers did identify that entities may be subject to

multiple electricity markets. These items of information may result in a large quantity of information that may not be useful to investors. Following paragraph 19 of the paper, in our view, an entity needs to decide how much detail it provides to satisfy the disclosure objectives.

30. For the item of information in 28(a), estimating the expected volumes might require judgement or be subject to high levels of measurement uncertainty. For this reason, we are of the view that requiring a range of total volumes would still satisfy the disclosure objectives and be practical to apply.

31. Some entities do determine the fair value of PPAs because they account for their PPAs (both physical and virtual) as derivatives. In our view, requiring an entity that measures its PPAs at fair value to disclose all the items of information listed in paragraphs 27–28 would result in that entity disclosing similar, although not the same, information as required by other IFRS Accounting Standards. For example, IFRS 13 requires qualitative and quantitative information about items routinely measured at fair value that fall within Level 3 of the fair value hierarchy. This information, in our view, would satisfy the disclosure objectives in paragraph 17. Consequently, we are of the view that the IASB permits as an alternative item of information to those listed in paragraphs 27(b)–27(d) that an entity disclose the fair value of the PPAs, accompanied by the information required by paragraphs 93(g)–93(h) of IFRS 13.

The scope of the proposed disclosure

32. In January 2024, our preliminary thinking was that the proposed disclosure requirements need to apply to physical PPAs for a purchaser that accounted for the PPAs as normal purchases. Our reasons were:

    (a) virtual PPAs and physical PPAs that are accounted for as derivatives would be in the scope of IFRS 7 that already include sufficient disclosure requirements that enable investors to evaluate the significance of the PPAs for the entity's financial position and performance (paragraph 7 of IFRS 7) and to evaluate the

nature and extent of risks arising from the PPAs to which the entity is exposed at the end of the reporting period (paragraph 31 of IFRS 7).

(b) paragraphs 21A–24F of IFRS 7 includes disclosure requirements related to hedge accounting.

(c) physical PPAs for the seller would typically represent contracts with customers to which IFRS 15 apply. IFRS 15 includes disclosure requirements to enable investors to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers (paragraph 110 of IFRS 15).

33. In paragraph 41 of Agenda Paper 3A of this meeting, we noted that some feedback providers are of the view that physical PPAs and virtual PPAs result in the same economic outcome and, therefore, need to be accounted for in the same way. Even though we are of the view that different accounting treatments are appropriate, we do acknowledge that both types of contracts result in similar economic outcomes and expose the entity to the similar risks.

34. Consequently, the items of information that provide useful information about physical PPAs for the purchaser would also be useful information about other PPAs. We acknowledge other IFRS Accounting Standards (for example, those we mention in paragraph 32) do include disclosure requirements. However, an entity would not need to duplicate information already provided applying other Standards.

35. We acknowledge that there could be an overlap on some of the disclosures an entity may provide applying requirements in IFRS S1 IFRS S2, but we also would expect to duplicate information. In addition, we are of the view that the proposed disclosure requirements could be complementary to what the International Sustainability Standards Board requires.

36. For clarity, we do not recommend that an entity provide disclosure for PPAs accounted for applying IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 16 *Leases*, IAS 28 *Investments in Associates and Joint Ventures*

and IFRIC 12 *Service Concession Arrangements*. The economic substance of PPAs accounted for applying these Standards differ from the PPAs within the scope of the proposed amendments.

37. We recommend that the proposed disclosure requirements apply to all PPAs within the scope of the proposed amendments—that is, physical and virtual and for both parties to the PPAs.

Alternative suggestions for the scope of the proposed disclosure

38. Input and feedback from members from ASAF suggested that the scope of the disclosures need to include all contracts for non-financial items accounted for as normal purchases. Even though we agree that the disclosures we recommend may provide useful information for all such contracts, expanding the scope of the disclosures would go beyond the scope of the proposed amendments (as discussed in Agenda Paper 3A of this meeting). We, therefore, decided against recommending a broader scope.

39. This conclusion is also not unique to this project. For example, paragraph BC223 of the Basis for Conclusions on IFRS 16 says:

> The IASB decided not to require the disclosure of a maturity analysis of non-lease components. The IASB thinks that users of financial statements would find information about the maturities of any contractual commitments of an entity useful, regardless of the nature of the entity's rights under the contract. However, the IASB noted that it could be misleading to require the disclosure of contractual commitments for services that are embedded within a lease without also requiring the disclosure of contractual commitments for services that are provided as part of other contracts. The IASB decided that adding such a disclosure requirement would be beyond the scope of the Leases project.

The costs and benefits of the proposed disclosure

40. Our analysis in paragraphs 16–39 makes reference to the benefits of the proposed disclosure.

41. Paragraph 2.40 of the *Conceptual Framework for Financial Reporting* says:

> Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

42. We analyse the costs for providers and users of financial information for our recommended items of information:

Recommended items of information	Staff analysis
(a) the terms and conditions of the contracts.	• We expect this information to be readily available to the providers of financial information. Entities can determine the appropriate level of aggregation to comply with the disclosure objectives.
(b) the fair value of the contracts accompanied by the information required by paragraphs 93(g)–93(h) of IFRS 13	• Although we acknowledge the costs and complexity involved in measuring the fair value of a contract for renewable electricity, we note that these concerns are not unique to these instruments. • We also note that in the absence of the proposed amendments, many contracts for renewable electricity might not qualify to be accounted for as normal purchase contracts and would therefore

Recommended items of information	Staff analysis
	be required to be measured at fair value through profit or loss. • If the information is not provided, there might be a loss of information to investors and they might have to incur costs to analyse effect of PPAs on an entity's financial performance and future cash flows • However, we also acknowledge the feedback from some investors which indicated that the fair value of these contracts are not only useful information to be provided and therefore we recommend the disclosure of the fair value as one way in which an entity may satisfy the disclosure objectives.
(c) the total volume of renewable electricity sold or purchased under the contracts during the reporting period; and (d) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the contracts—and the methods and assumptions used in preparing the analysis, including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.	• We expect providers of financial information would be able to prepare this information. An entity would need to have access to this information in order to apply the proposed amendments to the own-use requirements—that is to provide evidence of how the expected volumes delivered under the PPAs are consistent with the entity's expected usage requirements.

Recommended items of information	Staff analysis
(e) the average market/spot price per unit of electricity for the reporting period.	• We expect this information would be readily available to providers of information particularly if electricity is a substantial input into its operating activities.

43. In light of our analysis, on balance, we are of the view that the benefits of applying our recommended disclosure requirements would outweigh the costs of preparing the information.

Conclusion

44. For the proposed disclosures with respect to contracts for renewable electricity within the scope of the proposed amendments, we recommend that the IASB requires an entity:

    (a) as specific disclosure objectives, to disclose information that enable investors to assess the effects of contracts for renewable electricity within the scope of the proposed amendments:

        (i) on an entity's financial performance; and

        (ii) on the amount, timing and uncertainty of the entity's future cash flows.

    (b) as items of information, to disclose for all its contracts for renewable electricity within the scope of the proposed amendments:

        (i) the terms and conditions of contracts. These terms and conditions are, for example, the term of the contract, the type of pricing including whether the contracts include price adjustment clauses, minimum or maximum quantities, cancellation clauses and whether the contracts include RECs.

(ii) either the fair value of the contracts at the reporting date, accompanied by the information required by paragraphs 93(g)–93(h) of IFRS 13, or the items of information listed in paragraph (c).

(c) if that entity does not disclose the fair value of its contracts for renewable electricity applying paragraph (b)(ii), to disclose for these contracts:

(i) the total volume of renewable electricity sold or purchased under the contracts during the reporting period.

(ii) the average market/spot price per unit of electricity for the reporting period.

(iii) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the contracts. This information could be provided as a range for each of the following periods: not later than one year; later than one year and not later than five years and later than five years.

(iv) the methods and assumptions used in preparing the analysis in (iii), including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.

Question for the IASB

Question for the IASB
1. Does the IASB agree with our recommendations about the proposed disclosure requirements in paragraph 44?

Disclosure requirements for Subsidiaries without Public Accountability

Staff analysis

45. The IASB expects to issue the final IFRS Accounting Standard for its project on *Subsidiaries without Public Accountability: Disclosures* (*Subsidiaries Standard*) in the first half of 2024. This Standard will permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. The IASB's agreed approach to maintenance of this Standard requires that potential changes to disclosure requirements in other IFRS Accounting Standards are reviewed at two levels:

    (a) at a detailed level against the principles for reducing disclosures set out in paragraph BC34 of the Basis for Conclusions on the 2021 Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, relating to:

    - (i) information about short term cash flows and obligations, commitments and contingencies whether or not they are recognised as liabilities;
    - (ii) information about liquidity and solvency;
    - (iii) information on measurement uncertainties;
    - (iv) information about accounting policy choices; and
    - (v) disaggregation of amounts presented in the financial statements.

    (b) at a high level, considering whether newly added or amended disclosure requirements would be proportional and would be in keeping with the goal of allowing reduced disclosures while meeting the needs of users of the financial statements of eligible subsidiaries.

46. Considering paragraphs 45(a) and (b):

Recommended items of information	Staff analysis
(a) the terms and conditions of the contracts.	• Information about a SWOPA's contracts for renewable electricity provides

Recommended items of information	Staff analysis
	information about the entity's commitments (paragraph 45(a)(i)). • We expect this information to be readily available to SWOPA without undue cost or effort (paragraph 45 (b)).
(b) the fair value of the contracts accompanied by the information required by the *Subsidiaries Standard* for Level 3 fair value measurements.	• Information about a SWOPA's PPAs provides information about the entity's commitments (paragraph 45(a)(i)). • Due to the higher cost to prepare this disclosure (paragraph 45(b)), we recommend fair value disclosure as one alternative of disclosure to provide. • We also recommend that the fair value is accompanied by the information required by the *Subsidiaries Standard* for Level 3 fair value measurements. Therefore, this disclosure is proportionally reduced in line with how the *Subsidiaries Standard* reduces disclosures required by IFRS 13 (paragraph 45(b)).
(c) the total volume of renewable electricity sold or purchased under the contracts during the reporting period; and (d) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the PPA—and the methods and assumptions used in preparing the analysis, including information about changes from the previous	• The items of information provides information about the SWOPA's commitments (paragraph 45(a)(i)). • We expect the information would be available, although at a cost. A SWOPA would also need to have access to this information in order to apply the proposed amendments to the own-use requirements (paragraph 45(b)).

Recommended items of information	Staff analysis
period in the methods and assumptions used, and the reasons for such changes.	
(e) the average market/spot price per unit of electricity for the reporting period.	• The item of information provides information about the SWOPA's commitments (paragraph 45(a)(i)). • We expect this information would be readily available particularly if electricity is a substantial input into its operating activities (paragraph 45(b)).

Conclusion

47. For the proposed disclosures for a SWOPA, we recommend that the IASB requires those entities:

(a) to disclose the terms and conditions of the contracts for renewable electricity. These terms and conditions are, for example, the term of the contract, the type of pricing including whether the contracts include price adjustment clauses, minimum or maximum quantities, cancellation clauses and whether the PPAs include RECs.

(b) to disclose either the fair value of the contracts for renewable electricity accompanied by the information required by the *Subsidiaries Standard* for other assets or liabilities measured at a Level 3 fair value, or the items of information listed in paragraph (c).

(c) if that entity does not disclose the fair value of its contracts for renewable electricity applying paragraph (b), to disclose for these contracts:

(i) the total volume of renewable electricity sold or purchased under the contracts during the reporting period.

(ii) the average market/spot price per unit of electricity for the reporting period.

(iii) the volume of renewable electricity an entity expects to sell or purchase over the remaining term of the contracts. This information could be provided as a range for each of the following periods: not later than one year; later than one year and not later than five years and later than five years.

(iv) the methods and assumptions used in preparing the analysis in (iii), including information about changes from the previous period in the methods and assumptions used, and the reasons for such changes.

Question for the IASB

Question for the IASB
2. Does the IASB agree with our recommendations about the proposed disclosure requirements for Subsidiaries without Public Accountability set out in paragraph 47?

Transition

48. We analyse proposed transition requirements for:

(a) entities already applying IFRS Accounting Standards, considering:

(i) the proposed amendments to the own-use requirements;

(ii) the proposed amendments to the hedge-accounting requirements;

(iii) transition disclosure; and

(iv) early application.

(b) first-time adopters.

Entities already applying IFRS Accounting Standards

The proposed amendments to the own-use requirements and additional disclosure requirements

49. IAS 8 describes two transition/application approaches that are typically used throughout IFRS Accounting Standards. These are:

    (a) *retrospective application*—when applying a new accounting policy (amendment to a Standard or new IFRS Accounting Standard) to transactions, other events and conditions as if it had always been applied. Such an approach usually includes restatement of comparative information in the financial statements; and

    (b) *prospective application*—when a change in accounting policy, amendment to a Standard or a new IFRS Accounting Standard is applied to transactions, other events and conditions occurring after the effective date.

50. On initial application of IFRS 9, a retrospective transition approach was applied, subject to specific exceptions including paragraph 7.2.15 of IFRS 9 that does not require an entity to restate comparative information—an entity may restate prior periods if, and only if, it is possible without the use of hindsight (modified retrospective approach). On initial application of IFRS 7, if an entity applied IFRS 7 for annual periods beginning before 1 January 2006, it need not present comparative information for the disclosures about the nature and extent of risks arising from financial instruments. (IFRS 7 was effective or annual periods beginning on or after 1 January 2007.)

51. Paragraph 2.15 of IFRS 9 further states that if an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

52. We expect that the entities that would be affected by the proposed amendments to the own-use requirements are those entities that would need to change accounting for their physical PPAs as derivatives to accounting for them as normal purchases. Therefore, in our view, we do not expect barriers to apply the proposed amendments to the own-use requirements retrospectively applying IAS 8.

53. However, keeping in line with the existing transition requirements in IFRS 9 and IFRS 7, we recommend that restatement of comparative information is not required on initial application of the proposed amendments. However, an entity may restate prior periods and provide the additional disclosure about its PPAs if, and only if, it is possible without the use of hindsight.

Conclusion

54. We recommend that the IASB requires an entity to apply the proposed amendments to the own-use requirements and the additional disclosure requirements retrospectively applying IAS 8 without requiring restatement of prior periods to the reflect the application of the proposed amendments. However, an entity may restate prior periods only if it is possible to do so without the use of hindsight.

55. Any difference between the previous carrying amount of its contracts for renewable electricity and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognised in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

The proposed amendments to the hedge accounting requirements

56. Typically hedge accounting can only be applied prospectively (paragraphs 6.4.1 (b) and 7.2.21 of IFRS 9). This is not problematic for new hedging relationships that are designated after the effective date of the proposed amendments. Stakeholders, however, have urged the IASB to enable entities to apply the proposed amendments to the hedge accounting requirements as soon as possible after the final amendments are

issued. In context, there are two more possible populations where we think transition relief may be appropriate:

(a) hedging relationships that are already designated and to which the proposed amendments could be applied; and

(b) potential hedge accounting relationships that did not meet the qualifying criteria under the current IFRS 9 hedge accounting requirements but qualify for designation applying the proposed amendments.

57. Typically, in such circumstances, retrospective designation of a hedging relationship is not possible. This is because the IASB already noted in paragraph BC6.601 of IFRS 9 that retrospective application would not allow reinstating hedging relationships that have already been discontinued at the date the amendments are applied nor would it allow designation of hedging relationships in hindsight. Therefore, doing otherwise would be not consistent with the requirement that hedge accounting applies prospectively.

58. However, there are a few exceptions in specified circumstances as detailed in the transition requirements for *Interest Rate Benchmark Reform—Phase 2* (see paragraph 7.2.44 of IFRS 9). Applying the requirements in paragraph 7.2.44 of IFRS 9 an entity is permitted to reinstate a discontinued hedging relationship if, and only if, the following conditions are met:

(a) the entity had discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and the entity would not have been required to discontinue that hedging relationship if these amendments had been applied at that time; and

(b) at the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting (after taking into account these amendments)

59. Against this background, the staff considered whether the proposed amendments could be applied in a way that is consistent with transition requirements in IFRS 9 for the IBOR amendments. This would mean applying these proposed requirements in the year of initial application to determine if the hedge accounting requirements would have been met if the proposed amendments would have been available at the time.

60. Specifically, we were contemplating situations whereby entities would be able to evidence that the qualifying criteria of hedge accounting (as amended) would have been met on or after the beginning of the reporting period in which an entity first applies the proposed amendment. In these circumstances we considered that the requirement to have in place formal documentation at the inception of the hedging relationship could be deferred until the end of the reporting period in which the proposed amendments are first applied. This would mean:

    (a) for existing hedging relationships an entity would be able to change the designation of the hedged item without the need to discontinue the hedging relationship; and

    (b) for potential hedging relationships which would have met the qualifying hedge accounting criteria (after taking into account these amendments) the entity is able to apply hedge accounting in the period the proposed amendments first become effective.

61. We believe that in these circumstances hedge accounting is still applied prospectively but only the documentation requirements of paragraph 6.4.1 (b) of IFRS 9 are met at a different point in time.

62. However, the proposed amendments would not allow the entity to apply the proposed amendments in periods beginning before the annual reporting period in which the amendments are initially applied. Doing so would be inconsistent with the general requirements that hedge accounting is applied prospectively.

63. For the avoidance of doubt, this mean that hindsight cannot be used when assessing these potential hedging relationships (see paragraph 53 of IAS 8). Although this could

be regarded as adding operational burden and effort on preparers, the staff is of the view that the benefits would outweigh the costs of having to maintain such documentation.

64. We believe such an application present the financial information of an entity faithfully in line with the paragraphs 2.12 of the *Conceptional Framework* and therefore provides useful information to the reader of financial statements.

Conclusion

65. We recommend that the IASB requires an entity to apply the proposed amendments to the hedge accounting requirements prospectively. However, during the annual reporting period in which an entity first applies the proposed amendments, an entity is permitted:

    (a) for hedging relationships that are already designated, to alter the designation of the hedged item. Such alterations to the hedged item will not constitute the discontinuation of the hedging relationship; and

    (b) for potential hedging relationships that would have met the qualifying hedge accounting criteria if the proposed amendments are available at that time, designate the hedging relationship from the date the criteria would have been met.

66. For the purposes of the transition requirements described in paragraphs 65(a) and 65(b), such designations can be made if, and only if, the entity do so without the use of hindsight and the formal documentation of the hedging relationship is in place by the end of the reporting period in which the entity first applies the proposed amendments. For the avoidance of doubt, this means that an entity needs to have the required information available from the date on which the entity would be designating the hedging relationship.

Transition disclosure

67. Paragraph 28 of IAS 8 requires an entity to provide specific disclosures when initial application of an IFRS Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods. An entity is required to apply the disclosure requirements of IAS 8 unless another IFRS Accounting Standard specifies otherwise. However, we are of the view that in the reporting period that includes the date of initial application of these amendments, an entity is not required to present the quantitative information required by paragraph 28(f) of IAS 8. These requirements are as follows:

> When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
>
> …
>
> f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
>
> (i) for each financial statement line item affected; and
>
> (ii) if IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share.

68. In our view the cost of providing the quantitative disclosure in paragraph 28(f) of IAS 8 would exceed the benefits because it may include the running of two substantially different accounting treatments (derivative accounting vs normal purchases accounting, or no hedge accounting vs applying hedge accounting).

Conclusion

69. We recommend that an entity need not disclose, for the current period and for each prior period presented, the quantitative information as required by paragraph 28(f) of IAS 8.

Early application

70. We recommend permitting an entity that already applies IFRS Accounting Standards to early apply the proposed amendments, except for the hedged accounting amendments due to the reasons in paragraphs 57–58. Given the proposed amendments' benefits and input and feedback that asked the IASB for a timely solution, we see no reason to prohibit early application of the proposed amendments.

71. We also recommend that if an entity applies the amendments for an earlier period, the entity should be required to disclose that fact.

First time adopters

72. IFRS 1 *First-time Adoption of International Financial Reporting Standards* currently includes no exceptions from to the retrospective application of the own-use requirements in IFRS 9. IFRS 1 does include exceptions to the retrospective application for hedge accounting (paragraphs B4–B6 of IFRS 1). We have not identified any reason to add to these existing requirements in IFRS 1.

73. We recommend that the IASB do not provide additional transition relief for first-time adopters.

Conclusion

74. For the transition requirements we recommend that the IASB:

    (a) requires an entity to apply the proposed amendments to the own-use requirements retrospectively applying IAS 8 but the entity is not required to

restate prior periods to the reflect the application of the proposed amendments. However, an entity may restate prior periods only if it is possible to do so without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount of its contracts and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

(b) requires an entity to apply the proposed amendments to the hedge-accounting requirements prospectively. However, during the annual reporting period in which an entity first applies the proposed amendments, an entity is permitted:

  (i) for hedging relationships that are already designated, to alter the designation of the hedged item. Such alterations to the hedged item will not constitute the discontinuation of the hedging relationship.

  (ii) for potential hedging relationships that would have met the qualifying hedge accounting criteria if the proposed amendments are available at that time, designate the hedging relationship from the date the criteria would have been met.

(c) for the purposes of the transition requirements described in paragraph (b), such designations can be made if, and only if, the entity do so without the use of hindsight and the formal documentation of the hedging relationship is in place by the end of the reporting period in which the entity first applies the proposed amendments. For the avoidance of doubt, this means that an entity needs to have the required information available from the date on which the entity would be designating the hedging relationship.

(d) exempt an entity from disclosing, for the current period and for each prior period presented, the quantitative information as required by paragraph 28(f) of IAS 8.

(e) permitting an entity to apply the proposed amendments, except for the hedged accounting amendments, earlier than the effective date and to require an entity that applies the amendments for an earlier period to disclose that fact.

(f) not adding transition relief for first-time adopters.

Question for the IASB

Questions for the IASB
3. Does the IASB agree with our recommendations about the proposed transition requirements set out in paragraph 74?

Appendix—Extracts of disclosure requirements in IFRS Accounting Standards

A1. This appendix includes extracts of disclosure requirements in IFRS Accounting Standards referred to in this agenda paper.

IFRS 7 Financial Instruments: Disclosures

A2. Paragraph 7 of IFRS 7 explains that an entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

A3. Paragraph 8(a) of IFRS 7 requires that the carrying amounts of financial assets measured at fair value shall be either presented in the statement of financial position or disclosed in the notes.

A4. Paragraph 20(a)(i) of IFRS 7 requires an entity to either present in the statement of comprehensive income or disclose in the notes the net gains or net losses on financial assets or financial liabilities measured at fair value through profit or loss.

A5. Paragraphs 21A–24F of IFRS 7 includes the disclosure requirements related to hedge accounting. We note:

(a) paragraph 21A explains that the hedge accounting disclosures need to provide information about:

(i) an entity's risk management strategy and how it is applied to manage risk;

(ii) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and

(iii) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.

(b) paragraph 23A requires an entity to disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.

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(c) paragraph 23B states that to meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses:

  (i) a profile of the timing of the nominal amount of the hedging instrument; and

  (ii) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.

(d) paragraph 24A requires an entity to disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):

  (i) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);

  (ii) the line item in the statement of financial position that includes the hedging instrument;

  (iii) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and

  (iv) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

(e) paragraph 24B(b) requires an entity to disclose, in a tabular format, the following amounts related to hedged items separately by risk category for cash flow hedges:

  (i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (ie for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of IFRS 9);

  (ii) the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 6.5.11 and 6.5.13(a) of IFRS 9; and

(iii) the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.

A6. Paragraph 31 of IFRS 7 requires an entity to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

A7. Paragraph B3 of IFRS 7 explains that an entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of that Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

IFRS 13 Fair Value Measurement

A8. Paragraph 91 of IFRS 13 explains that an entity shall disclose information that helps users of its financial statements assess both of the following:

(a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.

(b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

A9. Paragraph 93(e) of IFRS 13 requires an entity to disclose for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(a) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.

(b) total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.

(c) purchases, sales, issues and settlements (each of those types of changes disclosed separately).

(d) the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

IFRS 15 Revenue from Contracts with Customers

A10. Paragraph 110 of IFRS 15 states that the objective of the disclosure requirements in that Standard is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:

(a) its contracts with customers;

(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts; and

(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 of IFRS 15.

A11. Paragraph 119 of IFRS 15 requires an entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:

(a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;

(b) 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 in accordance with paragraphs 56–58 of IFRS 15);

(c) 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 (ie if the entity is acting as an agent);

(d) obligations for returns, refunds and other similar obligations; and

(e) types of warranties and related obligations.

A12. Paragraph 120 of IFRS 15 also requires an entity shall disclose the following information about its remaining performance obligations:

(a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and

(b) an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with paragraph 120(a) of IFRS 15, which the entity shall disclose in either of the following ways:

(i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or

(ii) by using qualitative information.

IFRS 16 Leases

A13. Paragraph 55 of IFRS 16 requires that a lessee shall disclose the amount of its lease commitments for short-term leases if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed relates.

IAS 1 Presentation of Financial Statements

A14. Paragraphs 29, 97 and 104 of IAS 1 require that an entity discloses material items of income and expenses by nature.

A15. Paragraph 17(c) of IAS 1 requires an entity to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

IAS 2 Inventories

A16. Paragraph 36 of IAS requires and entity to disclose:

(a) the accounting policies adopted in measuring inventories, including the cost formula used;

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(c) the carrying amount of inventories carried at fair value less costs to sell;

(d) the amount of inventories recognised as an expense during the period;

(e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34 of IAS 2;

(f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34 of IAS 2;

(g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34 of IAS 2; and

(h) the carrying amount of inventories pledged as security for liabilities.

IAS 10 Events after the Reporting Period

A17. Paragraph 22(i) of IAS 10 lists as an example of non-adjusting events after the reporting period that would generally result in disclosure the entity entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees.

IAS 16 Property, Plant and Equipment

A18. Paragraph 74(c) requires that an entity discloses the amount of contractual commitments for the acquisition of property, plant and equipment.

A19. Similar disclosure requirements are also included in paragraph 122(e) of IAS 38 *Intangible Assets* and paragraph 49(b) of IAS 41 *Agriculture*. We do not reproduce those extracts in this paper.

IAS 24 Related Party Disclosures

A20. Paragraph 18 of IAS 24 requires that if an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments, and:

  (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

  (ii) details of any guarantees given or received;

(c) provisions for doubtful debts related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

A21. Paragraph 84 of IAS 37 requires for each class of provision, an entity to disclose:

(a) the carrying amount at the beginning and end of the period;

(b) additional provisions made in the period, including increases to existing provisions;

(c) amounts used (ie incurred and charged against the provision) during the period;

(d) unused amounts reversed during the period; and

(e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

A22. Comparative information is not required for the information in paragraph 84 of IAS 37.

A23. Paragraph 85 of IAS 37 requires an entity to disclose the following for each class of provision:

(a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;

(b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 48; and

(c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.