Staff paper

Agenda reference: 30D

IASB® meeting

Date	**May 2024**
Project	**Second Comprehensive Review of the *IFRS for SMEs®* Accounting Standard**
Topic	**Disclosure requirements: *IFRS for SMEs* Accounting Standard and IFRS 19 *Subsidiaries without Public Accountability: Disclosures***
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Purpose of this paper

1. The purpose of this paper is for the International Accounting Standards Board (IASB):
   (a) to discuss the differences between the disclosure requirements in the *IFRS for SMEs* Accounting Standard and those in IFRS 19 *Subsidiaries without Public Accountability: Disclosures*; and
   (b) to decide whether to make changes to the disclosure requirements in the *IFRS for SMEs* Accounting Standard.

2. Feedback from respondents to the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (SMEs Exposure Draft) has been included where it relates to the disclosure requirements discussed in this paper. Other feedback from respondents on disclosure requirements proposed in the SMEs Exposure Draft has been covered in other IASB papers—for example comments on the disclosure requirements in Section 12 *Fair Value Measurement* were discussed at the December 2023 IASB

meeting and comments on the disclosure requirements in Section 23 *Revenue from Contracts with Customers* were discussed at the April 2024 IASB meeting.[1]

3. In this paper, the term 'SMEs' refers to entities eligible to apply the *IFRS for SMEs* Accounting Standard.

Structure of this paper

4. This paper includes:

   (a) background (paragraphs 6–15);

   (b) approach to analysing disclosure requirements (paragraphs 16–26);

   (c) staff recommendations and questions for the IASB (paragraph 27);

   (d) Appendix A—Extract from the *Basis for Conclusions on* the *IFRS for SMEs* Accounting Standard; and

   (e) Appendix B—Analysis of the disclosure requirements added to or withdrawn from the Subsidiaries Exposure Draft (ie, those added or withdrawn in finalising IFRS 19).

5. To make this paper more readable, the staff has analysed disclosure requirements by IFRS Accounting Standard in Appendix B to this paper. The analysis includes background information, where relevant.

[1] See December 2023 Agenda Paper 30A *Fair Value Measurement* and April 2024 Agenda Paper 30A *Section 23 Disclosure requirements*.

Background

Development of the disclosure requirements in IFRS 19[2]

6. The IASB used its previous work done when developing the *IFRS for SMEs* Accounting Standard as a starting point for developing the disclosure requirements in IFRS 19. The IASB used:

   (a) 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 aligned; and

   (b) the principles in paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard to reduce the disclosure requirements in IFRS Accounting Standards (principles for reducing disclosure requirements) if recognition and measurement requirements differed between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard (recognition and measurement differences).

7. The IASB used the principles for reducing disclosure requirements (see Appendix A to this paper) to consider the information needs of users of non-publicly accountable entities' financial statements.

8. During its redeliberations of the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Subsidiaries Exposure Draft), the IASB discussed stakeholder feedback on the interaction between the *Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures* project and the *Second Comprehensive Review of the* IFRS for SMEs *Accounting Standard* project. At its January and March 2023 meetings, the IASB discussed, respectively, the maintenance

[2] See paragraphs BC32–BC53 of the Basis for Conclusions on IFRS 19 for further discussion of the development of the disclosure requirements in IFRS 19.

of IFRS 19 and the relationship between the two projects. In those meetings, the IASB observed that in the future:[3]

(a) it will update IFRS 19 as new and amended IFRS Accounting Standards are developed, and will continue to update the *IFRS for SMEs* Accounting Standard periodically. Therefore, the IASB will consult separately on updates of the two Standards.

(b) it will assess the costs and benefits of disclosure requirements separately for subsidiaries eligible to apply IFRS 19 and SMEs applying the *IFRS for SMEs* Accounting Standard.

9. Accordingly, IFRS 19 and the *IFRS for SMEs* Accounting Standard might have different disclosure requirements because of:

(a) recognition and measurement differences; and

(b) decisions the IASB makes based on its assessment of the costs and benefits of the disclosure requirements.

10. In July 2023, the IASB completed its redeliberations of the proposals in the Subsidiaries Exposure Draft. As part of its redeliberations, the IASB discussed whether any of the feedback on the proposed disclosure requirements in the SMEs Exposure Draft should be considered while finalising IFRS 19. The redeliberations resulted in some changes to the proposed disclosure requirements in the Subsidiaries Exposure Draft.[4]

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[3] See Agenda Paper 31C *Maintenance of the Standard* and IASB *Update* of the January 2023 IASB meeting and Agenda Paper 31 *Relationship of the new IFRS Accounting Standard with the* IFRS for SMEs *Accounting Standard* and IASB *Update* of the March 2023 IASB meeting.

[4] See Agenda Paper 31A *Feedback on proposed disclosure requirements* and IASB *Update* of the April 2023 IASB meeting, Agenda Paper 31A *Feedback on proposed disclosure requirements* and IASB *Update* of the IASB May 2023 meeting and Agenda Paper 31A *Feedback on proposed disclosure requirements in the Exposure Draft Third Edition of the* IFRS for SMEs *Accounting Standard* and IASB *Update* of the June 2023 IASB meeting.

Development of the proposed disclosure requirements in the SMEs Exposure Draft[5]

11. At its September 2023 meeting, the IASB confirmed the scope of the Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard and its approach to the review—the alignment approach. The alignment approach treats alignment of the *IFRS for SMEs* Accounting Standard with IFRS Accounting Standards as the starting point for deciding whether to develop requirements for the *IFRS for SMEs* Accounting Standard. Under the alignment approach, the IASB applies the principles of relevance to SMEs, simplicity and faithful representation—including the assessment of costs and benefits—to determine whether and how that alignment should take place.

12. In proposing disclosure requirements in the SMEs Exposure Draft, for topics in which the recognition and measurement requirements of IFRS Accounting Standards and the SMEs Exposure Draft are:

    (a) aligned, the IASB proposed to align the disclosure requirements in the SMEs Exposure Draft with the proposals in the Subsidiaries Exposure Draft; and

    (b) different, the IASB applied the principles set out in paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard (see Appendix A to this paper).

Why the IASB's decisions in IFRS 19 are being considered during the redeliberations of the proposed disclosure requirements in the SMEs Exposure Draft?

13. Subsidiaries eligible to apply IFRS 19 are a subset of entities that can apply the *IFRS for SMEs* Accounting Standard. Furthermore, in developing the disclosure

[5] See paragraphs BC206-BC212 of the Basis for Conclusions on the SMEs Exposure Draft for further discussion of the development of the proposed disclosure requirements.

requirements in both Standards, the IASB is guided by the same set of principles that users of financial statements find important (see paragraphs 6 of this paper).

14. At its March 2023 meeting, the IASB discussed the relationship between the *IFRS for SMEs* Accounting Standard and IFRS 19. In that meeting, the IASB observed that the discussions in finalising the disclosure requirements in IFRS 19 (that is, changes to the proposals in the Subsidiaries Exposure Draft) should be considered when the IASB discusses the finalisation of the disclosure requirements in the third edition of the *IFRS for SMEs* Accounting Standard (and vice-versa).

15. As the IASB noted in its discussions to finalise IFRS 19, there is no commitment that the disclosure requirements in the two Standards should be aligned (see paragraph 9 of this paper).

Approach to analysing disclosure requirements

16. The staff has categorised into four groups the disclosure requirements the IASB added or deleted from the Subsidiaries Exposure Draft in finalising IFRS 19. The staff categorised a proposed disclosure requirement in:

    (a) Group 1—if the proposed disclosure requirement was withdrawn in finalising IFRS 19 and that disclosure is required in the *IFRS for SMEs* Accounting Standard (or proposed in the SMEs Exposure Draft). The staff has assessed whether the IASB's decision to withdraw the proposed disclosure requirement when finalising IFRS 19 also applies to the *IFRS for SMEs* Accounting Standard.[6]

    (b) Group 2—if the proposed disclosure requirement was withdrawn in finalising IFRS 19 and that disclosure is not required in the *IFRS for SMEs* Accounting Standard (or not proposed in the SMEs Exposure Draft). In this case, IFRS 19

[6] See paragraphs 17–20 of this paper for the factors the staff has used in assessing disclosure requirements.

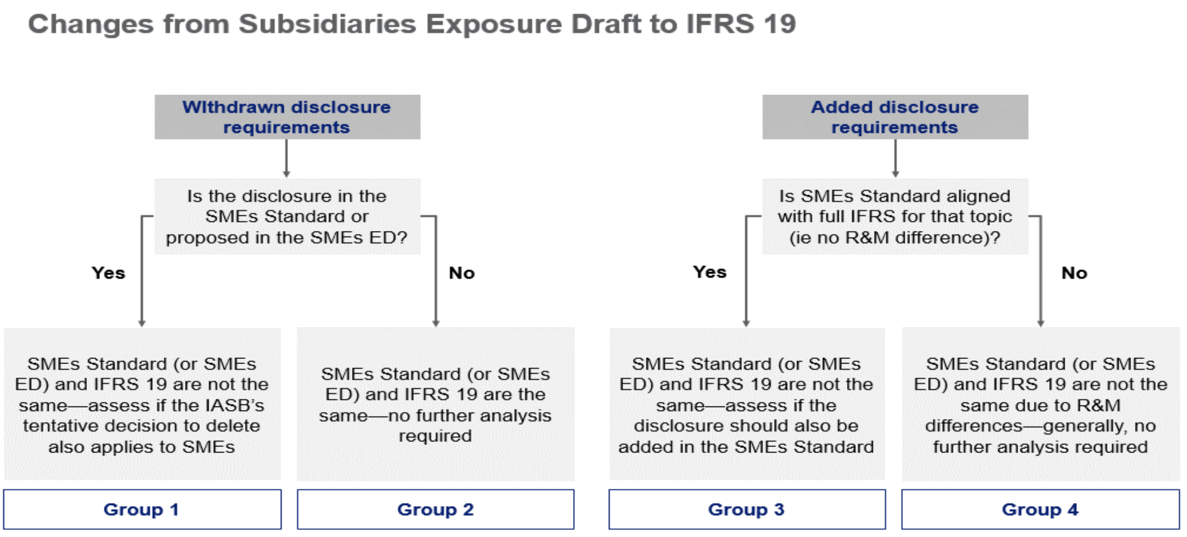
and the *IFRS for SMEs* Accounting Standard (or SMEs Exposure Draft) are the same. The disclosure requirement need not be assessed further.

(c) Group 3—if the disclosure requirement was added in finalising IFRS 19 and the requirement relates to a topic on which the *IFRS for SMEs* Accounting Standard is aligned (the same recognition and measurement requirements) with full IFRS Accounting Standards. The staff has assessed whether this disclosure requirement should also be added to the *IFRS for SMEs* Accounting Standard.

(d) Group 4—if the disclosure requirement was added when finalising IFRS 19 and the requirement relates to a topic on which the *IFRS for SMEs* Accounting Standard is not aligned (different recognition and measurement requirements) with full IFRS Accounting Standards. Generally, the disclosure requirement need not be assessed further. However, further analysis has been included when relevant. For example, the *IFRS for SMEs* Accounting Standard does not set out recognition and measurement requirements for assets held for sale, but it aims to provide similar information as IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* through a simplified approach.

This process is summarised in the flow chart in Figure 1.

Figure 1—Assessing changes from the Subsidiaries Exposure Draft to IFRS 19



Factors for assessing disclosure requirements

17. The staff has considered the alignment principles (see paragraph 11 of this paper) and, if relevant, feedback on the SMEs Exposure Draft to assess whether changes made to the proposals in the Subsidiaries Exposure Draft in finalising IFRS 19 should be reflected in the third edition of the *IFRS for SMEs* Accounting Standard.

18. The staff also performed an assessment of costs and benefits, consistent with the IASB's decision at its March 2023 meeting to assess separately the costs and benefits for SMEs applying the *IFRS for SMEs* Accounting Standard and the costs and benefits for subsidiaries applying IFRS 19.[7]

19. The staff also considered that if the IASB makes fundamental changes to the proposals in the SMEs Exposure Draft, on which respondents have not had the opportunity to comment, the IASB might need to re-expose these proposals. Therefore, a decision to make significant changes to the proposals in the SMEs Exposure Draft in areas in which stakeholders have not raised any concerns should be subjected to a high hurdle.

20. When analysing the feedback on the proposed disclosure requirements in the Subsidiaries Exposure Draft, the IASB considered the principles for reducing disclosure requirements. The staff has therefore not reconsidered these principles, but instead focused on the factors discussed in paragraphs 17–19 of this paper.

Changes made to the Subsidiaries Exposure Draft that have not been analysed further

Updating the 'language' in the Subsidiaries Exposure Draft

21. At its October 2022 meeting, the IASB discussed its approach to developing proposed disclosure requirements for the Subsidiaries Exposure Draft and decided to modify its

[7] See the March 2023 IASB Update.

approach to ensure that the language used in IFRS 19 is the same as the language in IFRS Accounting Standards.[8]

22. If this approach resulted in editorial or minor changes to the proposed disclosure requirements in the Subsidiaries Exposure Draft, the staff has not analysed whether these changes should be reflected in the *IFRS for SMEs* Accounting Standard.

Guidance deleted from the Subsidiaries Exposure Draft

23. At its April 2023 meeting, the IASB decided to exclude guidance on how to apply disclosure requirements (guidance) in other IFRS Accounting Standards from IFRS 19 (see paragraph 24 of this paper). This guidance will still apply to entities applying IFRS 19—the deletion is only intended to facilitate the application and accessibility of IFRS 19. An eligible subsidiary applying IFRS 19 would refer to the applicable IFRS Accounting Standard for guidance on how to apply the disclosure requirements.

24. While finalising IFRS 19, the IASB decided to withdraw some paragraphs proposed in the Subsidiaries Exposure Draft relating to the following guidance:

    (a) determining classes for the purpose of IFRS 13 *Fair Value Measurement* disclosures (paragraph 81 of the Subsidiaries Exposure Draft, based on paragraph 94 of IFRS 13). Similar guidance is proposed in paragraphs 12.30–12.31 of the SMEs Exposure Draft.

    (b) systematic ordering of the notes to financial statements (paragraph 122 of the Exposure Draft, based on paragraph 114(c) of IAS 1 *Presentation of Financial Statements*, and adapted as paragraph B112 of IFRS 18 *Presentation and Disclosure in Financial Statements*). Similar guidance is in paragraph 8.4 of the *IFRS for SMEs* Accounting Standard.

    (c) disclosing cash and cash equivalents that are not available for use (paragraph 133 of the Subsidiaries Exposure Draft, based on paragraph 49 of

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

IAS 7 *Statement of Cash Flows*). Similar guidance is in paragraph 7.21 of the *IFRS for SMEs* Accounting Standard.

25. Unlike IFRS 19, which is a disclosure-only Standard, the *IFRS for SMEs* Accounting Standard is a stand-alone Standard that includes recognition, measurement, presentation and disclosure requirements. As such, the guidance on applying the requirements in paragraph 24 of this paper should be retained in the *IFRS for SMEs* Accounting Standard.

Topics not discussed in Appendix B of this paper

26. At a future meeting, the IASB will discuss the implications of incorporating an expected credit loss model into the *IFRS for SMEs* Accounting Standard for SMEs that provide financing to customers as one of their primary businesses. In this comprehensive review, the IASB will also finalise its proposals in the Addendum Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (proposals related to *Supplier Finance Arrangements* and *Lack of Exchangeability*). Accordingly, disclosure requirements related to these topics are not considered in this paper (specifically, changes to the related disclosure requirements in the Subsidiaries Exposure Draft proposed under the subheading IFRS 7 *Financial Instruments: Disclosures*, IAS 7 *Statement of Cash Flows*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*). These disclosure requirements will be considered at a future meeting when the IASB discusses the related proposals.

Staff recommendations

27. The staff recommendations are summarised in Table 1.

Table 1— Summary of recommended changes to the disclosure requirements in the *IFRS for SMEs* Accounting Standard as a result of the analysis in this paper

Section in the SMEs Exposure Draft	Recommended change	Rationale	Appendix B reference
Section 11 *Financial Instruments*	Add a requirement for an SME to disclose a maturity analysis for financial liabilities (based on paragraph 39 of IFRS 7 *Financial Instruments: Disclosures*).	Provides information about liquidity and solvency	Table B4 (see page 19 of this paper)
Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*	Withdraw paragraph 6.3A of the SMEs Exposure Draft and instead add a requirement for an SME to disclose: (a) 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. (based on paragraph 137 of IAS 1 *Presentation of Financial Statements*)	Provides better information about liquidity and solvency	Table B7 (see pages 30–31 of this paper)
Section 28 *Employee Benefits*	Add a requirement for an SME to disclose expected contributions to a defined benefit plan for the next annual reporting period (based on paragraph 147(b) of IAS 19 *Employee Benefits*).	Provides information about short-term cash flows	Table B10 (see pages 38–39 of this paper)

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 27 of this paper?

Appendix A—Extract from the *Basis for Conclusions on* the *IFRS for SMEs* Accounting Standard

A1.1. The following quote is an extract of paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard and summarises the principles the IASB used to reduce the disclosure requirements in IFRS Accounting Standards when developing the *IFRS for SMEs* Accounting Standard.

> Assessing disclosures on the basis of users' needs was not easy, because users of financial statements tend to favour more, rather than fewer, disclosures. The Board was guided by the following broad principles:
>
> a. Users of the financial statements of SMEs are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.
>
> b. Users of the financial statements of SMEs are particularly interested in information about liquidity and solvency. Disclosures in full IFRSs that provide this sort of information are necessary for SMEs as well.
>
> c. Information on measurement uncertainties is important for SMEs.
>
> d. Information about an entity's accounting policy choices is important for SMEs.
>
> e. Disaggregations of amounts presented in SMEs' financial statements are important for an understanding of those statements.
>
> f. Some disclosures in full IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical SMEs.

Appendix B—Analysis of the disclosure requirements added to or withdrawn from the Subsidiaries Exposure Draft in finalising IFRS 19

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Staff analysis

Table B1—IFRS 1—Categorisation of the disclosure requirement

Group	Disclosure requirement and reason for withdrawing it from IFRS 19	Staff analysis
1	Paragraph 25(a) of the Subsidiaries Exposure Draft was based on paragraph 35.13(a) of the *IFRS for SMEs* Accounting Standard. The paragraph proposed to require an entity to disclose the nature of each change in accounting policy. The IASB withdrew the proposed disclosure requirement because it is not included in IFRS 1 *First-time Adoption of International Financial Reporting Standards* and could appear more onerous than applying IFRS 1. This proposed disclosure is not due to a recognition and measurement difference between IFRS 1 and the *IFRS for SMEs* Accounting Standard.	The staff observes that an SME might disclose the nature of changes in accounting policy to satisfy paragraph 35.12 of the *IFRS for SMEs* Accounting Standard (equivalent to paragraph 23 of IFRS 1), which requires an SME to explain how the transition from its previous financial reporting framework to the *IFRS for SMEs* Accounting Standard affected its reported financial position, financial performance and cash flows. The staff thinks retaining paragraph 35.13(a) of the *IFRS for SMEs* Accounting Standard will facilitate application of paragraph 35.12 for SMEs because the requirement is clearly defined and therefore easy for SMEs to understand and apply. Furthermore, stakeholders have not raised any concerns on this disclosure requirement in this comprehensive review. Consequently, the staff recommends the IASB retain paragraph 35.13(a) of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.1. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IFRS 2 *Share-based Payment*

Staff analysis

Table B2—IFRS 2—Categorisation of the disclosure requirement

Group	Disclosure requirement and reasons for withdrawing it from IFRS 19	Staff view
1	Paragraphs 32–33 of the Subsidiaries Exposure Draft (equivalent to paragraphs 26.19–26.20 of the *IFRS for SMEs* Accounting Standard) together are consistent with paragraph 46 of IFRS 2 *Share-based Payments*, which requires an entity to disclose how it determined the fair value of goods or services received, or the fair value of the equity instruments granted. As a result of updating the language of the proposed disclosure requirements (see paragraph 21 of this paper), the IASB replaced paragraphs 32–33 of the Subsidiaries Exposure Draft with paragraph 46 of IFRS 2.	As noted, the disclosure requirements in paragraphs 26.19–26.20 of the *IFRS for SMEs* Accounting Standard are deemed consistent with the requirements in paragraph 46 of IFRS 2. The different ‘language’ used in the Standard facilitates the application of the requirements for SMEs. Consequently, the staff recommends the IASB retain paragraphs 26.19–26.20 of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.2. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IFRS 3 *Business Combinations*

Background

B1.3. In finalising IFRS 19, the IASB added paragraph B64(j)(i) of IFRS 3 *Business Combinations* to IFRS 19. This paragraph requires an entity to disclose a brief description of the nature of the contingent liability assumed in a business combination (and other information, where practical), if a contingent liability is not recognised because its fair value cannot be measured reliably.

B1.4. The *IFRS for SMEs* Accounting Standard has a similar requirement in the accounting requirements in Section 19 *Business Combinations and Goodwill* (see paragraph 19.20(b) of the *IFRS for SMEs* Accounting Standard). In developing the SMEs Exposure Draft, the IASB proposed to move that requirement to the disclosure requirements in Section 19 (see paragraph 19.25(h) of the SMEs Exposure Draft).

B1.5. The disclosure requirement in IFRS 19 and the SMEs Exposure Draft is therefore the same, and no further analysis is required.[9]

[9] At its February 2024 meeting, the IASB tentatively decided to proceed with the amendments to Section 19 *Business Combinations and Goodwill* of the *IFRS for SMEs* Accounting Standard proposed in the SMEs Exposure Draft.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Staff analysis

Table B3—IFRS 5—Categorisation of the disclosure requirements

<table>
<tr><th>Group</th><th>Disclosure requirements and reasons for adding them to IFRS 19</th><th>Staff analysis</th></tr>
<tr><td>4</td><td>Paragraph 13 of IFRS 5 requires an entity to present or disclose the results and cash flows of a disposal group to be abandoned as discontinued operations if the disposal group to be abandoned meets the criteria in paragraph 32(a)–(c) of IFRS 5 for a discontinued operation.

The IASB added the disclosure requirement because IFRS 18 amended the requirement to allow the entity to provide that information in the notes to financial statements. This amendment resulted in the requirement being a disclosure requirement and so it was added to ‘remain applicable in situ’ for subsidiaries applying IFRS 19.</td><td rowspan="2">The requirements in paragraphs 13 and 33(c) of IFRS 5 are related. Therefore, the staff has combined the analysis for the two paragraphs.

These requirements relate to a recognition and measurement difference. To comply with the classification requirements in IFRS 5, an entity needs to identify its assets and liabilities that will be classified as held for sale or included in a disposal group. This classification or segregation enables an entity to identify cash flows from discontinued operations, which will facilitate application of paragraph 33(c) of IFRS 5. The IFRS for SMEs Accounting Standards does not have similar classification or segregation requirements. Furthermore, when the IASB developed the disclosure requirements in the IFRS for SMEs Accounting Standard, the IASB considered and rejected the disclosure requirement in paragraph 33(c) of IFRS 5.[10]

During its development of the Exposure Draft, the IASB considered feedback to the Request for Information Comprehensive Review of the IFRS for SMEs Standard (2020 Request for Information) and from the SME Implementation Group about whether to align the IFRS for SMEs Accounting Standard with IFRS 5. The IASB then tentatively decided to retain unchanged the requirements in the IFRS for SMEs Accounting Standard—that is, to not</td></tr>
<tr><td>4</td><td>Paragraph 33(c) of IFRS 5 requires an entity to disclose net cash flows attributable to the operating, investing and financing activities of discontinued operations. An entity is permitted to disclose this information either in the notes or in the financial statements.

The IASB added this disclosure requirement because it provides information about short-term cash flows.</td></tr>
</table>

[10] See page 79 of *AP4 addendum 2: Summary of Board redeliberations of the disclosure principles proposed in the Exposure Draft* of the March 2009 IASB meeting.

		further align the *IFRS for SMEs* Accounting Standard with IFRS 5.[11] Although, the disclosure requirement would provide some information about short-term flows, requiring SMEs to provide such disclosure without requiring similar classification requirements in the *IFRS for SMEs* Accounting would be complex. The staff thinks such a disclosure requirement would fail the cost–benefit assessment for SMEs. For these reasons, the staff recommends the IASB not add paragraphs 13 and 33(c) of IFRS 5 to the *IFRS for SMEs* Accounting Standard.
4	Paragraph 41(d) of IFRS 5 requires an entity to disclose, if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 *Operating Segments*. The IASB added this disclosure requirement because the disclosure requirements in IFRS 8 remain applicable if a subsidiary applying IFRS 19 chooses to provide information about segment information.	The *IFRS for SMEs* Accounting Standard does not include presentation of segment information. An SME making such disclosures is required to describe the basis for preparing and presenting the information. Consequently, the staff recommends the IASB not add paragraph 41(d) of IFRS 5 to the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.6. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

[11] See Agenda Paper 30E *Towards an Exposure Draft—Other topics with no amendments recommended* and IASB Update of the November 2021 IASB meeting.

IFRS 7 *Financial Instruments: Disclosures*

Staff analysis

Table B4—IFRS 7—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
2	Paragraph 55 of the Subsidiaries Exposure Draft was based on paragraph 22A of IFRS 7 and proposed requiring an entity to explain its risk management strategy for each category of risk exposures it decides to hedge and to which it applies hedge accounting. The IASB withdrew this proposed disclosure requirement because paragraphs 56–58 of the Subsidiaries Exposure Draft proposed requiring an entity to disclose qualitative and quantitative information about the entity's hedge accounting that will provide users with sufficient information to provide information on measurement uncertainties. Paragraphs 55–58 of the Subsidiaries Exposure Draft are not in the *IFRS for SMEs* Accounting Standard, nor proposed in the SMEs Exposure Draft because of recognition and measurement differences. The *IFRS for SMEs* Accounting Standard requires an SME to apply hedge accounting to a narrower scope of risks compared to IFRS 9.	The withdrawn disclosure requirement in not in the *IFRS for SMEs* Accounting Standard. The *IFRS for SMEs* Accounting Standard and IFRS 19 are the same—no further analysis required.
2	Paragraph 60 of the Subsidiaries Exposure Draft was based on paragraph 24J(c) of IFRS 7 and proposed requiring an entity to disclose a description of any changes in its risk management strategies, resulting from the transition to alternative benchmarks rates. The IASB withdrew this proposed disclosure requirement because paragraph 59 of the Subsidiaries Exposure Draft includes a requirement for an entity to disclose the management of risks arising from interest rate benchmark reform, which would provide information about the entity's risk management strategy.	The *IFRS for SMEs* Accounting Standard does not have requirements for uncertainty arising from interest rate benchmark reform. The *IFRS for SMEs* Accounting Standard and IFRS 19 are the same—no further analysis required.

3	Paragraph 39 of IFRS 7 requires an entity to disclose a maturity analysis for derivatives and non-derivative liabilities and a description of how the entity manages liquidity risk. The IASB added this disclosure requirement because it will require an entity to provide users with information about the liquidity and solvency of a subsidiary.	The staff recommends adding a requirement to disclose a maturity analysis to the *IFRS for SMEs* Accounting Standard for the same reasons it was added when finalising IFRS 19. The staff thinks that the benefit of providing this disclosure to users will outweigh the costs for SMEs. SMEs are likely to have short-term liabilities and will have the information necessary to provide this disclosure. The *IFRS for SMEs* Accounting Standard does not include the financial instrument risk disclosure requirements in IFRS 7 and so the staff does not suggest requiring an SME to disclose how liquidity risk is managed.

Staff recommendation

B1.7. The staff recommends the IASB require an SME to disclose a maturity analysis for financial liabilities (based on paragraph 39 of IFRS 7).

IFRS 12 *Disclosure of Interests in Other Entities*

Background

B1.8. IFRS 12 *Disclosure of Interests in Other Entities* sets out disclosure requirements related to interests in subsidiaries, consolidated and unconsolidated structured entities, joint arrangements and associates. The *IFRS for SMEs* Accounting Standard does not have an equivalent section, but has relevant disclosure requirements for interests in subsidiaries, associates and joint arrangements in Section 9 *Consolidated and Separate Financial Statements*, Section 14 *Investments in Associates* and Section 15 *Joint Arrangements*, respectively.

B1.9. In the SMEs Exposure Draft, the IASB proposed to align the definition of 'control' in Section 9 with the definition in IFRS 10 *Consolidated Financial Statements*. In addition, the IASB proposed to align the definition of 'joint control' in Section 15 with the definition in IFRS 11 *Joint Arrangements*. However, the IASB decided to retain the three classifications (and the recognition and measurement requirements) of joint arrangements.

Staff analysis

Table B5—IFRS 12—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
1	Paragraph 76(b) of the Subsidiaries Exposure Draft was based on paragraphs 14.12(b) and 15.19(b) of the *IFRS for SMEs* Accounting Standard and proposed requiring an entity to disclose the carrying amount of investments in joint ventures and investments in associates, showing separately investments measured using the equity method and investments measured at fair value.	The *IFRS for SMEs* Accounting Standard provides an accounting policy choice in measuring investments in associates (see paragraph 14.4) and investments in jointly controlled entities (see paragraph 15.9). In accordance with IAS 28 *Investments in Associates and Joint Ventures*, an entity measures such

	As a result of updating the language of the proposed disclosure requirements (see paragraph 21 of this paper), the IASB amended paragraph 76(b) of the Subsidiaries Exposure Draft only to require an entity to disclose, in aggregate, the carrying amount of its interests in joint ventures and associates accounted for using the equity method. The IASB, therefore, withdrew the proposed requirement to disclose such investments measured at fair value because IFRS 12 does not require such disclosure. Nevertheless, an entity would disclose similar information by applying paragraph 79(a) of the Subsidiaries Exposure Draft, which has been retained in IFRS 19, which requires an entity to disclose the carrying amount, for each class of assets and liabilities measured at fair value within the scope of IFRS 13 *Fair Value Measurement*	investments using the equity method except for in specific circumstances (see paragraphs 17–19 of IAS 28). The objective of the disclosure requirement is the same for both IAS 28 and the *IFRS for SMEs* Accounting Standard—for an entity to disclose the carrying amounts of its investments in joint ventures and investments in associates. An SME applying the disclosure requirement will provide useful information to users of SMEs' financial statements. Consequently, the staff recommends the IASB retain paragraphs 14.12(b) and 15.19(b) of the *IFRS for SMEs* Accounting Standard.
4	Paragraph 14 of IFRS 12 requires an entity to disclose the terms of any contractual arrangements that could require a parent or its subsidiaries to provide financial support to a consolidated structured entity, including events that could expose the reporting entity to a loss. Paragraph 15(a)–(b) of IFRS 12 requires an entity to disclose the type and amount of support provided and the reasons for providing support to a consolidated structured entity without having a contractual obligation to do so. Paragraph 17 of IFRS 12 requires an entity to disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support. The IASB added these disclosure requirements because they require an entity to provide information about cash flows, obligations and commitments and liquidity and solvency.	The *IFRS for SMEs* Accounting Standard does not include the description 'structured entity'. Feedback during this comprehensive review indicates that most SMEs have simple or straightforward control arrangements. Thus, few SMEs will have investments in structured entities. Consequently, the staff recommends not to add specific disclosure requirements for structured entities to the *IFRS for SMEs* Accounting Standard.

4	Paragraph 19D(b) of IFRS 12 requires an investment entity to disclose any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support. Paragraph 19E of IFRS 12 requires an investment entity to disclose the type and amount of support provided and the reasons for providing support, if during the reporting period the investment entity or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated subsidiary. Paragraph 19F of IFRS 12 requires an entity to disclose the terms of any contractual arrangements that could require the investment entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that that could expose the reporting entity to a loss. The IASB added these disclosure requirements because they require an entity to provide information about cash flows, obligations and commitments and liquidity and solvency.	In aligning the *IFRS for SMEs* Accounting Standard with IFRS 10, the IASB determined that the requirements for investment entities did not meet the relevance principle of alignment because few SMEs would meet the definition of 'investment entity'.[12] Consequently, the staff recommends not to add disclosure requirements related to investment entities.
4	Paragraph 30 of IFRS 12 requires disclosure of the type and amount of support provided and the reasons for providing support, if during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated structured entity in which it previously had or currently has an interest. Paragraph 31 of IFRS 12 requires an entity to disclose any current commitments or intentions to provide financial or other support to an unconsolidated structured entity, including commitments or intentions to assist the structured entity in obtaining financial support.	The *IFRS for SMEs* Accounting Standard does not include the description 'structured entity'. Feedback during this comprehensive review indicates that most SMEs have simple or straightforward control arrangements. Thus, few SMEs will have investments in structured entities. Consequently, the staff recommends not to add to add specific disclosure requirements for unconsolidated structured entities to the *IFRS for SMEs* Accounting Standard.

[12] See Agenda Paper 30B *Investment entities* and IASB Update of the December 2023 IASB meeting.

	The IASB added these requirements because they require an entity to provide information about cash flows, obligations and commitments and liquidity and solvency.	

Staff recommendation

B1.10. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IFRS 16 *Leases*

Background

B1.11. There are differences in the recognition and measurement requirements between IFRS 16 *Leases* and the *IFRS for SMEs* Accounting Standard because Section 20 *Leases* of the *IFRS for SMEs* Accounting Standard is based on IAS 17 *Leases*, the predecessor to IFRS 16.

B1.12. At its November 2021 meeting, the IASB considered feedback on the 2020 Request for Information and from the SME Implementation Group on the possible approaches to aligning Section 20 with IFRS 16. The IASB tentatively decided:

(a) to retain Section 20 unchanged;

(b) to consider amending Section 20 to align with IFRS 16 during a future review of the *IFRS for SMEs* Accounting Standard; and

(c) not to pursue improving disclosure requirements for operating leases without changing the recognition and measurement requirements in Section 20.

B1.13. The SMEs Exposure Draft did not propose amendments to Section 20. Consequently, the SMEs Exposure Draft did not propose to align the disclosure requirements for leases with the proposals in the Subsidiaries Exposure Draft.

B1.14. Most respondents to the SMEs Exposure Draft agreed with the IASB's decision to consider aligning Section 20 with IFRS 16 during a future review of the *IFRS for SMEs* Accounting Standard. A few respondents specifically noted that the disclosure requirements of Section 20 are sufficient for users of SME financial statements. However, a few respondents said, pending the decision to defer alignment with IFRS 16, the IASB should consider whether additional disclosures would be helpful for users of SME financial statements, including about operating leases and non-cancellable leases.

B1.15. Given the IASB's tentative decision not to pursue improving disclosure requirements for operating leases without changing the recognition and measurement requirements in Section 20 (see paragraph B1.12 of this paper) and the feedback from respondents supporting the proposals in the SMEs Exposure Draft, the staff thinks that adding disclosure requirements to Section 20 should be subjected to a high hurdle (see paragraph 19 of this paper).

Staff analysis

Table B6—IFRS 16—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
2	Paragraph 100(c) of the Subsidiaries Exposure Draft proposed requiring an entity to disclose lease liabilities at the end of the reporting period. The IASB withdrew this proposed disclosure requirement because an entity applying IFRS 19 will apply the presentation requirements in	The *IFRS for SMEs* Accounting Standard and IFRS 19 are the same—no further analysis required.

	paragraph 47 of IFRS 16, which require an entity to either present in the statement of financial position or disclose in the notes lease liabilities separately from other liabilities.	
1	Paragraph 101 of the Subsidiaries Exposure Draft was based on paragraph 20.14 of the *IFRS for SMEs* Accounting Standard and proposed if an impairment has been recognised (or reversed) for a lessee's right-of-use assets, an entity provides the disclosures required by paragraphs 190–191 of the Subsidiaries Exposure Draft. The IASB withdrew this proposed requirement because it is not required by IFRS 16. The proposed requirements in paragraphs 190–195 of the Subsidiaries Exposure Draft, which are based on IAS 36 *Impairment of Assets*, would apply in such circumstances.	Paragraph 20.14 of the *IFRS for SMEs* Accounting Standard states that the requirements for disclosure about assets in accordance with Section 17 *Property, Plant and Equipment*, Section 18 *Intangible Assets other than Goodwill*, Section 27 *Impairment of Assets* and Section 34 *Specialised Activities* apply to lessees for assets leased under finance leases. Paragraph 101 of the Subsidiaries Exposure Draft is not a proposed disclosure requirement, but rather was guidance for entities to refer to disclosure requirements in IAS 36. The staff recommends the IASB retains paragraph 20.14 of the *IFRS for SMEs* Accounting Standard as guidance on how to apply disclosure requirements (see also paragraph 24 of this paper).
2	Paragraph 105 of the Subsidiaries Exposure Draft was based on paragraph 60A of IFRS 16 and proposed specified disclosures if a lessee applies the practical expedient in paragraph 46A of IFRS 16. The IASB withdrew this proposed disclosure requirement because it relates to the amendments to IFRS 16 for covid-19-related rent concession and was only relevant for a period of time.	*IFRS for SMEs* Accounting Standard and IFRS 19 are the same—no further analysis required.
1	Paragraph 109 of the Subsidiaries Exposure Draft was based on paragraph 20.35 of the *IFRS for SMEs* Accounting Standard and proposed that disclosure requirements for lessees and lessors also apply to sale and leaseback transactions. The IASB withdrew this proposed disclosure requirement because IFRS 16 does not have an equivalent requirement. Lessees will still be required to disclose information about sale and leaseback transactions because IFRS 19 includes the requirement in paragraph 59(d) of IFRS 16 to disclose information that helps users of financial statements to	Although the IASB withdrew paragraph 109 of the Subsidiaries Exposure Draft, the proposed requirement to disclose information about sale and leaseback transactions remain in IFRS 19. Therefore, *IFRS for SMEs* Accounting Standard and IFRS 19 are essentially the same—no further analysis required.

	assess sale and leaseback transactions (if necessary to meet the disclosure objective in paragraph 51 of IFRS 16).	
3	Paragraph 53(e) of IFRS 16 requires an entity to disclose the expense relating to variable lease payments not included in the measurement of lease liabilities. The IASB added this disclosure requirement because it requires an entity to provide information to users on cash flow variability, which would satisfy the principles for reducing disclosure requirements.	Paragraphs 20.13(b) and 20.16(a) of the *IFRS for SMEs* Accounting Standard require a lessee to disclose the total of future minimum lease payments at the end of the reporting period. Contingent rents are excluded from the definition of 'minimum lease payments'. Paragraphs 20.13(c) and 20.16(c) of the *IFRS for SMEs* Accounting Standard require a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases and restrictions imposed by lease arrangements. Paragraph 20.16(b) requires a lessee (operating lease) to disclose lease payments recognised as an expense, which would include contingent rents. The IASB could add a disclosure requirement to Section 20 for a lessee in a finance lease to disclose the expense relating to contingent lease payments not included in the measurement of lease liabilities. However, an SME should already be disclosing the amount of contingent rents applying paragraphs 20.13(c) and 20.16(c) of the *IFRS for SMEs* Accounting Standard. Consequently the staff thinks there is no need to add this disclosure requirement.
4	Paragraph 53(g) of IFRS 16 requires an entity to disclose total cash outflow for leases. The IASB added this disclosure requirement because users stated such information would be useful in understanding lease cash flows and forecasting future payments (see paragraph BC217(d) of IFRS 16). This disclosure requirement requires an entity to disclose information about cash flows, obligations and commitments and liquidity and solvency.	Although this proposed disclosure requirement meets the principles of reducing disclosure requirements (see Appendix A to this paper), the IASB introduced this requirement in IFRS 16. Most respondents supported the IASB's tentative decision not to pursue improving disclosure requirements for operating leases without changing the recognition and measurement requirements in Section 20. Consequently, the staff recommends the IASB consider the IFRS 16 disclosures for lessees at the same time as it considers alignment of Section 20 with IFRS 16.

4	Paragraph 53(i) of IFRS 16 requires an entity to disclose gains or losses arising from sale and leaseback transactions. The IASB added this disclosure requirement because it requires an entity to provide information about cash flows and commitments, and disaggregation of amounts. That is, the disclosure requirement requires an entity to disclose gains or losses that 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).	IAS 17 did not have a similar disclosure requirement, but stated that sale and leaseback transactions might trigger the separate disclosure criteria in IAS 1.[13] The disclosure requirement is not in the *IFRS for SMEs* Accounting Standard, nor was it proposed in the SMEs Exposure Draft. However, the *IFRS for SMEs* Accounting Standard has similar requirements as IAS 1 for aggregation and disaggregation. As noted in the previous row, the staff recommends the IASB consider the IFRS 16 disclosures for lessees at the same time as it considers alignment of Section 20 with IFRS 16.
3	Paragraph 59(b)(iii)(v) of IFRS 16 requires an entity to disclose additional information about exposure arising from residual value guarantees and leases not yet commenced to which the lessee is committed. Paragraph 100(e) of the Subsidiaries Exposure Draft proposed requiring an entity to disclose a general description of the lessee's significant leasing arrangements, which is similar to paragraphs 20.13(c) and 20.16(c) of the *IFRS for SMEs* Accounting Standard. However, the IASB decided to withdraw paragraph 100(e) and instead incorporate paragraph 59 of IFRS 16 while finalising IFRS 19.	Paragraphs 20.13(c), 20.16(c) and 20.25 of the *IFRS for SMEs* Accounting Standard require an entity to disclose information similar to that required by paragraph 59 of IFRS 16, except these paragraphs do not specifically refer to residual value guarantees and leases not yet commenced to which the lessee is committed. Applying the *IFRS for SMEs* Accounting Standard, any residual value guaranteed to the lessor would form part of the minimum lease payments. Operating lease commitments that are onerous would be in the scope of Section 21 *Provisions and Contingencies*. The staff thinks the requirements in paragraphs 20.13(c), 20.16(c) and 20.25 of the *IFRS for SMEs* Accounting Standard require an SME to disclose sufficient information for users of SMEs financial statements.
3	Paragraph 92 of IFRS 16 requires a lessor to disclose qualitative or quantitative information about the nature of the lessor's leasing activities (paragraph 92(a)) and how the lessor manages the risk	Paragraphs 20.23(f) (finance lease) and paragraph 20.30(c) (operating lease) of the *IFRS for SMEs* Accounting Standard require a lessor to disclose a general description of the lessor's significant leasing

[13] Paragraph 66 of IAS 17.

	associated with any rights it retains in underlying assets (paragraph 92(b)). Paragraphs 106(f) and 107(c) of the Subsidiaries Exposure Draft proposed requiring an entity to disclose a general description of the lessor's significant leasing arrangements, which is similar to paragraphs 20.23(f) and 20.30(c) of the *IFRS for SMEs* Accounting Standard. However, the IASB decided to withdraw these paragraphs and instead incorporate paragraph 92 of IFRS 16 while finalising IFRS 19.	arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements. The staff thinks these paragraphs cover the requirements in paragraph 92(a) of IFRS 16, but not paragraph 92(b). The disclosure requirements for lessors in the *IFRS for SMEs* Accounting Standard are virtually identical to those in IAS 17. Therefore, the disclosure requirement in paragraph 92(b) of IFRS 16 is a new disclosure requirement the IASB introduced in IFRS 16. Stakeholders have not raised significant concerns about the disclosure requirements for lessors in Section 20 of the *IFRS for SMEs* Accounting Standard. Consequently, the staff recommends the IASB consider whether to add additional disclosures for lessors at the same time as it considers alignment of Section 20 with IFRS 16.

Staff recommendation

B1.16. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IAS 1 *Presentation of Financial Statements*

Staff analysis

Table B7—IAS 1—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
4	Applying IAS 1, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with	In October 2023, the IASB discussed whether to align the *IFRS for SMEs* Accounting Standard with any recent amendments to full IFRS Accounting Standards during this comprehensive review. At

	covenants within 12 months after the reporting period. In such situations, paragraph 76ZA of IAS 1 requires an entity to disclose information that enables users of financial statements to understand the risk that liabilities could become repayable within 12 months after the reporting period. This disclosure requirement was issued in October 2022 as a result of the IASB's project on Non-current Liabilities with Covenants. The IASB added this disclosure requirement without reduction because, when it developed the Subsidiaries Exposure Draft, it did not consider or consult on the requirement.[14]	that meeting, the IASB considered the amendments to IAS 1 as result of the IASB's project on Non-current Liabilities with Covenants. At that meeting, the IASB tentatively decided to consider only the amendments to IAS 7 (as a result of the IASB's project on Supplier Finance Arrangements) and IAS 21 The Effects of Changes in Foreign Exchange Rates (as a result of the IASB's project on Lack of Exchangeability).[15] Therefore, the staff recommends the IASB not add paragraph 76ZA of IAS 1 to the *IFRS for SMEs* Accounting Standard and instead consider this amendment in a future review of the *IFRS for SMEs* Accounting Standard.
3	Paragraph 125 of the Subsidiaries Exposure Draft was based on paragraph 8.7 of the *IFRS for SMEs* Accounting Standard and proposed requiring an entity to disclose information about key sources of estimation uncertainty. This proposed disclosure requirement is deemed equivalent to paragraph 125 of IAS 1. Paragraph 128 of IAS 1 states that the disclosures in paragraph 125 of IAS 1 are not required for assets and liabilities if they are measured at fair value based on a quoted price in an active market. The IASB added the relief in paragraph 128 of IAS 1 to ensure that applying IFRS 19 is not more onerous than other IFRS Accounting Standards. That is, the relief from disclosure requirements in full IFRS Accounting Standards should also be available to subsidiaries electing to apply IFRS 19.	If the IASB does not add paragraph 128 of IAS 1 to the *IFRS for SMEs* Accounting Standard, the implication is that an SME might provide the disclosures required by paragraph 8.7 of the *IFRS for SMEs* Accounting Standard for assets and liabilities that are measured at fair value based on a quoted price in an active market if the SME believes that the measurement requires assumptions or other sources of estimation uncertainty. The *IFRS for SMEs* educational module on Section 8 provides guidance that the disclosure requirement in paragraph 8.7 of the *IFRS for SMEs* Accounting Standard does not apply if assets and liabilities are measured at fair value using prices observed in an active market. It notes that using prices observed in an active market to measure assets or liabilities obviates the need for estimates at the end of the reporting period.

[14] In developing the proposed disclosure requirements in the Subsidiaries Exposure Draft, the IASB considered disclosure requirements in IFRS Accounting Standards as at 28 February 2021. New disclosure requirements issued after that date will remain applicable, without reduction, to eligible subsidiaries applying prospective Subsidiaries Standard.

[15] See Agenda Paper 30E *Recent Amendments to full IFRS Accounting Standards* and *IASB Update* of the October 2023 IASB meeting.

<table>
<tr><td></td><td></td><td>Paragraph 8.7 of the IFRS for SMEs Accounting Standard has been in the Standard since the first edition and stakeholders have raised no concerns about this disclosure requirement in this review.

Therefore, the staff recommends the IASB not add paragraph 128 of IAS 1 to the IFRS for SMEs Accounting Standard.</td></tr>
<tr><td>3</td><td>Paragraph 137 of IAS 1 requires an entity to disclose:
(a) 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.

The IASB added this disclosure requirement because it requires an entity to provide information about liquidity and solvency.</td><td rowspan="2">In finalising IFRS 19, the disclosure requirement in paragraph 137 of IAS 1 was added and the disclosure requirement in paragraph 126 of the Subsidiaries Exposure Draft was withdrawn. These disclosure requirements are related and so the staff has combined the analysis for the two paragraphs.

The disclosure requirement proposed in paragraph 126 of the Subsidiaries Exposure Draft was also proposed in paragraph 6.3A of the SMEs Exposure Draft.

Paragraph 32.8 of the IFRS for SMEs Accounting Standard states that an entity may present the amount of dividends declared after the end of the reporting period as a segregated component of retained earnings at the end of the reporting period. Applying this requirement an SME is permitted but not required to disclose similar information to that required by paragraph 137 of IAS 1.

The staff think that the disclosure requirement in paragraph 137 of IAS 1 would provide better information to users of SME financial statements than paragraph 6.3A of the SMEs Exposure Draft. Therefore, the staff suggest that paragraph 6.3A of the SMEs Exposure Draft is withdrawn and replaced with the disclosure</td></tr>
<tr><td>1</td><td>Paragraph 126 of the Subsidiaries Exposure Draft proposed requiring an entity to disclose dividends paid (in aggregate or per share) separately for ordinary shares and other shares.

Because IFRS 18 superseded IAS 1, the disclosure requirements that will be in IFRS 19 are based on IFRS 18 instead of IAS 1.[16]

IFRS 18 does not include the requirement proposed by paragraph 126 of the Subsidiaries Exposure Draft. Accordingly, the IASB withdrew this proposed disclosure requirement when incorporating the disclosure requirements of IFRS 18 into IFRS 19. This change is consistent with the IASB's decision to align the language of the</td></tr>
</table>

[16] Except where an eligible subsidiary elects to early apply prospective Subsidiaries Standard before IFRS 18. In such instance, disclosure requirements based on IAS 1 will be provided that will be set out in an appendix to prospective Subsidiaries Standard.

	proposed disclosure requirements in the Subsidiaries Exposure Draft with those in IFRS Accounting Standards.[17]	requirement in paragraph 137 of IAS 1 (consistent with the changes made in finalising IFRS 19). The IASB will consider aligning the *IFRS for SMEs* Accounting Standard with IFRS 18 during a future review of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.17. The staff recommends the IASB withdraw paragraph 6.3A of the SMEs Exposure Draft and instead require an SME to disclose (based on paragraph 137 of IAS 1):

(a) 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.

[17] See Agenda Paper 31 *Sweep issues—approach to updating the Exposure Draft for the disclosure requirements in the PFS Standard* and IASB *Update* of the December 2023 IASB meeting.

IAS 7 *Statement of Cash Flows*

Staff analysis

Table B8—IAS 7—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for withdrawing them from IFRS 19	Staff view
1	The Subsidiaries Exposure Draft proposed retaining several paragraphs in IAS 7 as applicable 'in situ': (a) paragraphs 16 and 17 of IAS 7, which provide examples of cash flows arising from investing and financing activities that an entity is required to disclose separately; (b) paragraph 18 of IAS 7, which requires an entity to present cash flows from operating activities using either the indirect method or the direct method; (c) paragraph 20 of IAS 7, which sets out requirements on how to present or disclose net cash flows from operating activities using the indirect method; (d) paragraph 31 of IAS 7, which requires an entity to disclose separately cash flows from interest and dividends received and paid; and (e) paragraph 35 of IAS 7, which requires an entity to disclose separately cash flows arising from taxes on income and to classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. The IASB withdrew these requirements due to the amendments introduced by IFRS 18 that amended these paragraphs to be presentation requirements.	These requirements are presentation requirements in the *IFRS for SMEs* Accounting Standard. Therefore, no further analysis is required.

2	The Subsidiaries Exposure Draft proposed retaining paragraph 32 of IAS 7 as applicable 'in situ'. This paragraph requires an entity to disclose in the statement of cash flow the total amount of interest paid during the period. Paragraph 32 of IAS 7 also explains that interest paid during the period includes interest recognised as an expense in profit or loss or capitalised in accordance with IAS 23 *Borrowing Costs*. The IASB withdrew this requirement due to the amendments introduced by IFRS 18 that amended the paragraph to be a presentation requirement.	An SME will provide information about interest paid by applying paragraph 7.14 of the *IFRS for SMEs* Accounting Standard. Paragraph 7.14 requires an SME to present separately cash flows from interest and dividends received and paid. The *IFRS for SMEs* Accounting Standard requires an SME to recognise all borrowing costs as an expense in profit and loss. The staff therefore thinks the requirements in the *IFRS for SMEs* Accounting Standard require an SME to disclose sufficient information and recommend the IASB not add paragraph 32 of IAS 7 to the *IFRS for SMEs* Accounting Standard. The IASB will consider aligning the *IFRS for SMEs* Accounting Standard with IFRS 18 during a future review of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.18. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IAS 12 *Income Taxes*

Background

B1.19. When finalising IFRS 19, the IASB added the disclosure requirements related to *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12 *Income Taxes.*

B1.20. The IASB considered these disclosure requirements for SMEs applying the *IFRS for SMEs* Accounting Standard and in September 2023 issued *International Tax Reform—Pillar Two Model Rules—Proposed Amendments to the* IFRS for SMEs *Accounting Standard.*

B1.21. The IASB considered the disclosure requirements added to the Subsidiaries Exposure Draft when the IASB issued amendments to the *IFRS for SMEs* Accounting Standard and no further analysis is required.

B1.22. The staff analysis in Table B9 relates to other changes to the proposed disclosure requirements in the Subsidiaries Exposure Draft under the IAS 12 *Income Taxes* subheading.

Staff analysis

Table B9—IAS 12—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for withdrawing them from IFRS 19	Staff analysis
1	Paragraph 145 of the Subsidiaries Exposure Draft was based on paragraph 29.38 of the *IFRS for SMEs* Accounting Standard. This paragraph proposed requiring an entity to disclose information that enables users of financial statements to evaluate the nature and	This disclosure objective has been in the *IFRS for SMEs* Accounting Standard since the first edition. Stakeholders have not raised concerns about this disclosure requirement in this comprehensive review.

	financial effect of the current and deferred tax consequences of recognised transactions and other events. The IASB withdrew this proposed disclosure requirement because it is a disclosure objective. The IASB decided not to include disclosure objectives in IFRS 19.	Consequently, the staff recommends the IASB retain paragraph 29.38 of the *IFRS for SMEs* Accounting Standard.
1	Paragraph 146(f) of the Subsidiaries Exposure Draft was based on paragraph 29.39(f) of the *IFRS for SMEs* Accounting Standard. This paragraph proposed requiring an entity to disclose major components of tax expense (income) and included, as an example, adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders. The IASB withdrew the example as a result of updating the language of the proposed disclosure requirements (see paragraph 21 of this paper) because IAS 12 does not include such an example.	SIC-25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders,* explains how an entity should account for the tax consequences of a change in its tax status or that of its shareholders. Both the *IFRS for SMEs* Accounting Standard and IAS 12 require an entity to disclose separately major components of tax expense (income). Unlike IAS 12, adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders are given as an example in paragraph 29.39(f) of the *IFRS for SMEs* Accounting Standard. The staff thinks the disclosure of such an item is necessary if material, regardless of whether it is listed as an example. SMEs might find this example helpful because it illustrates what an SME needs to consider for disclosure. Consequently, the staff recommends the IASB retain paragraph 29.39(f) of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.23. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IAS 19 *Employee Benefits*

Background

B1.24. Section 28 *Employee Benefits* of the *IFRS for SMEs* Accounting Standard is based on the version of IAS 19 *Employee Benefits* prior to the 2011 Amendments to IAS 19 (IFRS – Employee Benefits (2011 revision of IAS 19)). As a consequence, there are recognition, measurement and presentation differences between IAS 19 and the *IFRS for SMEs* Accounting Standard relating for defined benefit plans. Specifically:

(a) IAS 19 uses the term 'net defined benefit' and interest is calculated using the net defined benefit liability or assets;

(b) IAS 19 disaggregates the changes in the net defined benefit into:

(i) service cost;

(ii) net interest (income or expense); and

(iii) remeasurements, other changes in the value of the defined benefit obligation, such as changes in estimates and other changes in the value of plan assets recognised in other comprehensive income;

(c) Section 28 of the *IFRS for SMEs* Accounting Standard does not refer to the 'net defined benefit'. Interest is calculated on the defined benefit obligation; and

(d) Section 28 permits an accounting policy election for the recognition of actuarial gains and losses—either all gains and losses are recognised in profit and loss or in other comprehensive income.

B1.25. When developing the proposals in the Subsidiaries Exposure Draft, the IASB started with the disclosure requirements in Section 28. As explained in paragraph BC50 of the Subsidiaries Exposure Draft, the IASB proposed including additional line items in the disclosure of reconciliation of the net defined benefit liability (asset) to the requirements in the *IFRS for SMEs* Accounting Standard. These additional line items arose from the 2011 Amendments to IAS 19. The IASB explained the proposal was supported by the principle of disaggregation.

B1.26. In the SMEs Exposure Draft, the IASB proposed to align Section 28 with its proposals in the Subsidiaries Exposure Draft as follows:

(a) requiring greater disaggregation in changes in the defined benefit liability (paragraph 28.41(e) of the SMEs Exposure Draft);

(b) requiring an SME to disclose the return on plan assets and the net changes in the fair value of recognised reimbursement rights (paragraph 28.41(f)(iia)); and

(c) deleting disclosure requirements not required by IAS 19 (paragraph 28.41(g)).

Staff analysis

Table B10—IAS 19—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
4	Paragraph 141(c)(i) of IAS 19 requires an entity to show in the reconciliation of the net defined benefit liability/(asset) 'remeasurements of the net defined benefit liability/(asset), showing separately the return on plan assets'. The IASB added this disclosure requirement because it meets the principle of disaggregation and such disclosure will be required for group reporting purposes (that is, no additional cost to preparers).	The SMEs Exposure Draft proposed to add: (a) to the reconciliation of opening and closing balances of the plan assets the line item 'return on plan assets and the net change in the fair value of recognised reimbursement rights'; and (b) to the reconciliation of opening and closing balances of the defined benefit obligations the line item 'interest on the defined benefit obligation during the period'. As noted in paragraph B1.24(c), there is a recognition and measurement difference between IAS 19 and the *IFRS for SMEs* Accounting Standard. IAS 19 requires an entity to calculate interest on the net defined benefit liability or asset and disclose it as part of interest income or expense. The *IFRS for SMEs* Accounting Standard requires an SME to calculate interest on the net defined benefit obligation. For this reason, the staff recommends no changes to the proposals in the SMEs Exposure Draft.
4	Paragraph 147(b) of IAS 19 requires an entity to disclose the expected contributions to the defined benefit plan for the next annual reporting period. The IASB added this disclosure requirement because it provides information about short-term cash flows, liquidity and solvency.	Paragraph 28.41(a) of the *IFRS for SMEs* Accounting Standard requires an SME to disclose a general description of the type of defined benefit plan, including funding policy. However, the *IFRS for SMEs* Accounting Standard does not require an SME to disclose expected contributions to the plan in the next annual period. Contributions to the plan provide information about the effect of a defined benefit plan on an entity's future cash flows and are therefore supported by the principles of reducing disclosure requirements about short-term cash flows, liquidity and solvency. The staff therefore recommends that the IASB add a requirement for SMEs to disclose the expected contributions to the plan for the next annual reporting period (based on paragraph 147(b) of IAS 19).

1	Paragraphs 158–159 of the Subsidiaries Exposure Draft was based on paragraphs 28.42–28.43 of the *IFRS for SMEs* Accounting Standard. The paragraphs proposed disclosure about other long-term employee benefits and termination benefits. The IASB decide to withdraw these proposed requirements in finalising IFRS 19 because of its decision to align the language with the disclosure requirements in other IFRS Accounting Standards.	Paragraphs 28.42–28.43 require an entity to disclose information about the nature of the benefit, the amount of its obligation and the extent of the funding at the reporting date. These disclosures provide information about short-term cash flows and are therefore supported by the principles for reducing disclosure requirements. This IASB's decision to withdraw these paragraphs does not extend to deleting the related disclosure requirements in the *IFRS for SMEs* Accounting Standard. Furthermore, stakeholders have not given any feedback on the SMEs Exposure Draft regarding these requirements. Therefore, the staff recommends the IASB retain paragraphs 28.42–28.43 of the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.27. The staff recommends the IASB require an SME to disclose the expected contributions to the plan for the next annual reporting period (based on paragraph 147(b) of IAS 19).

IAS 24 *Related Party Disclosures*

Staff analysis

Table B11—IAS 24—Categorisation of the disclosure requirement

Group	Disclosure requirements and reasons for adding them to IFRS 19	Staff analysis
3	Paragraph 26 of IAS 24 *Related Party Disclosures* clarifies and includes disclosure requirements that apply if an entity applies the exemption for government-related entities. The IASB added these disclosure requirements for consistency with the requirements in IAS 24.	When developing the SMEs Exposure Draft, the IASB proposed to include these requirements in paragraph 33.15 of the *IFRS for SMEs* Accounting Standard. The disclosure requirements in IFRS 19 and the SMEs Exposure Draft are therefore the same, and no further analysis is required.

Staff recommendation

B1.28. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IAS 36 *Impairment of Assets*

Staff analysis

Table B12—IAS 36—Categorisation of the disclosure requirements

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff analysis
3	Paragraph 130(d)(i) of IAS 36 *Impairment of Assets* requires an entity to disclose a description of the cash-generating unit for which an impairment loss has been recognised or reversed during the period. Paragraph 130(d)(iii) of IAS 36 requires an entity to disclose information where there are changes in the composition of cash-generating units for which an impairment loss has been recognised or reversed during the period. The IASB added these disclosure requirements because they provide information about short-term cash flows and liquidity. The staff noted that these disclosure requirements require an entity to provide information about the entity's cash flows and liquidity. Furthermore, subsidiaries are likely to provide this information to their parent, so there should not be additional cost in preparing the disclosures.	The staff thinks these disclosure requirements would be relevant to only a small group of SMEs that might have several cash-generating units. Adding these disclosure requirements might be perceived as adding complexity to the *IFRS for SMEs* Accounting Standard. However, that complexity is limited to a small group of SMEs. If disclosure of the information in paragraph 130(d)(i) and 130(d)(iii) is relevant to enable users of an SMEs financial statement to understand the effect of changes in composition of cash-generating units on the SMEs financial position and financial performance, the staff thinks an SME could disclose this information applying paragraph 3.2 of the *IFRS for SMEs* Accounting Standard. Paragraph 3.2 requires an SME to provide additional disclosures if necessary to achieve fair presentation. Stakeholders have raised no concerns about the disclosure requirements for cash-generating units in Section 27 *Impairment of Assets* during this review and the IASB only proposed minor consequential amendments to Section 27, as a result of amendments to other sections. On balance, the staff recommends the IASB not add paragraph 130(d)(i) and 130(d)(iii) of IAS 36 to the *IFRS for SMEs* Accounting Standard.

4	Paragraph 134(d)(iv)–(v) of IAS 36 requires that, when the recoverable amount of the cash-generating unit is based on the value in use, an entity discloses the growth rate used to extrapolate cash flow projections and discount rates applied for cash-generating units. Paragraph 134(e)(iv)–(v) of IAS 36 requires an entity to disclose the growth rate used to extrapolate cash flow projections and discount rates applied if the recoverable amount is based on fair value less cost of disposal and the fair value less costs of disposal is measured using discounted cash flow projections. An entity is required to disclose this information for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The IASB decided to add these disclosure requirements because they require an entity to provide information about measurement uncertainty.	Paragraph BC205 of the *Basis for Conclusions on IAS 36* Impairment of Assets states that non-amortisation of goodwill and indefinite-lived intangibles increases the reliance on impairment tests of those assets and that some additional disclosures are necessary. That is, the disclosure requirements in paragraphs 134–135 of IAS 36 are necessary to ensure entities provide users with information for evaluating the reliability of impairment tests. Applying the *IFRS for SMEs* Accounting Standard, all intangible assets are treated as having a finite useful life, including goodwill, which is amortised over its useful life. The conditions that necessitated the additional disclosure requirements in paragraphs 134–135 of IAS 36 do not exist when applying the *IFRS for SMEs* Accounting Standard. Consequently, the staff recommends the IASB not add paragraphs 134(d)(iv)–(v) and 134(e)(iv)–(v) of IAS 36 to the *IFRS for SMEs* Accounting Standard. Furthermore, the staff notes that paragraphs 8.6–8.7 of the *IFRS for SMEs* Accounting Standard require an entity to disclose information about significant judgements and key sources of measurement uncertainty.

Staff recommendation

B1.29. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.

IAS 40 *Investment Property*

Staff analysis

Table B13—IAS 40—Categorisation of the disclosure requirement

Group	Disclosure requirements and reasons for adding them to or withdrawing them from IFRS 19	Staff view
4	Paragraph 79(e) of IAS 40 *Investment Property* requires an entity to disclose the fair value of investment property when an entity has applied the cost model. In the exceptional cases in which an entity cannot measure the fair value, IAS 40 provides relief subject to the entity disclosing the information in paragraph 79(e)(i)–(iii) of IAS 40. This disclose requirement was added because it requires an entity to provide information about solvency.	Applying IAS 40, an entity has an accounting policy choice of the fair value model or the cost model. The *IFRS for SMEs* Accounting Standard requires an SME to measure an investment property at fair value unless it cannot be reliably measured without undue cost or effort. Paragraph 17.32 of the *IFRS for SMEs* Accounting Standard requires that, if an SME has investment property whose fair value cannot be measured reliably without undue cost or effort, the SME discloses that fact and the reasons why fair value measurement would involve undue cost or effort for those items of investment property. The staff thinks the requirement in paragraph 17.32 requires an SME to disclose sufficient information and consequently recommends the IASB not add paragraph 79(e) of IAS 40 to the *IFRS for SMEs* Accounting Standard.

Staff recommendation

B1.30. Based on the staff analysis in this paper, no further changes to disclosure requirements are recommended.