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Updating the Subsidiaries without Public Accountability: Disclosures Issues Paper

Objective

1 The purpose of this issues paper is to discuss with EFRAG FR TEG the IASB tentative decisions on *Updating the Subsidiaries without Public Accountability: Disclosures* project (the 'Catch-up' Exposure Draft). In March 2024, the IASB considered how to reduce the disclosure requirements in the prospective standard IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18) for the purposes of updating the *Subsidiaries without Public Accountability* Standard.

2 Additionally, the IASB agenda paper AP 32A *Disclosure requirements from the new PFS Standard* can be consulted for background information.

3 Please be informed, the discussion related to reducing disclosures for rate-regulated activities project ('RRA') will take place after the proposed RRA disclosures have been discussed with EFRAG FR TEG in the first place.

Background information

4 In May 2024, the IASB is expected to publish its new standard *Subsidiaries without Public Accountability: Disclosures* ('the Subsidiaries Standard'). The application of this new standard will be voluntary for eligible subsidiaries and will permit the use of the recognition, measurement and presentation requirements of IFRS Accounting Standards with reduced disclosure requirements.

5 The IASB developed the Subsidiaries Standard by considering issued IFRS Accounting Standards as at 28 February 2021. When the Subsidiaries Standard is issued, it will not contain reduced disclosure requirements for any disclosure requirements that were added or amended IFRS Accounting Standards after that date. Therefore, all new or amended

disclosure requirements issued after 28 February 2021 will be included in full in the Subsidiaries Standard without any reductions for eligible subsidiaries.

6 In July 2023, the IASB discussed a plan how to update the forthcoming Subsidiaries Standard for all new or amended standards proposed or issued after the cut-off date. The IASB decided that all the changes to the Subsidiaries Standard will be dealt with in the 'Catch-up' Exposure Draft which includes:

(a) *Lack of Exchangeability* (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*);

(b) *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12);

(c) *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7);

(d) *Non-current Liabilities with Covenants* (Amendments to IAS 1);

(e) *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7);

(f) *Primary Financial Statements*; and

(g) *Rate-regulated Activities*.

7 The IASB's approach to maintain the Subsidiaries Standard is to require potential changes made on two levels:

(a) Detailed level – the new or amended disclosure requirements will be considered against the principles for reducing disclosures laid out in paragraph BC34 of the *Basis for Conclusions* on the 2021 Exposure Draft *Subsidiaries without Public Accountability: Disclosures*. These principles include information about:

(i) short-term cash flows and obligations;

(ii) liquidity and solvency;

(iii) measurement uncertainties;

(iv) disaggregation of information presented in the financial statements;

(v) accounting policy choices;

(b) at a high level - by considering whether newly added or amended disclosure requirements would be proportional and allow to be reduced while meeting the needs of users of the financial statements of eligible subsidiaries.

8 The 'Catch-up' Exposure Draft will be issued as soon as possible after the Subsidiaries Standard is published.

Previous EFRAG FR TEG discussions on the project

9 In February and March 2024, EFRAG FR TEG considered the proposed reduced disclosures for *Lack of Exchangeability, International Tax Reform—Pillar Two Model Rules* and *Supplier Finance Arrangements.* Members generally agreed with the proposed reduced disclosures and made the following comments on:

(a) *Lack of Exchangeability* – a member questioned why disclosures under paragraph A20 of IAS 21 were considered in the 'Catch-up' Exposure Draft as such disclosures did not meet the principles for reducing disclosures applied by the IASB. It was suggested that the IASB should better explain their rationale for selecting disclosure requirements.

(b) *International Tax Reform—Pillar Two Model Rules* – a member wondered whether disclosures under paragraph 88B of Amendments to IAS 12 were necessary to disclose for subsidiaries without public accountability. It was responded that such disclosures were applicable for small EU jurisdictions such as Estonia and Latvia and might have some relevance on an international level.

(c) *Supplier Finance Arrangements* – a member queried whether reduced disclosures were necessary for subsidiaries without public accountability because typically legal entities enter such arrangements on a group level. Other members were hesitant not to require as the programmes might be agreed on subsidiaries level as well.

10 In March 2024, EFRAG FR TEG discussed the proposed reduced disclosure requirements for *Amendments to the Classification and Measurement of Financial Instruments.* Members agreed with the IASB tentative decisions concerning the reduced disclosures to be included in the 'Catch-up' Exposure Draft. Some members from the insurance sector noted that some insurance entities could still be impacted by the disclosure requirements as they might not meet the IASB's definition of public accountability.

IASB March tentative decisions - assessing IFRS 18 disclosure requirements for SwPA

11 In March 2024, the IASB considered which of the disclosure requirements from the prospective IFRS 18 standard to be included in the 'Catch-up' Exposure Draft. The IASB tentatively decided to propose amending the disclosure requirements in the prospective Subsidiaries Standard from the prospective PFS Standard by:

(a) replacing the requirements relating to management-defined performance measures with a reference to those requirements in the prospective PFS Standard; and

(b) deleting the disclosure objective from a disclosure requirement relating to non-current liabilities.

12 The IASB also tentatively decided not to propose, in the 'Catch-up' Exposure Draft, amending disclosure requirements that are expected to be carried forward from IAS 1 *Presentation of Financial Statements* to the prospective IFRS 18 Standard, because the IASB has already considered them during the development of the prospective Subsidiaries Standard.

IASB considerations relating to assessing IFRS 18 disclosure requirements

13 The prospective IFRS 18 is expected to be issued on 9 April 2024 and will replace IAS 1. In substance, IFRS 18 will include:

(a) disclosure requirements carried forward from IAS 1 to IFRS 18 without amendment (other than minor editorial changes) - the IASB has already decided whether these disclosure requirements should be included in, or excluded from, the Subsidiaries Standard. Past IASB decisions relating to these disclosure requirements were not reassessed.

(b) new and amended disclosure requirements from IFRS 18 - these requirements need to be assessed against the principles for reducing disclosure requirements as part of developing the 'Catch-up' Exposure Draft.

14 Appendix 1 to this issue paper lists the draft disclosure requirements from IFRS 18 that will be included in the Subsidiaries Standard when issued. The Appendix reproduces the appendix provided in the IASB agenda paper 32A *Disclosure requirements from the new PFS Standard*.

15 For some disclosure requirements the assessment against the principles for reducing disclosure requirements was straight forward. However, for other disclosures judgment was required in the selection such as:

(a) Improved requirements relating to the aggregation and disaggregation of information in financial statements – these requirements are likely to help eligible subsidiaries to provide information to meet the needs of users of their financial statements. Disaggregation requirements are also likely to meet the principle for reducing disclosures relating to disaggregation (paragraph 7(a)(iv));

(b) Management-defined performance measures (being a subtotal of income and expenses that the entity uses in public communications outside financial statement to communicate to users the management's view of an entity's performance) - if an eligible subsidiary uses management-defined performance measures, users are likely to be interested in disclosures about these measures which could be highly relevant to understand the performance of the subsidiary. The IASB rationale is, if a subsidiary already provides MPMs, not including such disclosures in the Subsidiaries Standard would diminish the quality of information available to users for measures management has identified as important. For those subsidiaries which do not usually provide MPMs, the requirement is alleviated by taking an approach similar to that used for IFRS 8 *Operating Segments* – the subsidiary will not be required to provide them;

(c) Main business activities (assessment of whether an entity invests in assets or provides financing to customers as a main business activity) – the IFRS 18 requirements for classifying income and expenses in the operating, investing and financing categories in the statement of profit or loss do not satisfy any of the principles for reducing disclosure requirements. However, such assessment will affect the structure of a subsidiary's statement of profit or loss, including which types of income and expenses are included in its operating profit. Therefore, the disclosures would provide important information to users of the subsidiary's financial statements;

(d) Requirements relating to both presentation and disclosure - for requirements that relate to both presentation and disclosure, the IASB decided that the Subsidiaries Standard refers to disclosure requirements in IFRS 18, rather than reproducing those requirements in the Subsidiaries Standard. Some of these requirements may not satisfy a strict test against the principles for reducing disclosure requirements in the Subsidiaries Standard. However, separating such requirements into the presentation parts and the disclosure parts often would not be feasible.

16 The 'Catch-up' Exposure Draft would, in effect, propose the retention of substantially all of the disclosure requirements from IFRS 18 that will be in the Subsidiaries Standard when first issued, either by retaining the disclosure requirement within the Subsidiaries Standard itself or by replacing it with a reference to the requirements in IFRS 18.

17 Furthermore, the Subsidiaries Standard will permit early application and, therefore, can be applied before the effective date of IFRS 18. In such cases, the disclosure requirements in

IFRS 18 will not yet be applicable to an eligible subsidiary applying the Subsidiaries Standard. In this situation, the entity will apply disclosure requirements from IAS 1, which will be set out in an appendix to the Subsidiaries Standard.

EFRAG Secretariat analysis

18 EFRAG Secretariat agrees with the IASB tentative decisions on the proposed disclosure requirements from the prospective IFRS 18 Standard. EFRAG Secretariat is of the view that reducing further the newly proposed and amended disclosures from IFRS 18 might obscure information which is relevant and important for users of a subsidiary's financial statements to understand its performance and financial position.

19 EFRAG Secretariat also supports the IASB's approach to reference the disclosures relating to MPMs to the IFRS 18 Standard. Subsidiaries that already provide such disclosures will be able to continue to disclose their MPMs while subsidiaries that usually do not provide information about MPMs will not be required to disclose MPMs.

20 EFRAG Secretariat is supportive of the IASB tentative decision not to further reduce the disclosure requirements from the PFS project related to disclosure of expenses by nature when classified by function. This is in line with the recommendation made in the EFRAG Comment Letter to the IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*, where EFRAG suggested that the IASB adds disclosures on the nature of expenses (e.g., for material items and items already required by other standards) when an entity classifies expenses by function, including depreciation and amortisation expense and employee benefits expense, as required by paragraph 104 of IAS 1. Such information tends to be fundamental for users.

Questions for EFRAG FR TEG

21 Does EFRAG FR TEG agree with the IASB tentative decisions in paragraphs 11-12 on the proposed disclosure requirements from the prospective IFRS 18 Standard to be included in the 'Catch-up' Exposure Draft?

22 Does EFRAG FR TEG have any further questions/comments on this issues paper?

Appendix 1: Draft disclosure requirements from IFRS 18 *Presentation and Disclosure in Financial Statements*

Source: The IASB

Draft IFRS 18 text currently in the draft Subsidiaries Standard (references are to paragraphs in the Subsidiaries Standard unless otherwise stated)	IASB rationale for the tentative decision
Identification of the financial statements An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall disclose prominently, and repeat when necessary for the information provided to be understandable: a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period; b) whether the financial statements are of an individual entity or a group of entities; c) the date of the end of the reporting period or the period covered by the financial statements; d) the presentation currency, as defined in IAS 21 The Effects of Changes in Foreign Exchange Rates; and e) the level of rounding used for the amounts in the financial statements (see paragraph B11 of IFRS 18).	This requirement is IAS 1.51 and was proposed in the Subsidiaries Exposure Draft. **Consultation completed**

Change in accounting policy, retrospective restatement or reclassification If an entity changes the presentation, disclosure or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period): a) the nature of the reclassification; b) the amount of each item or class of items that is reclassified; and c) the reason for the reclassification.	This requirement is IAS 1.41 and was proposed in the Subsidiaries Exposure Draft. **Consultation completed**
When it is impracticable to reclassify comparative amounts, an entity shall disclose: a) the reason for not reclassifying the amounts; and b) the nature of the adjustments that would have been made if the amounts had been reclassified.	This requirement is IAS 1.42 and was proposed in the Subsidiaries Exposure Draft. **Consultation completed**
When an entity is required to present a third statement of financial position applying paragraph 37 of IFRS 18 it shall disclose the information required by paragraphs 130–131, 179–182 and 187. However, it need not provide the related notes to the statement of financial position as at the beginning of the preceding period.	This requirement is IAS 1.40C and was proposed in the Subsidiaries Exposure Draft. **Consultation completed**
Statement of profit or loss *Entities with specified main business activities*	New disclosure requirement. **Recommend retention**

If an entity: a) invests in assets as a main business activity, it shall disclose that fact. b) provides financing to customers as a main business activity, it shall disclose that fact. c) changes its assessment of whether it invests in assets or provides financing to customers as a main business activity (see paragraph B41 of IFRS 18), it shall disclose: (i). the fact the assessment has changed and the date of the change. (ii). the amount and classification of items of income and expenses before and after the date of the change in assessment in the current period and the amount and classification in the prior period for the items for which the classification has changed because of the changed assessment, unless it is impracticable to do so. If an entity does not disclose the information because it is impracticable to do so, the entity shall disclose that fact.	
Presentation and disclosure of expenses classified in the operating category An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall disclose in a single note: a) the total for each of: (i). depreciation, comprising the amounts required to be disclosed by paragraphs 116(a), 201(e)(vii) and 272(d)(iv); (ii). amortisation, comprising the amount required to be disclosed by paragraph 264(e)(vi);	Amendment of IAS 1.104, but akin to a new disclosure. Draft Basis for Conclusions on IFRS 18 states that "Preparers of financial statements said they could provide at a reasonable cost disaggregated information about the amounts included in each line item in the operating

(iii). employee benefits, comprising the amount for employee benefits recognised by an entity applying IAS 19 Employee Benefits and the amount for services received from employees recognised by an entity applying IFRS 2 Share-based Payment; (iv). impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraph 251(a)–(b); and (v). write-downs and reversal of write-downs of inventories, comprising the amounts required to be disclosed by paragraph 165(d) –165(e); and b) for each total listed in (a)(i)–(v): (i). the amount related to each line item in the operating category (see paragraph 137); and (ii). a list of any line items outside the operating category that also include amounts relating to the total.	category for a limited number of expenses classified by nature". **Recommend retention**
Paragraph 41 of [draft] IFRS 18 requires an entity to disaggregate items to provide material information. However, an entity that applies paragraph 134 is exempt from disclosing: a) in relation to function line items presented in the operating category of the statement of profit or loss—disaggregated information about the amounts of nature expenses included in each line item, beyond the amounts specified in paragraph 134; and	Disaggregation Also, this requirement is applied in conjunction with the previous requirement on the disclosure of information about operating expenses. **Recommend retention**

b) in relation to nature expenses specifically required by an IFRS Accounting Standard to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the statement of profit or loss, beyond the amounts specified in paragraph 134. The exemption in paragraph 135 relates to disaggregation of operating expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in this Standard.	
Use of characteristics of nature and function An entity will either present expenses by nature, or applying paragraph 134, disclose some expenses by nature. The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset. If an entity: a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of IAS 2, an entity might present a line item for changes in inventories of finished goods and work in progress. b) discloses, applying paragraph 134(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.	The draft Basis for Conclusions on IFRS 18 describes this paragraph as application guidance. However, the final sentence contains a disclosure requirement that relates to the disclosure requirement on operating expenses, which the staff are recommended be retained. **Recommend retention**

Statement of financial position *Right to defer settlement for at least 12 months* In applying paragraphs 101–102 and B96–B103 of IFRS 18 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 covenants within 12 months after the reporting period (see paragraph B100(b) of IFRS 18). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, including: a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities. b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.	Non-current liabilities with covenants is a new disclosure from the IAS 1 amendments made after the Subsidiaries ED. This disclosure requirement meets the principle of short-term cash flows. Includes a disclosure objective. The IASB decided not to include disclosure objectives in the Subsidiaries Standard. **Recommend retention, except modified to remove the disclosure objective**
Statement of changes in equity An entity shall either present in the statement of changes in equity or disclose in the notes the amount of dividends recognised as distributions to owners during the reporting period, and the related amount of dividends per share.	This requirement is IAS 1.107 and proposed in the Subsidiaries Exposure Draft. **Consultation completed**

Notes *Structure* An entity shall disclose in the notes: a) information about the basis of preparation of the financial statements (see paragraphs 24 and 174– 176) and the specific accounting policies used (see paragraphs 177–178); b) information required by this Standard that is not presented in the primary financial statements; and c) other information that is not presented in the primary financial statements, but is necessary for an understanding of any of them (see paragraph 20 of IFRS 18).	This requirement is IAS 1.112 and proposed in the Subsidiaries Exposure Draft **Consultation completed**
An entity shall, as far as practicable, present notes in a systematic manner (see paragraph B112 of IFRS 18). In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the primary financial statements to any related information in the notes. If amounts disclosed in the notes are included in one or more line items in the primary financial statements, an entity shall disclose in the note the line item(s) in the which the amounts are included.	This is a revised drafting of IAS 1.113. The last sentence is a new sentence. New sentence satisfies disaggregation principle. **Recommend retention**
If not disclosed elsewhere in information published with the financial statements, an entity shall disclose in the notes:	This is IAS 1.138 and proposed in the Subsidiaries Exposure Draft **Consultation completed**

a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and b) a description of the nature of the entity's operations and its principal activities.	
Management-defined performance measures The objective of the disclosures for management-defined performance measures is for an entity to provide information to help a user of financial statements understand: a) the aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and b) how the management-defined performance measure compares with the measures defined by IFRS Accounting Standards.	**Recommend reference**
An entity shall disclose information about all measures that meet the definition of management-defined performance measures in paragraph 117 of IFRS 18 in a single note (see paragraph 148). This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.	**Recommend reference**
An entity shall label and describe each management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements (see paragraphs 149–150). For each management-defined performance measure the entity shall disclose:	**Recommend reference**

a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure. This description shall include explanations of why, in management's view, the management-defined performance measure provides useful information about the entity's financial performance b) how the management-defined performance measure is calculated. c) a reconciliation between the management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 of IFRS 18 or total or subtotal required to be presented or disclosed by IFRS Accounting Standards (see paragraphs 151–155). d) the income tax effect (determined by applying paragraph 156) and the effect on non-controlling interests for each item disclosed in the reconciliation required by (c). e) a description of how the entity applies paragraph 156 to determine the income tax effect required by (d).	
If an entity changes how it calculates a management-defined performance measure, adds a new management-defined performance measure, ceases using a previously disclosed management-defined performance measure or changes how it determines the income tax effects of the reconciling items required by paragraph 145(d), it shall disclose: a) an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.	**Recommend reference**

b) the reasons for the change, addition or cessation. c) restated comparative information to reflect the change, addition or cessation unless it is impracticable to do so. An entity's selection of a management-defined performance measure is not an accounting policy choice. Nonetheless, in assessing whether restating the comparative information is impracticable, an entity shall apply the requirements in paragraphs 50–53 of IAS 8.	
If an entity does not disclose the restated comparative information required by paragraph 146(c) because it is impracticable to do so, it shall disclose that fact.	**Recommend reference**
Single note for information about management-defined performance measures Paragraph 144 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 143–147. If an entity also discloses other information in that note, the information in the note shall be labelled in a way that clearly distinguishes the information required by paragraphs 143–147 from the other information.	**Recommend reference**
A clear and understandable manner Paragraph 145 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial statements. To provide such a description an entity shall disclose information that enables a user of financial statements to understand the items of income and expenses included and excluded from the subtotal. Therefore, an entity shall:	**Recommend reference**

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a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 of IFRS 18 (see paragraph 151); and

b) provide information specific to management-defined performance measures–that is:

(i). if the entity has calculated the measure other than by using the accounting policies it used for items in the statement(s) of financial performance, the entity shall state that fact and the calculations it has used for the measure; and

(ii). if, in addition, the calculation of the measure differs from accounting policies required or permitted by IFRS Accounting Standards, the entity shall state that additional fact and, if necessary, an explanation of the meaning of terms it uses (see paragraph 150(b)).
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To label and describe the measure in a way that faithfully represents its characteristics an entity shall:

a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label ‘operating profit before non-recurring expenses’ only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and

b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines ‘nonrecurring expenses’).
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<tr><td>Reconciliation to the most directly comparable total or subtotal</td><td>Recommend reference</td></tr>
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Paragraph 145(c) requires an entity to reconcile each management-defined performance measure to the most directly comparable subtotal listed in paragraph 118 of IFRS 18 or total or subtotal required to be presented or disclosed by IFRS Accounting Standards. For example, an entity that discloses in the notes a management-defined performance measure of adjusted operating profit or loss shall reconcile that measure to operating profit or loss. In aggregating or disaggregating the reconciling items disclosed, an entity shall apply the requirements in paragraphs 41–43 of IFRS 18.	
For each reconciling item an entity shall disclose: a) the amount(s) related to each line item in the statement(s) of financial performance; and b) a description of how the item is calculated and contributes to the management-defined performance measure providing useful information (see paragraphs 153–155), if necessary to provide the information required by paragraphs 145(a) and 145(b).	**Recommend reference**
The description required in paragraph 152(b) is required if there is more than one reconciling item and each item is calculated using a different method or contributes to providing useful information in a different way. For example, an entity might exclude from a management-defined performance measure several items of expense, some because they were identified as outside management control and others because they were identified as non-recurring. In such cases, disclosure of which items contributed to which type of adjustment would be required to explain how the management-defined performance measure provides useful information.	**Recommend reference**

A single explanation might apply to more than one item or might apply to all reconciling items collectively. For example, an entity might exclude several items of income and expenses in calculating a management-defined performance measure based on an entity-specific application of 'non-recurring'. In such a case, a single explanation that includes the entity's definition of 'non-recurring' that applies to all reconciling items might satisfy the requirement in paragraph 152(b).	**Recommend reference**
Applying paragraph 145(c), an entity is permitted to reconcile a management-defined performance measure to a total or subtotal that is not presented in the statement(s) of financial performance. In such cases, an entity: a) shall reconcile that total or subtotal to the most directly comparable total or subtotal presented in the statement(s) of financial performance; and b) is not required to disclose the information required by paragraph 145(d) and 145(e) for the reconciliation in (a).	**Recommend reference**
Income tax effect for each item disclosed in the reconciliation An entity is required by paragraph 145(d) to disclose the income tax effect for each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 of IFRS 18 or total or subtotal required to be presented or disclosed by IFRS Accounting Standards. An entity shall determine the income tax effect required by paragraph 145(d) by calculating the income tax effects of the underlying transaction(s): a) at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;	**Recommend reference**

b) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or c) by using another method that achieves a more appropriate allocation in the circumstances.	
If, applying paragraph 156, an entity uses more than one method to calculate the income tax effects of reconciling items, it shall disclose how it determined the tax effects for each reconciling item.	**Recommend reference**
Subtotals of income and expenses A financial ratio is not a management-defined performance measure because it is not a subtotal of income and expenses. However, a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio. Accordingly, an entity shall apply the disclosure requirements in paragraphs 143–147 to such a numerator or denominator.	**Recommend reference**
Public communications An entity shall consider only public communications related to the reporting period to identify management-defined performance measures for the period, unless as part of its financial reporting process it routinely issues such public communications after the date of issue of its financial statements. If that is the case, an entity shall consider public communications related to the previous reporting period to identify management-defined performance measures for the current period.	**Recommend reference**

However, a measure used in the public communications related to the previous reporting period is not required to be identified as a management-defined performance measure for the current reporting period if there is evidence that indicates it will not be included in the public communications to be issued relating to the current reporting period. If such a measure had been disclosed as a management-defined performance measure in the previous period and is not identified as such for the current period, that would be a change to, or a cessation of, a management-defined performance measure to which the disclosure requirements in paragraph 146 apply.	**Recommend reference**
Other disclosures An entity shall either present in the statement of financial position or the statement of changes in equity or disclose in the notes: a) for each class of share capital: (i). the number of shares authorised; (ii). the number of shares issued and fully paid, and issued but not fully paid; (iii). par value per share, or a statement that the shares have no par value; (iv). a reconciliation (comparative information is not required) of the number of shares outstanding at the beginning and at the end of the reporting period; (v). the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;	This is IAS 1.79 and proposed in the Subsidiaries Exposure Draft. **Consultation completed**

(vi). shares in the entity held by the entity or by its subsidiaries or associates; and (vii). shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; b) a description of the nature and purpose of each reserve within equity.	
An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 156(a), showing changes during the reporting period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.	This is IAS 1.80 and proposed in the Subsidiaries Exposure Draft. **Consultation completed**
An entity shall disclose in the notes: 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 reporting period, and the related amount per share; and b) the amount of any cumulative preference dividends not recognised.	This is IAS 1.137 and proposed in the Subsidiaries Exposure Draft **Consultation completed**
Disclosure requirements in draft IFRS 18 that remain applicable	**IASB rationale for the tentative decision**
An entity shall apply the disclosure requirements in paragraphs 19, 20, 28, 41, 42, 43, 82, 90, 92, B8, B11, B14, B26(b) and B28 of IFRS 18. *Note: The references below are to paragraphs in the draft IFRS 18.*	The IFRS 18 section of the Subsidiaries Standard will include a list of the paragraphs of IFRS 18 that remain applicable. These paragraphs are analysed below.

Some IFRS Accounting Standards specify information that is required to be presented in the primary financial statements or disclosed in the notes. An entity need not provide a specific presentation or disclosure required by IFRS Accounting Standards if the information resulting from that presentation or disclosure is not material. This is the case even if IFRS Accounting Standards contain a list of specific requirements or describe them as minimum requirements.	This is IAS 1.31 and included in the Subsidiaries Exposure Draft (by reference) **Consultation completed**
An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.	This is IAS 1.31 and included in the Subsidiaries Exposure Draft (by reference) **Consultation completed**
An entity shall provide a complete set of financial statements at least annually. When an entity changes the end of its reporting period and provides financial statements for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements: a) the reason for using a longer or shorter period; and b) the fact that amounts included in the financial statements are not entirely comparable.	This is IAS 1.36 and included in the Subsidiaries Exposure Draft (by reference) **Consultation completed**
For the purposes of this Standard, an item is an asset, liability, equity instrument or reserve, income, expense, or cash flow or any aggregation or disaggregation of such assets, liabilities, equity, income, expenses or cash flows. A line item is an item that is presented separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would	This is based on IAS 1.29 and 1.30A, with amendments, akin to a new requirement. Relates to disaggregation principle and also includes definitions of items and line items. Draft BC71 includes statement that "The IASB

override specific aggregation or disaggregation requirements in IFRS Accounting Standards, an entity shall (see paragraphs B16–B23): a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics; b) disaggregate items based on characteristics that are not shared; c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see paragraph 16); d) aggregate or disaggregate items to disclose information in the notes that fulfil the role of the notes in providing material financial information (see paragraph 17); and e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see paragraph B3).	developed these principles and other requirements in response to feedback from users of financial statements that financial statements do not always include appropriately aggregated or disaggregated information. For example, an entity might disclose in the notes a large amount of 'other' expenses with no information to help users of financial statements understand what expenses those items include. In contrast, an entity might sometimes disclose too much detail, obscuring material information. " Also, requirements relate to both disclosure and presentation. **Recommend reference**
Applying the principles in paragraph 41, an entity shall disaggregate items whenever the resulting information is material. If, applying paragraph 41(c), an entity does not present material information in the primary financial statements, it shall disclose the information in the notes. Paragraphs B79 and B111 set out examples of income, expenses, assets and liabilities that might have sufficiently dissimilar	This will be an amendment to IAS 1.77 and 97. It should be read with other requirements on disaggregation. Also, requirements relate to both disclosure and presentation in primary financial statements.

characteristics that presentation in the statement of profit or loss or statement of financial position or disclosure in the notes is necessary to provide material information	**Recommend reference**
An entity shall label and describe items presented in the primary financial statements (that is totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see paragraphs B24–B26). To faithfully represent an item, an entity shall provide all descriptions and explanations necessary for a user of financial statements to understand the item. In some cases, an entity might need to include the descriptions and explanations the meaning of the terms the entity uses and information about how it has aggregated or disaggregated assets, liabilities, equity claims, income, expenses and cash flows.	Requirement mentions disaggregation. Also, requirements relate to both disclosure and presentation in primary financial statements. **Recommend reference**
If an entity presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss, it shall: a) present a line item for its cost of sales in a separate line item, if the entity classifies operating expenses by functions that include a cost of sales function. That line item shall include the total of inventory expense described in paragraph 38 of IAS 2 Inventories. b) disclose a qualitative description of the nature of expenses included in each function line item	Requirement is mostly about presentation in primary financial statements, with one follow up disclosure requirement. Note the draft Basis for Conclusions on IFRS 18 says “The IASB concluded that requiring an entity to include inventory expense would help reduce diversity in the costs included in cost of sales, improving comparability between entities that present that line item. The IASB also concluded such a requirement would not be costly for an entity to apply, because IAS 2 requires an entity:

	a. to recognise the amount of inventories as an expense in the period in which the related revenue is recognised; and b. to disclose the amount of inventories recognised as an expense during the period. **Recommend reference**
An entity shall present in the statement presenting comprehensive income or disclose in the notes reclassification adjustments relating to components of other comprehensive income (see paragraphs B88– B89).	IAS 1.92 and IAS 1.94, and included in the Subsidiaries Exposure Draft (by reference). **Consultation completed**
An entity disclosing reclassification adjustments in the notes shall present in the statement presenting comprehensive income the items of other comprehensive income after any related reclassification adjustments.	IAS 1.94 and included in the Subsidiaries Exposure Draft (by reference) **Consultation completed**
Paragraph 23 explains that an entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary even if the line item is required by IFRS Accounting Standards. For example, an entity need not present a line item listed in paragraph 75 if doing so is not necessary for the statement of profit or loss to provide a useful structured summary of income and expenses, or a line item listed in paragraph 103 if doing so is not necessary for the statement of financial position to provide a useful structured summary of assets,	Sets out process if certain presentation decisions are made, with effects on disclosures. **Recommend reference**

liabilities or equity. If an entity does not present the line items listed in paragraphs 75 and 103, it shall disclose the items in the notes if they provide material information (see paragraph 42).	
An entity often makes financial statements more understandable by providing information in thousands or millions of units of the presentation currency. This practice is acceptable as long as the entity discloses the level of rounding and does not omit material information.	IAS 1.53 and included in the Subsidiaries Exposure Draft (by reference). **Consultation completed**
An entity may provide comparative information in addition to the comparative information required by IFRS Accounting Standards, as long as that information is prepared in accordance with IFRS Accounting Standards. This comparative information may consist of one or more of the primary financial statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall disclose in the notes information for those additional primary financial statements.	The revised drafting in IFRS 18 of IAS 1.38C clarified that the final sentence is a disclosure requirement rather than a presentation requirement, but did not add to or amend the requirement. Treated as a presentation requirement in the Subsidiaries Exposure Draft and therefore not part of the proposed disclosure reductions. As such, it is not a new requirement. **Consultation completed**
If an entity cannot find a more informative label than 'other': … b) for an aggregation comprising only items for which information is not material—the entity shall consider whether the aggregated amount is sufficiently large that users of financial statements might reasonably question whether it includes items for which information could	New requirement. Although possibly it could be excluded on the grounds of being mostly guidance, it is expressed as "shall", so as a requirement.

be material. If so, information to resolve that question is material information. Accordingly, in such cases, the entity shall disclose further information about the amount—for example: (i). an explanation that no items for which information would be material are included in the amount; or (ii). an explanation that the amount comprises several items for which information would not be material, with an indication of the nature and amount of the largest item.	**Recommend reference**
In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading that are included in the same category of the statement(s) of financial performance in accordance with paragraphs 47–68. However, an entity shall disclose such gains and losses separately in the notes if doing so provides material information.	The revised IFRS 18 drafting of IAS 1.35 makes the final sentence more of a disclosure requirement but did not add to or amend the requirement. Treated as a presentation requirement in the Subsidiaries Exposure Draft and therefore not part of the proposed disclosure reductions. As such, it is not a new requirement. **Consultation completed**