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IFRS® Accounting Standard

Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Comments to be received by 27 November 2024

International Accounting Standards Board

IASB/ED/2024/5

Exposure Draft

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Exposure Draft IASB/ED/2024/5 Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* is published by the International Accounting Standards Board (IASB) for comment only. Comments need to be received by **27 November 2024** and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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Introduction

Why is the IASB publishing this Exposure Draft?

IN1 In May 2024, the International Accounting Standards Board (IASB) issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. An eligible subsidiary that chooses to apply IFRS 19 applies the requirements in other IFRS Accounting Standards except for the disclosure requirements, and instead applies the disclosure requirements in IFRS 19.[1]

IN2 The disclosure requirements in IFRS 19 come from other IFRS Accounting Standards. IFRS 19 includes reduced disclosure requirements from IFRS Accounting Standards issued before 28 February 2021, using the principles for developing reduced disclosure requirements described in paragraph BC33 of the *Basis for Conclusions on IFRS 19* Subsidiaries without Public Accountability: Disclosures. Disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 were included in IFRS 19 without reductions when IFRS 19 was issued in May 2024 because the IASB had not consulted on reducing those requirements.

IN3 Paragraphs BC108–BC113 of the *Basis for Conclusions on IFRS 19* describe the IASB's approach to maintaining IFRS 19, stating that once the process of finalising any amendments arising from this Exposure Draft has been completed, each new or amended IFRS Accounting Standard will include consequential amendments to IFRS 19 setting out reduced disclosure requirements as appropriate.

IN4 This Exposure Draft covers new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024. The IASB proposes updating the disclosure requirements from these new or amended Accounting Standards so that IFRS 19 will include only disclosure requirements that reflect its principles for developing reduced disclosure requirements. In addition, the IASB is asking for views on whether to reduce the disclosure requirements from the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective RARL Standard).

Proposals in this Exposure Draft

IN5 The IASB is proposing amendments to IFRS 19 relating to:

(a) IFRS 18 *Presentation and Disclosure in Financial Statements*, including amendments introduced by *Non-current Liabilities with Covenants*;

(b) IAS 7 *Statement of Cash Flows*, as amended by *Supplier Finance Arrangements*;

(c) IAS 12 *Income Taxes*, as amended by *International Tax Reform—Pillar Two Model Rules*; and

1 In this Exposure Draft, the term 'eligible subsidiary' refers to an entity that is eligible to apply IFRS 19; that is, any entity that is, at the end of its reporting period, a subsidiary without public accountability with an ultimate or intermediate parent that produces consolidated financial statements that are available for public use and that comply with IFRS Accounting Standards.

(d) IAS 21 *The Effects of Changes in Foreign Exchange Rates*, as amended by *Lack of Exchangeability*.

IN6 The disclosure requirements in IFRS 19 for regulatory assets and regulatory liabilities relate to IFRS 14 *Regulatory Deferral Accounts*. The disclosure requirements in IFRS 19 listed under subheading IFRS 14 *Regulatory Deferral Accounts* will continue to apply until IFRS 14 is superseded by the prospective RARL Standard. The prospective RARL Standard is expected to include consequential amendments to IFRS 19, deleting the paragraphs listed under that subheading. Subject to feedback on Question 6 of the invitation to comment on this Exposure Draft, the IASB expects to amend IFRS 19 when the prospective RARL Standard is issued to require an eligible subsidiary that applies the prospective RARL Standard to apply either all the disclosure requirements in the prospective RARL Standard or reduced disclosure requirements.

IN7 The IASB is not proposing any amendments to the requirements in IFRS 19 following the issue in May 2024 of *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*.

IN8 Applying the proposals in this Exposure Draft, an eligible subsidiary using management-defined performance measures, as defined in IFRS 18, would be required to apply the disclosure requirements in IFRS 18 for those measures.[2] The proposals in this Exposure Draft would also reduce the disclosure requirements in IFRS 19 that are based on amendments to IAS 7, IAS 12 and IAS 21 relating to supplier finance arrangements, income taxes and lack of exchangeability.

Who would be affected by the proposals?

IN9 The proposed amendments would reduce the disclosure requirements in IFRS 19. In particular, eligible subsidiaries might benefit from cost savings if they:

(a) have non-current liabilities with covenants;

(b) participate in supplier finance arrangements;

(c) are subject to Pillar Two income taxes; or

(d) account for transactions and balances in a currency that is not readily exchangeable.

2 A management-defined performance measure is a subtotal of income and expenses that:

(a) an entity uses in public communications outside financial statements;

(b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and

(c) is not listed in paragraph 118 of IFRS 18, or specifically required to be presented or disclosed by IFRS Accounting Standards.

Next steps

IN10 The IASB will consider the comments it receives on the proposals in this Exposure Draft and will decide whether to proceed with the proposed amendments to IFRS 19.

IN11 If the IASB agrees to proceed with the proposed amendments, they will be effective for periods beginning on or after 1 January 2027, at the same time as the effective date of IFRS 19, with earlier application permitted for entities that are also applying IFRS 19 earlier. If amendments arise from the IASB's project on rate-regulated activities, these amendments will be issued as part of the prospective RARL Standard.

IN12 After the IASB publishes this Exposure Draft, it will consult on potential amendments to IFRS 19 at the same time as it consults on the new or amended IFRS Accounting Standards that give rise to the amendments.

Invitation to comment

The IASB invites comments on the proposals in this Exposure Draft, particularly on Questions 1–6. Comments are most helpful if they:

(a) respond to the questions as stated;

(b) specify the paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative approach the IASB should consider, if applicable.

The IASB requests that comments are confined to the proposals in this Exposure Draft.

Respondents are not required to answer all questions.

Questions for respondents

Question 1—Presentation and disclosure in financial statements (proposed amendments to paragraphs 137, 142–159 and 163 of IFRS 19, paragraph A3 in Appendix A of IFRS 19 and paragraph B8 of Appendix B of IFRS 19)
The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to IFRS 18. The only substantial change proposed is to remove from IFRS 19 the requirements relating to management-defined performance measures. Instead, an eligible subsidiary that uses management-defined performance measures as defined in IFRS 18 would be required to apply the related disclosure requirements in IFRS 18. The IASB is also proposing to remove the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants. Paragraphs BC6–BC13 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal. Do you agree with the proposal to remove from IFRS 19 the requirements for management-defined performance measures and to require an eligible subsidiary to disclose information about these measures if it uses them? If you disagree with this proposal, please explain your reasons. Are there any other disclosure requirements in IFRS 18 that, in your view, are not applicable to eligible subsidiaries and should therefore be removed from IFRS 19? If so, please specify the disclosure requirements and explain your reasons. Do you agree that following the removal of the disclosure objective in paragraph 137 of IFRS 19, the remaining requirements relating to non-current liabilities with covenants are sufficient and clear?

Question 2—Supplier finance arrangements (proposed amendments to paragraphs 167–168 of IFRS 19)
The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to supplier finance arrangements, with some amendments. The IASB proposes to delete the disclosure objective previously included in paragraph 167 of IFRS 19, consistent with its decision not to include disclosure objectives in IFRS 19. It also proposes: (a) to add a new paragraph, paragraph 167A, which would include the description of supplier finance arrangements from paragraph 44G of IAS 7; and (b) to amend paragraph 168 of IFRS 19 to remove the reference to the disclosure objective. Paragraphs BC14–BC17 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for these proposals. Do you agree that including explanatory text in paragraph 167A would be helpful to eligible subsidiaries that elect to apply IFRS 19? Please explain your reasons. Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

Question 3—International tax reform—Pillar Two model rules (proposed amendments to paragraphs 198–199 of IFRS 19)
The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 that introduced: (a) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (b) targeted disclosure requirements for affected entities. The only proposed change is to remove paragraph 198 of IFRS 19 and the reference to a disclosure objective in paragraph 199 of IFRS 19. Paragraphs BC18–BC21 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal. Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 196–199 of IFRS 19 are sufficient and clear? Please explain your reasons.

Question 4—Lack of exchangeability (proposed amendments to paragraphs 221–223 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments for lack of exchangeability issued in August 2023. The IASB amended IAS 21 to require an entity to apply a consistent approach:

(a) to assessing whether a currency is exchangeable into another currency; and

(b) to determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable.

The only proposed change is to remove from IFRS 19 the disclosure objective and the reference to the amount of detail necessary to satisfy that objective.

Paragraphs BC22–BC26 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal.

Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 221–223 of IFRS 19 are sufficient and clear?

Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

Question 5—Financial instruments classification and measurement (no changes proposed)

Paragraphs 56A–56D of IFRS 19 were added due to *Amendments to the Classification and Measurement of Financial Instruments* issued in May 2024. The paragraphs contain disclosure requirements relating to the effect of contractual terms that could change the amount of contractual cash flows as a result of a contingent event that does not directly relate to basic lending risks and costs (such as the time value of money or credit risk).

The amendments to IFRS 19 were made without reducing the disclosure requirements. Having considered the amendments, the IASB proposes not to reduce the disclosure requirements because they provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations, as well as solvency and liquidity.

Paragraphs BC27–BC31 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal.

Do you have comments or suggestions on the proposal not to reduce the disclosure requirements introduced by the amendments to IFRS 7 issued in May 2024? Please explain your reasons.

Question 6—Regulatory assets and regulatory liabilities
An entity that applies IFRS 19 and the prospective RARL Standard will be required to apply the disclosure requirements in the prospective RARL Standard. The IASB is proposing to remove the disclosure requirements relating to IFRS 14, which were included in IFRS 19, when the prospective RARL Standard is issued and to amend paragraph 4(b) of IFRS 19 such that the disclosure requirements in the prospective RARL Standard remain applicable. These changes would be consequential amendments in the prospective RARL Standard. Table 1 describes the disclosure requirements the IASB has tentatively decided to include in the prospective RARL Standard. Eligible subsidiaries with regulatory assets and regulatory liabilities would be required to apply all these requirements if IFRS 19 were not amended to reduce the disclosure requirements. Table 1 also illustrates which requirements might be reduced if the IASB were instead to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19. This Exposure Draft proposes no reductions in disclosure requirements relating to regulatory assets and regulatory liabilities at this stage. Paragraphs BC32–BC37 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for these proposals. Are you aware of entities that have regulatory assets and regulatory liabilities within the scope of the IASB's project on rate-regulated activities that would be eligible to apply IFRS 19? Do you agree that an entity applying IFRS 19 and the prospective RARL Standard should be required to apply all the disclosure requirements in the prospective RARL Standard illustrated in Table 1? If you disagree, please suggest the disclosure requirements in Table 1 that an eligible subsidiary applying IFRS 19 should not be required to apply. Please explain your reasons.

Deadline

The IASB will consider all written comments received by 27 November 2024.

How to comment

Please submit your comments electronically:

Online	https://www.ifrs.org/projects/open-for-comment/
By email	commentletters@ifrs.org

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We normally grant such requests only if they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data. If you would like to request confidentiality, please contact us at commentletters@ifrs.org before submitting your letter.

[Draft] Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Disclosure requirements

...

IFRS 18 *Presentation and Disclosure in Financial Statements*

Paragraphs 137 and 163 are amended and paragraphs 142–159 and their headings are deleted. New text is underlined and deleted text is struck through.

Statement of financial position

Right to defer settlement for at least 12 months

137 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.

...

~~Management-defined performance measures~~

142 [Deleted]~~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.~~

143 [Deleted]~~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 147). 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.~~

144 [Deleted]~~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 148–149). For each management-defined performance measure the entity shall disclose:~~

~~(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 specifically required to be presented or disclosed by IFRS Accounting Standards (see paragraphs 150–154).~~

~~(d) the income tax effect (determined by applying paragraph 155) 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 155 to determine the income tax effect required by (d).~~

145 [Deleted]~~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 144(d), it shall disclose:~~

~~(a) an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.~~

~~(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.~~

146 [Deleted]~~If an entity does not disclose the restated comparative information required by paragraph 145(c) because it is impracticable to do so, it shall disclose that fact.~~

~~Single note for information about management-defined performance measures~~

147 [Deleted]~~Paragraph 143 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 142–146. 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 paragraph 142–146 from the other information.~~

~~A clear and understandable manner~~

148 [Deleted]~~Paragraph 144 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:~~

~~(a)~~ ~~label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 of IFRS 18 (see paragraph 149); 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 149(b)).~~

149 [Deleted]~~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 'non-recurring expenses').~~

~~*Reconciliation to the most directly comparable total or subtotal*~~

150 [Deleted]~~Paragraph 144(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 specifically 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.~~

151 [Deleted]~~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 152–154), if necessary to provide the information required by paragraph 144(a) and 144(b).~~

152 [Deleted]~~The description required in paragraph 151(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's 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.~~

153 [Deleted]~~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 151(b).~~

154 [Deleted]~~Applying paragraph 144(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 4(d) and 144(e) for the reconciliation in (a).~~

~~Income tax effect for each item disclosed in the reconciliation~~

155 [Deleted]~~An entity is required by paragraph 144(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 specifically required to be presented or disclosed by IFRS Accounting Standards. An entity shall determine the income tax effect required by paragraph 144(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;~~

~~(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.~~

156 [Deleted]~~If, applying paragraph 155, 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.~~

~~Subtotals of income and expenses~~

157 [Deleted]~~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 142–146 to such a numerator or denominator.~~

~~Public communications~~

158 [Deleted]~~An entity shall consider only public communications related to the reporting period to identify management-defined performance measures for the reporting 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 reporting period.~~

159 [Deleted]~~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 reporting period and is not identified as such for the current reporting period, that would be a change to, or a cessation of, a management-defined performance measure to which the disclosure requirements in paragraph 145 apply.~~

...

Disclosure requirements in IFRS 18 that remain applicable

163 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. If an entity has management-defined performance measures as identified in paragraphs 117–120 of IFRS 18, it shall also provide the disclosures required by paragraphs 121–125, B132 and B134–B142 of IFRS 18.

...

IAS 7 *Statement of Cash Flows*

Paragraph 168 is amended, paragraph 167A is added and paragraph 167 is deleted. New text is underlined and deleted text is struck through.

...

Supplier finance arrangements

167 [Deleted]~~An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G of IAS 7 *Statement of Cash Flows*) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.~~

167A Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

168 An entity shall disclose in aggregate for its supplier finance arrangements:~~To meet the objectives in paragraph 167, an entity shall disclose in aggregate for its supplier finance arrangements:~~

(a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.

(b) as at the beginning and end of the reporting period:

(i) the carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.

(ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.

(iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).

(c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 165).

...

IAS 12 *Income Taxes*

Paragraph 199 is amended and paragraph 198 is deleted. New text is underlined and deleted text is struck through.

...

International tax reform—Pillar Two model rules

196 An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A of IAS 12).

197 An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

198 [Deleted]~~In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.~~

199 In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. ~~To meet the disclosure objective in paragraph 198, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.~~ This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall

instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

...

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 221 and 223 are amended and paragraph 222 is deleted. New text is underlined and deleted text is struck through.

...

Disclosure when a currency is not exchangeable

221 When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency (see paragraph 19A of IAS 21), the entity shall disclose the information required by paragraphs 223–224.~~that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. To achieve this objective, an entity shall disclose information about:~~

~~(a) the nature and financial effects of the currency not being exchangeable into the other currency;~~

~~(b) the spot exchange rate(s) used;~~

~~(c) the estimation process; and~~

~~(d) the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.~~

222 [Deleted]~~An entity shall consider how much detail is necessary to satisfy the disclosure objective in paragraph 221. An entity shall disclose the information specified in paragraphs 223–224 and any additional information necessary to meet the disclosure objective in paragraph 221.~~

223 An entity shall disclose:~~In applying paragraph 221, an entity shall disclose:~~

(a) the currency and a description of the restrictions that result in that currency not being exchangeable into the other currency;

(b) a description of affected transactions;

(c) the carrying amount of affected assets and liabilities;

(d) the spot exchange rates used and whether those rates are:

  (i) observable exchange rates without adjustment (see paragraphs A12–A16 of IAS 21); or

  (ii) spot exchange rates estimated using another estimation technique (see paragraph A17 of IAS 21);

(e) a description of any estimation technique the entity has used, and qualitative and quantitative information about the inputs and assumptions used in that estimation technique; and

(f) qualitative information about each type of risk to which the entity is exposed because the currency is not exchangeable into the other currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.

224 When a foreign operation's functional currency is not exchangeable into the presentation currency or, if applicable, the presentation currency is not exchangeable into a foreign operation's functional currency, an entity shall also disclose:

(a) the name of the foreign operation; whether the foreign operation is a subsidiary, joint operation, joint venture, associate or branch; and its principal place of business;

(b) summarised financial information about the foreign operation; and

(c) the nature and terms of any contractual arrangements that could require the entity to provide financial support to the foreign operation, including events or circumstances that could expose the entity to a loss.

[Draft] Amendments to Appendix A—Effective date and transition

This Appendix is an integral part of the Standard.

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Paragraph A3 is amended. New text is underlined and deleted text is struck through.

IFRS 18 *Presentation and Disclosure in Financial Statements*

A2 IFRS 18 *Presentation and Disclosure in Financial Statements*, issued in April 2024, supersedes IAS 1 *Presentation of Financial Statements*. IFRS 18 applies to annual reporting periods beginning 1 January 2027 and earlier application is permitted.

A3 An entity that elects to apply this Standard for a reporting period earlier than the reporting period in which it first applies IFRS 18 shall apply paragraphs B2–B19 of Appendix B instead of <u>paragraphs 128–141 and 160–163</u> ~~paragraphs 128–163~~ (under subheading IFRS 18 *Presentation and Disclosure in Financial Statements*), 173–177 and 182–183 (under subheading IAS 8 *Basis of Preparation of Financial Statements*) and 246(m) (under subheading IAS 34 *Interim Financial Reporting*). If such an entity also applies IAS 33 *Earnings per Share*, it shall apply paragraphs 73 and 73A of IAS 33 instead of paragraphs 73B and 73C of IAS 33 (as amended by IFRS 18).

[Draft] Amendments to Appendix B—Disclosure requirements if an entity applies IFRS 19 before applying IFRS 18

This Appendix is an integral part of the Standard.

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Paragraph B8 is amended. New text is underlined and deleted text is struck through.

Right to defer settlement of liabilities for at least 12 months

B8 In applying paragraphs 69–75 of 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 covenants within 12 months after the reporting period (see paragraph 72B(b) of IAS 1). 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.

Approval by the IASB of Exposure Draft *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures published in July 2024

The Exposure Draft *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures was approved for publication by all 14 members of the International Accounting Standards Board.

Andreas Barckow	Chair
Linda Mezon-Hutter	Vice-Chair
Nick Anderson	
Patrina Buchanan	
Tadeu Cendon	
Florian Esterer	
Zach Gast	
Hagit Keren	
Jianqiao Lu	
Bruce Mackenzie	
Bertrand Perrin	
Rika Suzuki	
Ann Tarca	
Robert Uhl	

Table 1—Disclosure requirements in the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities*

Table 1 provides information to help in responding to Question 6 of the invitation to comment. It describes the disclosure objectives and requirements that the IASB has tentatively decided to include in the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective RARL Standard). The table does not specify the exact wording of disclosure requirements to be included in the prospective RARL Standard; the IASB will specify the disclosure objectives and requirements during the balloting process for that Standard.

The rows in Table 1 shaded in grey are examples of disclosure objectives and requirements that could be reduced (and therefore not included in IFRS 19), identified by the IASB using the principles for developing reduced disclosure requirements. The table illustrates how the disclosure objectives, application guidance and requirements in the prospective RARL Standard could be reduced in IFRS 19 if the IASB were to develop reduced disclosure requirements for entities applying the prospective RARL Standard.

Table 1—Disclosure requirements in the prospective RARL Standard

Disclosure requirements in the prospective RARL Standard	
1	An overall disclosure objective for an entity to disclose information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities that would enable users of financial statements to understand the entity's future cash flow prospects.
2	Application guidance on aggregation and disaggregation of disclosures, including examples of the characteristics that an entity could use to aggregate or disaggregate disclosures in accordance with the principles in IFRS 18 *Presentation and Disclosure in Financial Statements*.
3	A specific disclosure objective for an entity to disclose information that would enable users of financial statements to understand how regulatory income or regulatory expense affected the entity's financial performance.
4	A requirement for an entity to disclose components of regulatory income or regulatory expense included in profit or loss, comprising: (a) regulatory income relating to the origination of regulatory assets during the reporting period; (b) regulatory expense relating to the origination of regulatory liabilities during the reporting period; (c) regulatory expense relating to the recovery of regulatory assets during the reporting period; (d) regulatory income relating to the fulfilment of regulatory liabilities during the reporting period; (e) regulatory interest income or regulatory interest expense; and

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Disclosure requirements in the prospective RARL Standard	
	(f) other components—for example, regulatory income or regulatory expense relating to changes in the carrying amount of a regulatory asset or regulatory liability caused by a change in the boundary of a regulatory agreement; or remeasurements of regulatory assets or regulatory liabilities.
5	A requirement for an entity to disclose the components of regulatory income or regulatory expense described in (d) included in other comprehensive income.
6	A specific disclosure objective for an entity to disclose information that would enable users of financial statements to understand the entity's regulatory assets and regulatory liabilities as at the end of the reporting period and any changes in regulatory assets and regulatory liabilities that occurred during the reporting period.
7	A requirement for an entity to disclose: (a) quantitative information, using time bands, about when it expects to recover regulatory assets and fulfil regulatory liabilities; (b) the discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period; (c) the regulatory interest rate provided by the regulatory agreement for a regulatory asset, if the entity uses the minimum interest rate as the discount rate for that regulatory asset; (d) an explanation of how risks and uncertainties affect the recovery of regulatory assets or fulfilment of regulatory liabilities; (e) a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities; and (f) a qualitative explanation of any significant changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or regulatory expense.
8	Application guidance on what information to disclose about regulatory assets and regulatory liabilities that are measured using the same measurement basis as the related liabilities and assets.
9	A specific disclosure objective for an entity to disclose information that would enable users of the entity's financial statements to understand whether its regulatory capital base has a direct relationship with its property, plant and equipment.

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Disclosure requirements in the prospective RARL Standard	
10	A requirement for an entity to disclose: (a) whether the relationship between the entity's regulatory capital base and its property, plant and equipment is direct; and (b) the reasons the entity has concluded its regulatory capital base has or does not have a direct relationship with its property, plant and equipment.
11	A requirement for an entity to disclose: (a) the nature of unrecognised regulatory assets and unrecognised regulatory liabilities; (b) the regulatory approach (nominal or real) used by the regulator to compensate the entity for inflation; and (c) a statement of whether it receives regulatory returns on an asset not yet available for use if the entity's regulatory capital base has a direct relationship with its property, plant and equipment and the entity capitalises its borrowing costs.

Basis for Conclusions on Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

This Basis for Conclusions accompanies, but is not part of, the Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures (Exposure Draft). It summarises the considerations of the International Accounting Standards Board (IASB) in developing the Exposure Draft. Individual IASB members gave greater weight to some factors than to others.*

Principles for developing reduced disclosure requirements

BC1 In May 2024 the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which allows eligible subsidiaries to prepare financial statements using IFRS Accounting Standards with reduced disclosures. IFRS 19 includes reduced disclosure requirements from IFRS Accounting Standards and amendments issued before 28 February 2021; any new or amended disclosure requirements issued after this date and before 1 May 2024 were included in IFRS 19 in full.

BC2 In developing the reduced disclosure requirements, the IASB applied six principles as described in paragraph BC33 of the *Basis for Conclusions on IFRS 19* Subsidiaries without Public Accountability: Disclosures:

(a) users of the financial statements of eligible subsidiaries are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities;

(b) users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency;

(c) information on measurement uncertainties is important for eligible subsidiaries;

(d) information about an entity's accounting policy choices is important for eligible subsidiaries;

(e) disaggregations of amounts presented in eligible subsidiaries' financial statements are important for an understanding of those statements; and

(f) some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.

BC3 The IASB's agreed approach to the maintenance of IFRS 19 includes reviewing potential changes to IFRS 19 against the principles in paragraph BC2 and assessing the overall disclosure requirements on the topic in IFRS 19 to monitor whether the requirements remain proportionate and appropriate for eligible subsidiaries.

BC4 As described in paragraph BC50 of the *Basis for Conclusions on IFRS 19*, the IASB decided that IFRS 19 would not include disclosure objectives, because including such objectives in IFRS 19 might result in the perception that an entity is required to provide the same disclosures it would otherwise have provided had it not applied IFRS 19. The IASB also decided not to include guidance from other IFRS Accounting Standards. Eligible subsidiaries applying IFRS 19 may refer to guidance in other IFRS Accounting Standards, so reproducing such guidance in IFRS 19 is unnecessary.

BC5 The IASB has applied the approach described in paragraphs BC2–BC4 in reviewing new or amended disclosure requirements for the purposes of this Exposure Draft.

Presentation and disclosure in financial statements

Background

BC6 In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 introduced new presentation and disclosure requirements and replaced IAS 1 *Presentation of Financial Statements* for periods beginning on or after 1 January 2027.

BC7 IFRS 19 includes all the disclosure requirements introduced by IFRS 18. Appendix B to IFRS 19 lists the disclosure requirements, based on IAS 1, applicable to an eligible subsidiary that applies IFRS 19 before it applies IFRS 18.

BC8 In developing IFRS 19, the IASB had already considered how to reduce the disclosure requirements from IAS 1. It was therefore unnecessary for the IASB to revisit the decisions on disclosure requirements that were brought forward into IFRS 18 or relocated to another standard without changes.

Applying the principles

BC9 IFRS 18 improved upon the requirements in IAS 1 relating to the aggregation and disaggregation of information in financial statements. IFRS 18 requires an entity to aggregate or disaggregate information as appropriate to avoid obscuring material information. In the IASB's view, the new disclosure requirements relating to aggregation and disaggregation are likely to help eligible subsidiaries provide information to meet the needs of users of their financial statements, satisfying one of the principles in paragraph BC2.

BC10 The amendments to IAS 1 relating to non-current liabilities with covenants were included in IFRS 19 without reduction. The IASB is now proposing to amend the requirements so that they do not include a disclosure objective, which is consistent with the approach elsewhere in IFRS 19.

BC11 IFRS 18 also includes a requirement for an entity to identify any management-defined performance measures it uses. If an entity uses management-defined performance measures, it is required to apply the related disclosure requirements in IFRS 18. If an eligible subsidiary uses management-defined performance measures, information about them is expected to be relevant to users of the subsidiary's financial statements. Excluding the related disclosure requirements from IFRS 19 would, in this situation, diminish the quality of information available to users about the measures management has identified as being helpful to understanding the subsidiary's financial performance.

BC12 However, in the IASB's view, eligible subsidiaries are less likely to use management-defined performance measures than other entities. A subsidiary provides information to its parent for the parent to prepare consolidated performance measures. Unless the subsidiary itself uses those measures in public communications outside financial statements to communicate an aspect of its financial performance, the information provided to the parent does not meet the definition of a management-defined performance measure.

BC13 The IASB is of the view that disclosures of management-defined performance measures are important for eligible subsidiaries that use them, but that many eligible subsidiaries will not use them. The IASB discussed the precedent in IFRS 19 in which eligible subsidiaries applying IFRS 19 are not required to provide segment information as set out in IFRS 8 *Operating Segments*, but if they choose to do so, they are required to comply with the disclosure requirements in IFRS 8. In the IASB's view, a similar approach is suitable for management-defined performance measures—eligible subsidiaries using them would be required to apply the related requirements in IFRS 18, but these requirements would not be reproduced in IFRS 19. Once an entity is required to disclose information about either segment information or management-defined performance measures, there are no reductions available. Eligible subsidiaries are not expected to incur excessive costs because they can choose not to provide segment information in their financial statements or not to use management-defined performance measures in public communications if, in their judgement, the benefits of doing so do not justify the costs of applying the disclosure requirements.

Supplier finance arrangements

Background

BC14 In May 2023 the IASB issued *Supplier Finance Arrangements*, which amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. The amendments require an entity to provide additional disclosures about its supplier finance arrangements and are effective for annual reporting periods beginning on or after 1 January 2024.

BC15 The new disclosure requirements in IAS 7 were included in full in paragraphs 167–168 of IFRS 19 and the IASB has considered whether to amend the requirements for eligible subsidiaries.

Applying the principles

BC16 When eligible subsidiaries enter into supplier finance arrangements, their main effect is on short-term cash flows. Therefore, in the IASB's view, all the new disclosure requirements in IAS 7 are necessary to meet the information needs of users of financial statements.

BC17 The IASB proposes to remove from IFRS 19 the disclosure objectives related to supplier finance arrangements and to add the description of supplier finance arrangements proposed in paragraph 167A of this Exposure Draft to give context to the disclosure requirements. Applying the approach to objectives and guidance discussed in paragraph BC4, the IASB also does not propose to add either the new guidance from Appendix B of IFRS 7 or the implementation guidance on IFRS 7 (which accompanies, but is not part of, IFRS 7).

Pillar Two model rules

Background

BC18 In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12 *Income Taxes*. The amendments became effective immediately and introduced:

(a) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and

(b) targeted disclosure requirements for affected entities.

BC19 The IASB reviewed the disclosure requirements introduced by the amendments to IAS 12 and observed that they relate to a set of facts and circumstances specific to a small group of eligible subsidiaries.

Applying the principles

BC20 Most of the targeted disclosure requirements meet the needs of users of eligible subsidiaries' financial statements. Furthermore, in the IASB's view, selecting some but not all of the requirements would mean that users of eligible subsidiaries' financial statements would not have enough information to understand the effects of the Pillar Two model rules on affected subsidiaries.

BC21 Therefore, the IASB proposes only one change to the requirements—to remove the disclosure objective. This change is consistent with the IASB's decision not to use disclosure objectives in IFRS 19.

Lack of exchangeability

Background

BC22 In August 2023, the IASB issued *Lack of Exchangeability*, which amended IAS 21 *The Effects of Changes in Foreign Exchange Rates*. These amendments are effective for periods beginning on or after 1 January 2025. The amendments require an entity to apply a consistent approach:

(a) to assessing whether a currency is exchangeable into another currency; and

(b) to determining the exchange rate to use and the disclosures to provide if the currency is not exchangeable.

BC23 The new disclosure requirements introduced by the amendments are included in paragraphs 221–224 of IFRS 19.

Applying the principles

BC24 As set out in paragraph BC50 of the *Basis for Conclusions on IFRS 19*, the IASB decided not to include disclosure objectives in IFRS 19. The IASB therefore proposes removing the disclosure objective introduced into IAS 21 by *Lack of Exchangeability* but retaining the detailed requirements that were specified as being necessary to satisfy the objective.

BC25 In the IASB's view, the requirements all satisfy the principles for developing disclosure requirements set out in paragraph BC2. The resulting disclosures would provide information about measurement uncertainties and about accounting policy choices, all of which are of interest to the users of eligible subsidiaries' financial statements.

BC26 The IASB also considered the additional requirements that were included in paragraphs A19–A20 of Appendix A of IAS 21 as part of the amendments. Although Appendix A of IAS 21 is described as application guidance, paragraphs A19–A20 are in effect disclosure requirements. IFRS 19 does not have a separate application guidance section, so the relevant paragraphs are included under subheading IAS 21 *The Effects of Changes in Foreign Exchange Rates* in the body of IFRS 19.

Classification and measurement of financial instruments

Background

BC27 In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 7 and IFRS 9 *Financial Instruments*. The amendments mainly relate to derecognition when an entity settles financial liabilities using an electronic payment system, and classification when an entity assesses contractual cash flow characteristics of financial assets, including those with environmental, social and governance-linked features. The amendments also affect disclosures, adding or amending disclosure requirements for:

(a) investments in equity instruments designated at fair value through other comprehensive income; and

(b) financial instruments with contractual terms that could change the amount of contractual cash flows as a result of a contingent event.

BC28 At the time of issuing IFRS 19, the IASB had not reviewed the disclosure requirements in these amendments against the principles in paragraph BC2. The new disclosure requirements added by the amendments were therefore included in IFRS 19 except where they related to disclosure requirements that were not in IFRS 19 because of earlier IASB decisions.

Applying the principles

BC29 The IASB did not include the original disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income because the requirements did not satisfy the principles in paragraph BC2. Consequently, these disclosure requirements are not relevant to eligible subsidiaries applying IFRS 19.

BC30 In the IASB's view, by providing information about contractual terms that could change the amount of contractual cash flows of financial assets and financial liabilities, an eligible subsidiary could provide users of its financial statements with useful information about its short-term cash flows and obligations, as well as its solvency and liquidity. Although eligible subsidiaries are less likely to hold financial assets with such contractual terms than entities with public accountability, they might issue financial liabilities with such terms. If a financial liability forms a significant portion of an entity's financing, changes to the instrument's cash flows could affect the entity's liquidity.

BC31 As well as examining the relevance of the potential disclosures, the IASB also considered whether collecting and disclosing the information would be costly for eligible subsidiaries. It concluded that the information an eligible subsidiary is required to disclose is available in the contract, so providing this information should not require undue effort. Accordingly, the Exposure Draft does not propose removing any of the new requirements in IFRS 19.

Regulatory assets and regulatory liabilities

Background

BC32 In January 2021, the IASB issued an exposure draft that proposed withdrawing IFRS 14 *Regulatory Deferral Accounts* and replacing it with a new IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective RARL Standard). The IASB expects to issue this prospective Standard in 2025.

BC33 The IASB noted that subsidiaries with regulatory assets and regulatory liabilities within the scope of the prospective RARL Standard might also be eligible to apply IFRS 19.

Applying the principles

BC34 The IASB decided not to propose reduced disclosure requirements for eligible subsidiaries with regulatory assets and regulatory liabilities within the scope of the prospective RARL Standard at this stage because of:

(a) the limited potential for reducing the disclosure requirements (paragraph BC35); and

(b) the various benefits associated with delaying consideration of the reduced disclosure requirements (paragraph BC36).

BC35 The IASB discussed reducing the disclosure requirements associated with the prospective RARL Standard. Based on its initial analysis (see Table 1), the IASB concluded that if it were to propose reduced disclosure requirements for entities that both have regulatory assets and regulatory liabilities within the scope of the prospective RARL Standard and are eligible to apply IFRS 19, any such proposals would be likely to result in only a limited reduction in the disclosure requirements. The potential reductions it identified mainly related to removing disclosure objectives and guidance on how to apply the disclosure requirements. Most of the disclosure requirements appeared necessary to support the new model, and the IASB concluded that removing objectives and guidance at this stage would not significantly reduce costs for preparers of financial statements.

BC36 The IASB also concluded that delaying any proposed reduced disclosure requirements for the prospective RARL Standard would have several benefits:

(a) the prospective RARL Standard would introduce a new model for accounting for regulatory assets and regulatory liabilities that would be supported by its disclosure requirements; and

(b) users would be able to become familiar with the proposed new model and the IASB would be able to assess the effectiveness of the associated disclosure requirements before testing the effect of reduced disclosure requirements.

BC37 In the early years of a subsidiary applying the prospective RARL Standard, if the subsidiary has material regulatory assets and regulatory liabilities, the interests of users of its financial statements may best be served by requiring all the disclosures. Including all the disclosure requirements in IFRS 19 may be necessary for users to understand the new model for accounting for regulatory assets and regulatory liabilities. On the other hand, some preparers and users might prefer to have reduced disclosure requirements available from the outset so that they have continuity in reporting and do not incur costs in gathering information for disclosure requirements that could be reduced in the future. Allowing reduced disclosures as soon as the prospective RARL Standard is issued would give greater stability to eligible subsidiaries and users of their financial statements.

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