ASC
ACCOUNTING STANDARDS COUNCIL
SINGAPORE

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(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Subsidiaries Without Public Accountability: Disclosures* (the ED) issued by the International Accounting Standards Board (the IASB or the Board) in July 2021.

We welcome the IASB's efforts in developing reduced disclosure requirements for subsidiaries without public accountability, in response to feedback from stakeholders on the IASB's 2015 Agenda Consultation. The project has the potential to eliminate unnecessary costs for those subsidiaries in preparing financial statements, whilst maintaining information needed by users of their financial statements.

Our comments on the ED are as follows:

Question 1—Objective
Paragraph 1 of the draft Standard proposes that the objective of the draft Standard *Subsidiaries without Public Accountability: Disclosures* is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Standards. Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

Question 2—Scope
Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22

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of the Basis for Conclusions explain the Board's reasons for that proposal.

Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

Objective

We agree with the proposed objective of the draft Standard. Permitting eligible subsidiaries to apply IFRS Standards with reduced disclosure requirements has the potential to eliminate unnecessary costs for those subsidiaries in preparing financial statements, whilst maintaining information needed by users of their financial statements (users).

Scope

We appreciate the IASB's reasons for the proposed scope, in particular, the arguments for and against expanding the scope of the draft Standard to non-subsidiary small and medium-sized entities (SMEs) set out in paragraphs BC15–BC16 of the Basis for Conclusions on the ED (the BC).

On balance, subject to our comments below, we are inclined to agree with the proposed scope. In particular, we note that in some jurisdictions, the IFRS for SMEs Standard (IFRS for SMEs) is permitted to be used only by SMEs that meet quantified size criteria, instead of all SMEs. Expanding the scope of the draft Standard, which is developed based on the disclosure requirements in IFRS for SMEs or the principles used for developing those requirements, to more or all SMEs would therefore create more tension with jurisdictional requirements.

<u>Financial statements in which the draft Standard can be applied</u>

Paragraph 6 of the draft Standard specifies that an entity is permitted to apply the draft Standard in its 'consolidated', 'separate' or 'individual' financial statements, if the entity does not have public accountability, amongst other criteria. We note that:

(1) Paragraph 6 does not include financial statements in which investments in associates or joint ventures are accounted for using the equity method as required by IAS 28 *Investments in Associates and Joint Ventures*. We believe that an entity that does not have investments in subsidiaries but has investments in associates or joint ventures and that otherwise meets the specified criteria should also be permitted to apply the draft Standard in the financial statements described above.

(2) A literal reading of paragraph 6 suggests that an entity that does not have public accountability but has subsidiaries that have public accountability is permitted to apply the draft Standard in its consolidated financial statements. However, the reporting entity in a set of consolidated financial statements comprises both the parent and its subsidiaries. Accordingly, the public accountability criterion should not be assessed at the parent entity level in the case of consolidated financial statements. The IASB should: (i) revise paragraph 6 accordingly; and (ii) provide guidance on how the assessment is made at the reporting entity level.

Question 3—Approach to developing the proposed disclosure requirements
Paragraphs BC23–BC39 of the Basis for Conclusions explain the Board's reasons for its approach to developing the proposed disclosure requirements. Do you agree with that approach? Why or why not? If not, what approach would you suggest and why?

Subject to our comments below, we are in principle supportive of the IASB's proposal to develop disclosure requirements for the draft Standard by:

(1) Using the disclosure requirements in IFRS for SMEs when the recognition and measurement requirements in IFRS for SMEs are the same as those in IFRS Standards; and

(2) Tailoring the disclosure requirements when a recognition or measurement difference arises, by applying to the disclosure requirements in IFRS Standards the principles in paragraph BC157 of the Basis for Conclusions on IFRS for SMEs (the SME BC) used by the IASB for developing disclosure requirements in IFRS for SMEs.

We consider that the proposed approach is consistent with the principle that entities eligible to apply the draft Standard are also eligible to apply IFRS for SMEs.

When recognition and measurement requirements are the same

<u>Disclosure requirements in IFRS Standards not in IFRS for SMEs</u>

We note that a number of disclosure requirements in IFRS Standards that appear to meet the principles in paragraph BC157 of the SME BC were omitted from IFRS for SMEs and consequently, the draft Standard. However, the bases for their omission are not entirely clear from the SME BC.

Therefore, we believe it would be useful for the IASB to consider whether to include those requirements in the draft Standard, notwithstanding their omission from IFRS for SMEs. Please refer to our comments to Question 8 for the details.

Indeed, we note that the IASB has included some such requirements in the draft Standard, although the IASB's criteria for determining which particular requirement to include may not be apparent. For example, we observe that although the requirements in paragraphs 49(a)–(b) of IAS 41 *Agriculture* would meet the principles in paragraphs BC157(a)–(b) of the SME BC, the draft Standard did not include them. On the other hand, consistent with the requirements in IAS 19 *Employee Benefits*, the ED proposes to require more reconciling items to be disclosed for defined benefit obligations, because of the principle in paragraph BC157(e) of the SME BC. We suggest that more clarity be provided by the IASB on its approach.

Disclosure requirements that arose from differences in timing

Paragraph BC31 of the BC specifies that, other than in some limited cases, the IASB decided

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not to add to the draft Standard disclosure requirements that arose from differences in timing, because the disclosure requirements for entities applying the draft Standard should not be more extensive than those for entities applying IFRS for SMEs when there is no recognition or measurement difference.

Although we appreciate the IASB's rationale, we are not supportive of its decision. We are of the view that the IASB should consider whether to include those improved disclosure requirements in the draft Standard, including when it proposes them for IFRS Standards in future.

Specifically, we believe that users should not be denied access to improved information, if the information is useful to them. Moreover, entities applying the draft Standard may already be providing those disclosures to their parent. Besides, those entities are already complying with 'more stringent' recognition and measurement requirements vis-à-vis entities applying IFRS for SMEs. Furthermore, our approach would lead to more consistent consideration of those improved requirements vis-à-vis the IASB's approach where the bases for introducing particular exceptions may be arbitrary. On balance, we are less concerned about the outcome that the disclosure requirements for entities applying the draft Standard could be more extensive than those for entities applying IFRS for SMEs when there is no recognition or measurement difference.

<u>Disclosure requirements in IFRS for SMEs not in IFRS Standards</u>

We note that the proposed approach would result in the inclusion in the draft Standard of disclosure requirements that are not otherwise in IFRS Standards. In other words, entities applying the draft Standard would be required to comply with particular disclosure requirements that are not required for entities applying IFRS Standards with full disclosure requirements. We are not inclined to support such an outcome.

Separately, we note that the IASB has labelled the inclusion of such disclosure requirements in the draft Standard as an 'exception' to the proposed approach. The IASB's rationale for using such a label is unclear.

When recognition and measurement requirements differ

We think that the manner in which the IASB identifies when a recognition or measurement difference arises, which has implications on the disclosure requirements in the draft Standard, and consequently, whether the inclusion or non-inclusion of particular disclosure requirement constitutes an exception to the proposed approach, may not be entirely clear. For example, it is not clear how the IASB has arrived at the conclusion in paragraph BC51 of the BC that there are no recognition and measurement differences in respect of certain IFRS Standards such as IFRS 7 *Financial Instruments: Disclosures*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, when IFRS for SMEs is based on IFRS Standards that have since been replaced by IFRS 9 *Financial Instruments*, IFRS 15 and IFRS 16.

Similarly, it may not be entirely clear how the principles in paragraph BC157 of the SME BC have been applied by the IASB in determining the inclusion or non-inclusion in the draft Standard of particular disclosure requirements in IFRS Standards.

We suggest that more clarity be provided by the IASB.

Interaction with periodic review of IFRS for SMEs and Exposure Draft on Disclosure requirements in IFRS Standards—A Pilot Approach (ED/2021/3)

We note that:

(1) The IASB is in the midst of conducting its second comprehensive review of IFRS for SMEs (the SME review), and that some of the existing recognition and measurement differences between IFRS Standards and IFRS for SMEs could be removed following the SME review.

(2) ED/2021/3 proposes a new approach to developing disclosure requirements in IFRS Standards which would replace specific disclosure requirements with disclosure objectives. Under the proposed new approach, a non-mandatory list of items of information that may enable an entity to meet the disclosure objective would be provided in most cases.

It is not clear how:

(1) The SME review interacts with the project, in particular, whether and how the disclosure requirements developed under the SME review would affect the draft Standard and vice-versa, in the light of the scope differences between IFRS for SMEs and the draft Standard, which could result in different feedback being provided to the IASB from stakeholders.

(2) The proposed approach in ED/2021/3 would interact with the development of the disclosure requirements in the draft Standard.

We believe that some clarity on the interactions would be useful.

Question 4—Exceptions to the approach
Paragraphs BC40–BC52 of the Basis for Conclusions explain the Board’s reasons for the exceptions to its approach to developing the proposed disclosure requirements. Exceptions (other than paragraph 130 of the draft Standard) relate to: • disclosure objectives (paragraph BC41); • investment entities (paragraphs BC42–BC45); • changes in liabilities from financing activities (paragraph BC46); • exploration for and evaluation of mineral resources (paragraphs BC47–BC49); • defined benefit obligations (paragraph BC50); • improvements to disclosure requirements in IFRS Standards (paragraph BC51); and • additional disclosure requirements in the IFRS for SMEs Standard (paragraph BC52).

(a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made?

(b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*.

   (i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

   (ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

As mentioned elsewhere in our letter, the IASB's identification of exceptions to the proposed approach appears confusing. Nonetheless, except as described below, we are generally supportive of the proposed inclusion or non-inclusion in the draft Standard of the specific disclosure requirements described in paragraphs BC41–BC52 of the BC:

(1) Investment entities and improvements to disclosure requirements in IFRS 7: Please refer to our comments to Question 8.

(2) Additional disclosure requirements in IFRS for SMEs described in paragraphs BC52(d)–(e) of the BC: Please refer to our comments to Question 3.

Reconciliation for liabilities arising from financing activities

We understand that the information required by paragraph 130 of the draft Standard generally would not differ from the information that an eligible subsidiary reports to its parent for purposes of paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*, except that the latter may also include information about changes in financial assets as required by paragraph 44C of IAS 7. Therefore, the IASB should consider including in the draft Standard the requirement in IAS 7 relating to changes in financial assets.

We also understand that consolidated financial statements typically include a reconciliation for liabilities arising from financing activities to satisfy the disclosure requirements in paragraphs 44A–44E of IAS 7.

Question 5—Disclosure requirements about transition to other IFRS Standards
Any disclosure requirements specified in an IFRS Standard or an amendment to an IFRS Standard about the entity's transition to that Standard or amended Standard would remain

applicable to an entity that applies the Standard.

Paragraphs BC57–BC59 of the Basis for Conclusions explain the Board's reasons for this proposal.

Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?

We agree with the proposal that disclosure requirements about the transition to a new or amended IFRS Standard as set out in that Standard would remain applicable to entities that apply the draft Standard. We consider that such transition disclosures would provide useful information to users of those entities' financial statements (SME users), whilst not imposing significant cost on the entities given that those disclosures are one-off.

Question 6—Disclosure requirements about insurance contracts

The draft Standard does not propose to reduce the disclosure requirements of IFRS 17 *Insurance Contracts*. Hence an entity that applies the Standard and applies IFRS 17 is required to apply the disclosure requirements in IFRS 17.

Paragraphs BC61–BC64 of the Basis for Conclusions explain the Board's reasons for not proposing any reduction to the disclosure requirements in IFRS 17.

(a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements.

(b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable?

In principle, we are not supportive of the proposal to not develop reduced disclosure requirements for IFRS 17 *Insurance Contracts*, which would deviate from the objective of the project. Requiring an otherwise eligible entity that applies the draft Standard to comply with the disclosure requirements in IFRS 17 would result in undue cost and effort for the entity, considering the information needs of users of that entity's financial statements.

Moreover, we are not persuaded by the IASB's rationale set out in paragraphs BC64(a), (b) and (d) of the BC. Those arguments could apply equally to any other new or major amendments to IFRS Standards, and therefore risk setting a precedent for future new or major amendments to IFRS Standards. In this regard, we agree with the IASB's decision, as stated in paragraph BC91 of the BC, that it would consider proposing amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Standard to facilitate consideration of the appropriate amendments to the draft Standard when the related amendments to IFRS Standards are being discussed.

Nonetheless, we appreciate that the decision on whether or not to develop reduced disclosure requirements for IFRS 17 should be guided by whether entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard are common across jurisdictions. The benefits of having a set of reduced disclosure requirements might not outweigh the costs of developing and maintaining it, if only a limited number of entities are eligible to apply the reduced disclosure requirements.

In this regard, we understand that in our jurisdiction, entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard are generally the captive insurers.

Question 7—Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs 23–30 of the draft Standard propose reduced disclosure requirements that apply to an entity that is preparing its first IFRS financial statements and has elected to apply the Standard when preparing those financial statements.

If a first-time adopter of IFRS Standards elected to apply the draft Standard, the entity would:

- apply IFRS 1, except for the disclosure requirements in IFRS 1 listed in paragraph A1(a) of Appendix A of the draft Standard; and
- apply the disclosure requirements in paragraphs 23–30 of the draft Standard.

This approach is consistent with the Board's proposals on how the draft Standard would interact with other IFRS Standards.

However, IFRS 1 differs from other IFRS Standards—IFRS 1 applies only when an entity first adopts IFRS Standards and sets out how a first-time adopter of IFRS Standards should make that transition.

(a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

Paragraphs 12–14 of the draft Standard set out the relationship between the draft Standard and IFRS 1.

(b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

We agree with the proposal to include the reduced disclosure requirements for IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the draft Standard and the proposals in paragraphs 12–14 of the draft Standard. In particular, we appreciate the

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clarification that electing or revoking an election to apply the draft Standard does not, on its own, result in an entity meeting the definition of a first-time adopter of IFRS Standards.

Question 8—The proposed disclosure requirements
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7: (a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why? (b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why? (c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Subject to our comments below, we are generally supportive of the proposed disclosure requirements. Our comments should be read in the light of our comments to Question 3.

Provision of additional disclosures

Paragraph 16 of the draft Standard requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in the draft Standard is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance. Paragraphs 17(c) and 31 of IAS 1 *Presentation of Financial Statements*, which are included in the draft Standard via footnote, contain similar requirements.

Given that entities applying the draft Standard are not otherwise exempt from the recognition and measurement requirements in IFRS Standards in accounting for transactions, other events and conditions, questions may arise as to whether an entity is required to fall back on the disclosure requirements in the respective IFRS Standards to determine the necessary additional disclosures, particularly in the absence of disclosure requirements in the draft Standard for those transactions, other events and conditions (e.g. disclosures relating to business combinations achieved in stages or service concession arrangements).

The IASB should consider providing additional guidance to help entities apply the above requirements.

IFRS 1

We think that paragraph 25 of IFRS 1, which requires an explanation of the material adjustments to the statement of cash flows, if such a statement is presented under previous GAAP, should be included in the draft Standard. In particular, we note that paragraph 23 of the draft Standard also applies to reported cash flows.

Paragraph 25(a) of the draft Standard appears to be a requirement in IFRS for SMEs but not a requirement in IFRS 1. Please refer to our comments to Question 3 for our views on the inclusion in the draft Standard of disclosures that are not otherwise required by IFRS Standards.

IFRS 3 *Business Combinations*

- IFRS 3:
  - Paragraphs B64(j) and B67(c) require particular disclosures that are set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for contingent liabilities assumed in a business combination. The disclosures are similar to those set out in paragraphs 196–197 of the draft Standard.
  - Paragraph B67(a) requires particular disclosures when the initial accounting for a business combination is incomplete.

  As the above disclosures would meet the principles in paragraphs BC157(a) and/or BC157(c) of the SME BC, the IASB should consider including them in the draft Standard.

- Paragraph B64(p) of IFRS 3 requires particular disclosures for business combinations achieved in stages. It is not clear whether those disclosures are excluded from the draft Standard because they are not prescribed in IFRS for SMEs or for some other reasons. If it is the former, we note that those disclosures may not be relevant for IFRS for SMEs as it requires the purchase method to be applied to all business combinations. Moreover, IFRS for SMEs does not include any guidance for business combinations achieved in stages. The IASB should consider including those disclosures in the draft Standard as they would provide useful information to SME users. Besides, they are consistent with the disclosure requirement in paragraph 70 of the draft Standard.

- Paragraph 38 of the draft Standard requires disclosure of particular information about contingent consideration for each reporting period *after the acquisition date* in aggregate for individually immaterial business combinations that are material collectively. Yet, the draft Standard does not require disclosure of any information in aggregate for such business combinations *occurring during the reporting period*. We think that the draft Standard should also require an acquirer to disclose in aggregate the information required by paragraphs 36(d)–(i) of the draft Standard for individually immaterial business combinations occurring during the reporting period that are material collectively, similar to paragraph B65 of IFRS 3.

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

We think that:

- Paragraphs 33(c)–(d) of IFRS 5, which require disclosure of the net cash flows attributable to the operating, investing and financing activities of discontinued operations, and the amount of income from discontinued operations attributable to owners of the parent, would be relevant to SME users.

- Requiring an entity to provide the information in paragraph 39 of the draft Standard (equivalent to paragraphs 41(a)–(b) of IFRS 5) without disclosing the effect of the classification or sale, as required by paragraph 41(c) of IFRS 5, would be of limited usefulness.

The IASB should consider including the above requirements in the draft Standard.

Moreover, we note that paragraph 36A of IFRS 5, which requires disclosure of the information in paragraphs 33–36 of IFRS 5 when an entity is committed to a sale plan involving loss of control of a subsidiary, is not included in the draft Standard. The IASB should explain its rationale for the exclusion, since paragraphs 33(a) and 34 of IFRS 5 remain applicable to an entity applying the draft Standard.

IFRS 6 *Exploration for and Evaluation of Mineral Resources* and IFRS 14 *Regulatory Deferral Accounts*

IFRS 6 and IFRS 14 are temporary standards that permit (eligible) entities to continue to apply (some aspects of) their previous accounting policies for exploration and evaluation expenditures, and the recognition, measurement, impairment and derecognition of regulatory deferral account balances, respectively, even if those policies are not consistent with *the Conceptual Framework for Financial Reporting*.

Therefore, to enable SME users to assess the amounts recognised in financial statements arising from activities covered by IFRS 6 and IFRS 14, the draft Standard should continue to require most of the existing disclosure requirements in those Standards, which are relatively limited to begin with.

IFRS 7

We note that the proposed disclosure requirements are fairly extensive. Given that many of the disclosure requirements in IFRS 7 are primarily designed for financial institutions (e.g. those relating to credit risks) which are not eligible to use the draft Standard, the IASB should consider whether the proposed requirements could be further streamlined.

That said, we think that the requirement in paragraph 39 of IFRS 7 relating to disclosure of liquidity risk should be included in the draft Standard, based on the principle in paragraph BC157(b) of the SME BC.

Moreover, we note that the IASB's decision on which requirement in IFRS 7 to include in or exclude from the draft Standard lacks clarity. For example, it is not clear why:

- *Separate disclosure in the statement of financial position or in the notes* or disclosure of particular information is required for financial liabilities, but not for financial assets, that are designated as at fair value through profit or loss; and the draft Standard does not require separate disclosure in the statement of financial performance or in the notes of items of income, expense, gains or losses on such financial liabilities, despite the requirement in italics.

- Particular disclosures are required for transferred financial assets that are not derecognised in their entirety but not for those that are derecognised in their entirety.

We suggest that more clarity be provided by the IASB.

IFRS 12 *Disclosure of Interests in Other Entities*

The proposed disclosure requirements are broadly similar to the disclosure requirements in IFRS for SMEs, with limited additional disclosures primarily relating to investment entities, notwithstanding that there are recognition and measurement differences between IFRS Standards and IFRS for SMEs beyond those relating to investment entities. In particular:

(1) Paragraph BC44 of the BC explains that applying the approach when recognition and measurement differences exist, the draft Standard does not propose disclosure requirements similar to those in paragraphs 31, 30, 14 and 16 of IFRS 12 for non-investment entities.

(2) Paragraph BC45 of the BC further states that to be consistent with (1), the draft Standard does not propose disclosure requirements similar to those in paragraphs 19D(b) and 19E–19G of IFRS 12, which are equivalent to the aforesaid paragraphs, for investment entities. The IASB considers this an exception to its approach to developing the proposed disclosures.

However, we note that some of the disclosure requirements in IFRS 12, including those in paragraphs 14 and 31 (and 19F and 19D(b)), appear to meet principle (a) in paragraph BC157 of the SME BC at the minimum. We suggest that the IASB provides more clarity on its assessment that concludes otherwise. Besides, the IASB's conclusion that (2) is an exception appears at odds with its conclusion for (1).

Moreover, we note that disclosures similar to those in paragraphs 69(c)–(d) of the draft Standard which are prescribed in IFRS 12 for an entity's interests in joint ventures and associates are excluded from the draft Standard. The IASB should consider the merits of basing the disclosure requirements on the type of interests held, in particular, whether and why an otherwise similar piece of information would not meet the principles in paragraph BC157 of the SME BC simply because it does not relate to a particular type of interests held.

Lastly, we think that paragraph 69(b) of the draft Standard should be replaced with the requirement in paragraph 7 of IFRS 12, given that the significant judgements and assumptions made by an entity in respect of its interests in other entities are not limited to that described in paragraph 69(b).

IFRS 13 *Fair Value Measurement*

We think that paragraph 93(f) of IFRS 13, which requires disclosure of the amount in paragraph 80(a) of the draft Standard that is attributable to the change in unrealised gains or losses relating to assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised, should be included in the draft Standard. We believe that information about the quality of earnings is relevant to SME users.

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IFRS 15

Paragraph 126 of IFRS 15 requires disclosure of the methods, inputs and assumptions used for: (1) determining and allocating transaction price; (2) assessing whether an estimate of variable consideration is constrained; and (3) measuring obligations for returns, refunds and other similar obligations. (2) is included in paragraph 97 of the draft Standard under the IFRS 15 heading, whereas (1) is included in paragraph 124 of the draft Standard under the IAS 1 heading as examples of significant judgements that an entity may be required to disclose. We believe that (1) and (3), which also provide information about the significant judgements made in applying IFRS 15, are no less important than (2). Therefore, they should also be included in paragraph 97 of the draft Standard.

IFRS 16

We think that the following disclosure requirements in IFRS 16 should be included in the draft Standard, based on the principles in paragraph BC157 of the SME BC (e.g. disaggregation, obligations and commitments):

Lessees

- Paragraphs 53(e), (f), and (i), which require disclosure of the expense relating to variable lease payments not included in the measurement of lease liabilities, income from subleasing right-of-use assets, and gains or losses arising from sale and leaseback transactions for the reporting period.
- Paragraph 59(b)(iv) on information about exposure to future cash outflows arising from leases not yet commenced to which the lessee is committed.

Lessors

- Paragraphs 90(a)(i)–(ii), which require disclosure of selling profit or loss and finance income recognised during the reporting period for finance leases.
- Paragraph 90(b), which requires disclosure of operating lease income recognised during the reporting period for operating leases.

IAS 1

We think that the following disclosure requirements in IAS 1, which would meet the principles in paragraph BC157 of the SME BC, should be considered for inclusion in the draft Standard:

- Paragraph 61, which requires disclosure of the amount expected to be recovered or settled after more than twelve months for each asset and liability line item in the statement of financial position that combines amounts expected to be recovered or settled no more than and more than twelve months after the reporting period.
- Paragraph 76, which requires particular events to be disclosed as non-adjusting events in accordance with IAS 10 *Events after the Reporting Period* (e.g. refinancing on a long-term

basis of a liability classified as current).

- Paragraph 106A, which requires disclosure of an analysis of other comprehensive income by item for each component of equity.
- Paragraph 137, which requires disclosure of the amount of: (1) dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period; and (2) any cumulative preference dividends not recognised.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Although we understand that IFRS Standards and IFRS for SMEs are maintained differently, it is not clear how this contributes to some of the differences between the proposed disclosures and those in IFRS for SMEs as stated in paragraph BC60 of the BC. For example, IFRS for SMEs does not require: (1) any disclosure relating to the periodic amendment that has been issued but is not yet effective vis-a-vis paragraphs 136–137 of the draft Standard; and (2) the proposed disclosures in paragraphs 134(b), (d), and (e), even though transition provisions would be specified in the periodic amendment.

We do not disagree with the proposed disclosures per se; rather, we are concerned that the IASB's approach to developing the proposed disclosure requirements may lack sufficient clarity, which could lead to inconsistencies in determining which disclosure to include in and exclude from the draft Standard.

IAS 34 *Interim Financial Reporting*

In general, we think that entities eligible to apply the draft Standard are unlikely to apply IAS 34. Therefore, consistent with the IASB's decisions relating to IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share*, the draft Standard should not include reduced disclosure requirements for IAS 34.

IAS 36 *Impairment of Assets*

We note that the draft Standard requires disclosure of impairment losses recognised or reversed in profit or loss (paragraphs 126(a)–(b) of IAS 36) but not impairment losses recognised or reversed in other comprehensive income (paragraphs 126(c)–(d) of IAS 36). We believe that the usefulness of information about impairment losses does not depend on whether an asset is measured using the cost model or the revaluation model. Therefore, paragraphs 126(c)–(d) of IAS 36 should also be included in the draft Standard.

Additionally, we note that paragraph 191 of the draft Standard does not include particular asset classes that are within the scope of IAS 36, such as right-of-use assets, investments in subsidiaries and biological assets measured at cost less accumulated depreciation and impairment losses. The IASB's rationale for exclusion is unclear.

IAS 40 *Investment Property*

For investment properties measured using the cost model, we believe that disclosures about the fair value of those assets, including the information in paragraphs 79(b)–(c) of the draft Standard, should continue to be required under the draft Standard. Although IFRS for SMEs does not require such disclosures, we note that the circumstances for applying the cost model in IFRS for SME are different from those in IAS 40. Specifically, the former requires the cost model to be used if the fair value of an investment property cannot be measured reliably without undue cost or effort, whilst the latter permits the cost model as an accounting policy choice. Therefore, there is no basis to align the disclosure requirements of the draft Standard to those in IFRS for SMEs.

IAS 41

The proposed disclosures are broadly consistent with the disclosure requirements in IFRS for SMEs. Nonetheless, we believe that the following disclosure requirements in IAS 41 should be included in the draft Standard:

- Paragraphs 49(a)–(b), which require disclosures about biological assets with restricted title, biological assets pledged as security for liabilities, and commitments for the development or acquisition of biological assets. Such disclosures are supported by the principles in paragraphs BC157(a)–(b) of the SME BC. Moreover, both IFRS for SMEs and the draft Standard require similar disclosures for other types of assets (e.g. assets that are within the scope of IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IAS 40) and there does not appear to be any reason to not require the same for biological assets.

- Paragraph 55, which requires the reconciliation in paragraph 50 of IAS 41 to be provided separately for biological assets measured at cost less accumulated depreciation and impairment losses. We think that the usefulness of such a reconciliation does not depend on the measurement basis used for the assets. Moreover, IFRS for SMEs includes similar requirements for investment properties measured using the cost model.

- Paragraph 56(c), which requires the effect of a change in measurement from cost less accumulated depreciation and impairment losses to fair value less costs to sell to be disclosed.

IFRIC Interpretations

The draft Standard generally does not include disclosure requirements that are specified in IFRIC Interpretations. We note that some of those requirements would meet the principles in paragraph BC157 of the SME BC or could be relevant to SME users. For example:

- SIC-29 *Service Concession Arrangements: Disclosures*, which requires particular disclosures about service concession arrangements, such as the significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows, and the nature and extent of obligations to provide services and deliver specified assets at the end of the concession period.

- IFRIC 17 *Distributions of Non-cash Assets to Owners*, which requires disclosure of the nature, carrying amount and fair value of non-cash assets declared for distribution as dividends after the end of a reporting period but before the financial statements are authorised for issue.

- IFRIC 23 *Uncertainty over Income Tax Treatments*, which requires an entity to determine whether to disclose the judgements and assumptions made in determining taxable profit (tax loss), tax bases, unused tax losses/credits and tax rates, when there is uncertainty over income tax treatments.

The IASB should consider including some of the disclosure requirements in IFRIC Interpretations in the draft Standard.

Question 9—Structure of the draft Standard
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. These disclosure requirements are organised by IFRS Standard and would apply instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A. Disclosure requirements that are not listed in Appendix A that remain applicable are generally indicated in the draft Standard by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the draft Standard. Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

Subject to our comments below, we are generally supportive of the structure of the draft Standard.

We think that the disclosure requirements in IFRS Standards that remain applicable (other than one-off transition disclosure requirements) should be set out explicitly in the draft Standard, rather than indicated via footnotes to the relevant IFRS Standard heading. Entities applying the draft Standard should generally not be required to refer to multiple sources to determine the full set of required disclosures.

Furthermore, we think that it may not be necessary to include Appendix A in the draft Standard, since the disclosure requirements contained therein are not relevant to entities applying the draft Standard.

Question 10—Other comments
Do you have any other comments on the proposals in the draft Standard or other matters in the Exposure Draft, including the analysis of the effects (paragraphs BC92–BC101 of the Basis for Conclusions)?

We do not have any other comments.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project managers Junwei Quek at Quek_Junwei@asc.gov.sg and Yat Hwa Guan at Guan_Yat_Hwa@asc.gov.sg.

Yours faithfully

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