

Peter Godsall
Accounting Standards Board
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1 February 2010

Dear Sir

ASB request for comment on the future of UK GAAP

We welcome the opportunity to respond to the above named policy proposal.

Our view in summary

We believe the time has come for practice in the UK to move fully to either full IFRS or IFRS for SMEs. Specifically:

- We agree that full IFRS should apply to Tier 1 and that this should be expanded, as outlined in the proposal, beyond just the group accounts of listed companies.
- We agree that IFRS for SMEs should be used in Tier 2 in place of traditional UK GAAP. However, this is subject to two important points as explained below:
 - It should be possible for subsidiaries of publicly accountable entities to adopt full IFRS for recognition and measurement but with reduced disclosures
 - Some of the exemptions and reliefs currently available to UK companies should be retained through the operation of company law.
- We do not, on balance, believe there is any purpose in continuing with the FRSSSE

While change inevitably brings a time of transition and discomfort we believe that it would be wrong to stay with current UK GAAP as it has become an unsustainable mix of converged and non-converged standards, is unwieldy and too complex for the typical entity in the UK. We are also conscious of the fact that UK GAAP is no longer taught by the ICAEW and ICAS and that IFRS is now the accounting language of choice.

Compared to UK GAAP, the IFRS for SMEs is shorter, well written in plain English and more manageable for the target population. However, there are several aspects of the Board's proposals that deserve challenge and comment as we set out below.

Definition of publicly accountable

While we agree that the Board should adopt a definition of publicly accountable based upon the definition in IFRS for SMEs, we also believe that additional guidance is necessary to (a) explain what the definition means and (b) enable UK users to apply the SME in a consistent manner across various entities and in particular within the financial services sector. For example each of the terms “holds assets in a fiduciary capacity”, “broad group of outsiders” and “one of its primary businesses” may be capable of differing interpretations and clear application guidance will be needed to ensure consistency of interpretation.

Full recognition and measurement with reduced disclosures

Whilst we are broadly supportive of introducing full IFRS in Tier 1 and IFRS for SMEs as Tier 2, we believe that the Board should reconsider the way in which full IFRS and IFRS for SMEs apply to non-publicly accountable subsidiaries of publicly accountable entities such as listed companies. These subsidiaries currently have to prepare, usually in the form of a management reporting pack, financial information based on full IFRS for the purposes of the listed group’s consolidated financial statements. Such subsidiaries will also have to submit information to allow the compilation of group disclosures.

However, wholly-owned subsidiaries also have to prepare their own statutory accounts and, whichever route they follow, the framework for this is unsatisfactory for them under the proposals. They would need to either:

- (a) prepare accounts under full IFRS – which would benefit from following the same recognition and measurement rules as they follow in preparing the numbers that they submit to their parent; but would have the disadvantage that they would have to prepare and have audited the extensive disclosures of full IFRS; or
- (b) prepare accounts under IFRS for SMEs – which would have the disadvantage of following recognition and measurement rules that are, to some extent, different from those that they follow in preparing the numbers that they submit to their parent; but would have the advantage that they could avail themselves of the reduced disclosures of IFRS for SMEs.

Based on our own experience and our discussions with listed companies, we are aware that preparing accounts of subsidiaries under full IFRS is a considerable burden, largely because of the extensive disclosures. These disclosures are of course important when the entity (such as the listed group as a whole) is publicly accountable. However, the cost/benefit test is not met in the case of subsidiaries because of the limited usage of their statutory accounts.

In addition, given the active project agenda of the IASB that will significantly change IFRS for a number of areas such as leasing, revenue recognition, provisions and pension accounting, the differences between full IFRS and IFRS for SME look likely to widen rather than narrow in the short to medium term. Although the IFRS for SMEs provides relief from the more complex areas of full IFRS, for those that already operate in the full IFRS arena being able to align accounting within the group and subsidiary financial statements is of great interest at the individual entity level. We therefore strongly believe that the ASB should structure the new UK reporting regime to include what one might call “Tier 2(a)” such that subsidiaries that are not themselves publicly accountable are able to avail themselves of the benefits of:

- Recognition and measurement rules from full IFRS
- Disclosure requirements as set out in IFRS for SMEs (or set at a similar level)

The exact nature of the disclosure requirements needs to be considered. Where the recognition and measurement requirements of IFRS for SMEs are the same as, or a simplified version of, those in full IFRS, it appears that the disclosure requirements of IFRS for SMEs would be

appropriate. Where, as arises with a limited number of Sections of IFRS for SMEs, the recognition and measurement requirements are different from those in full IFRS, the reduced disclosures from IFRS for SMEs may not quite match, or relate properly to, the recognition and measurement policies being adopted. We explore this in Appendix 2.

We are aware of the view that to design and maintain what we call “Tier 2(a)” would be a burden on the ASB. We accept that it would be an initial piece of work with some ongoing maintenance. We believe it is far more efficient for the UK financial reporting process as a whole for the ASB to do this and for thousands of subsidiaries throughout the country to benefit from it, than for all those companies to have a regular and permanent additional burden of extensive but unwarranted disclosure.

Our proposal is not in any sense unique. We are aware of two current areas where it is being proposed. First, we understand that the Australian standard-setter is currently investigating a reduced disclosure approach for full IFRS, the findings of which may be helpful to the Board in considering this approach. Second, the IASB has itself put forward what appears to be the same approach in section 11 in relation to financial instruments and the Board appears to be retaining this as it brings IFRS for SMEs into UK GAAP. If “Tier 2(a)” can be made to work for such a complex field as financial instruments, it can surely be made to work across the board. It would be wrong of the Board to consider that it is only in the area of financial instruments that some relief from extensive disclosure is needed. The disclosures in many other areas of accounting (for example, share-based payments, leasing, employee benefits) are both extensive and disproportionate in the context of non-publicly accountable subsidiaries of publicly accountable entities.

Maintain certain exemptions via a legal route

At present, certain subsidiaries reporting under UK GAAP benefit from not needing to prepare consolidated accounts or a cash flow statement and may claim exemptions relating to related party and financial instruments disclosures.

These benefits would be lost or diluted if the IFRS for SMEs was adopted without amendment. There is a temptation, when bringing IFRS for SMEs into the UK as Tier 2, to amend it so as to retain those benefits and reliefs. There is also a temptation to amend the IFRS for SMEs to change the parts that are not well supported in the UK, such as its rules on deferred tax. We believe on balance that it is better to avoid tinkering with the standard. However, we believe that the reliefs just referred to could be retained through the operation of company law.

Parent entities are also currently entitled by the Companies Act to omit presentation of their profit and loss account when included within the groups consolidated financial statements. We would not wish this to be removed when implementing IFRS for SMEs.

This suggested approach would require the Board to work with BIS to amend legislation rather than editing the IFRS for SME standard and has the advantage of keeping the standard intact and allowing financial statements to refer to the IFRS for SME and the Companies Act in their basis of preparation. We consider that these would present a true and fair view as is the case for those entities taking advantage of the current reliefs. If the various exemptions and reliefs discussed above are lost, we believe that would be a significant burden on subsidiaries, one that the ASB should strive to avoid.

SORPs

We note the Board’s reluctance to be seen to be interpreting IFRS but in our view this can be avoided. The content of a SORP can be split into three areas: GAAP, application of GAAP and interpretation where there is no GAAP. By removing any GAAP information, on the grounds that reference can be made to the underlying standards, one is left with a document that provides

guidance on the application of GAAP for a specific sector as well as additional GAAP where the underlying standards have yet to address the issue. Such a document could be renamed as application guidance for specific sectors and as and when IFRS or IFRS for SMEs is expanded/improved the SORP content can be reduced appropriately. Users and preparers are likely to expect some sort of endorsement, such as negative assurance, from the Board for any such guidance that is produced.

Public benefit entities

We agree that a public benefit entity standard would benefit UK GAAP but note that it is not clear from the proposal whether the Board intends to overlay this standard onto the 3 tier model or to require a single tier for all that apply a public benefit entity standard. Our view is that the 3 tier approach remains valid for public benefit entities as they can vary significantly in size from very large entities with listed debt through to very small entities with simple operations. It will depend on the Board's view as to whether any desire for consistency is driven by public accountability status or the sector within which the entity operates. The regulators for each of the sectors will no doubt have a view on this.

Our preference would be for a public benefit entity standard that covers only those issues where IFRS or the IFRS for SMEs need to be supplemented or amended, i.e. incremental guidance. Ideally this would include material currently found in the SORPs relevant for public benefit entities. In this context, we urge the ASB to liaise with the relevant SORP making bodies to ensure that SORPs continue to provide robust guidance for dealing with sector specific issues.

Legal and regulatory issues

There are clearly some legal and regulatory issues that need finalisation before being able to change UK GAAP including whether the IFRS for SME is compatible with the EU directives. There are other practical issues to be considered such as whether entities can move between the proposed tiers. Currently entities can move easily from UK GAAP to IFRS but not the other way, a reflection of the IFRS convergence agenda pursued to date. Our impression is that the Board is comfortable with entities moving between tiers as their circumstances change and we believe that the legal framework should allow this. There is also the issue of taxation and how movement between tiers for the first time and subsequently will be treated. While the Board should rightly concentrate on achieving the best accounting framework, information on these points will be valuable for entities making their decision as to which tier to apply,

Timing

We are in favour of the Board's 2012 timetable although some of the external factors mentioned above make this challenging. The additional work that is clearly required to incorporate SORP guidance and address public benefit entities should not hold back corporate entities from adopting IFRS. This could be addressed by delaying a mandatory move while allowing early adoption from 2012. Two other aspects that need consideration are:

- there are significant changes to full IFRS in the pipeline and it would be unhelpful for UK GAAP publicly accountable entities that are forced to move to full IFRS to have to transition twice (for example adopting full IFRS in 2012 and then subsequently having to adopt changes relating to revenue recognition, leasing, financial instruments etc; and
- many charitable groups may be comprised of one or more unincorporated charities, incorporated charities, incorporated non charities and maybe entities subject to another SORP e.g. housing associations. Practically it will be very difficult if different entities in the same group are on different implementation timetables



The Board should also monitor the IASB's stated plans to consider implementation issues and any improvements to the IFRS for SMEs in 2012 as it would be unhelpful if UK entities had to make significant changes shortly after adoption.

Our answers to your specific questions are included in the attached appendix one.

Please contact Peter Holgate or Iain Selfridge if you would like to discuss the contents of this letter.

Yours faithfully

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Question 1

Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be?

Our preference is for the Board's proposed definition in paragraph 2.3. The Board's definition is more succinct and relevant to the target population. It would also allow subsidiary entities that are currently considered to be part of an ineligible group and so unable to apply the small companies' legislation to be included in the IFRS for SME's scope. Using the legal definition in paragraph 2.5 would require all subsidiary entities of banks, public companies, etc to adopt full IFRS.

Nevertheless, we believe that the proposed definition is not sufficiently clear or robust enough to determine which entities fall within the definition and which entities are not. Additional guidance is needed from the Board regarding applying the definition of publicly accountable in practice. For example, we note that the Board has amended the definition of publicly accountable in IFRS for SMEs to specifically refer to deposit taking entities since entities such as banks do not hold assets in a fiduciary capacity but the Board believes they should be publicly accountable. The proposals state that insurance companies will generally be considered to be publicly accountable. However, it is not clear that insurance companies will, in all cases, hold assets in a fiduciary capacity. We would therefore suggest that the Board makes a similar amendment to clarify that insurance companies are considered publicly accountable where they insure a broad group of outsiders.

We also believe that further guidance is required to clarify what "holds assets in a fiduciary capacity" and "a broad group of outsiders" means. For example whilst insurance brokers may hold assets in a fiduciary capacity it could be argued that this is incidental to the primary business of introducing insurance (similar to the argument for travel agents). Captive insurers or pure reinsurers may consider that their business is not with a "broad group of outsiders". Also, the question arises as to whether investment fund managers should be considered publicly accountable where they manage the investments of a broad group of outsiders, although these are often held in separate legal entities (and so are not held in a fiduciary capacity by the investment manager).

Other examples where clarification would be helpful include professional firms, such as solicitors that hold clients' money as agent or trustee, and credit unions/friendly societies that hold assets in a fiduciary capacity for members – Do such clients or members fall outside the definition of a 'broad group of outsiders'? Perhaps owners of an entity are not outsiders but third parties are?

Question 2

Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

Based on the Board's definition we agree that all publicly accountable entities should fall into tier 1.

The wording in paragraph 2.2 implies that an unlisted publicly accountable entity that meets the small company size criteria has a choice of applying IFRS via Tier 1 or the FRSSE via Tier 3 (per 2.2(ii)) but not Tier 2. This appears to be inconsistent with paragraph 2.11 which is clear that all publicly accountable entities should use EU adopted FRS.

Question 3

Do you agree with the Board's proposal that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

Regardless of the group structure, if an entity is itself publicly accountable it should fall within Tier 1.

We recommend the Board clarifies the classification of a group as publicly accountable or not when it has a parent entity that is not publicly accountable but a subsidiary that is.

Question 4

Do you still consider that wholly-owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.

We have assumed that the question meant to ask “*Do you still consider that wholly-owned subsidiaries that are not publicly accountable should be allowed reduced disclosures*” given that publicly accountable subsidiaries would fall into Tier 1 and would have to apply full IFRS as we note in our response to Question 3.

Our views on introducing a Tier 2(a) that would provide for reduced disclosures for non publicly accountable subsidiaries while applying the recognition and measurement requirements of full IFRS are set out in the covering letter. We also consider that certain current reliefs within UK GAAP and Company law should be retained for all, whether wholly or majority owned, subsidiaries of publicly accountable entities.

Under this approach, the Companies Act would need to:

- Retain the current exemptions from consolidation and presentation of a parent entity income statement as these are broader than the consolidation exemptions within the IFRS for SME.
- Introduce exemptions from presenting a cash flow statement, related party and financial instrument disclosures currently set out within FRS 1, 8 and 29
- Provide that those exemptions override any requirements to the contrary in Tier 2.

Hence, regardless of whether an additional tier is introduced for wholly owned subsidiaries we recommend that the Board work with BIS to move the exemptions currently in the accounting literature into Company legislation as well as retaining the current consolidation exemption where UK parent entities are included within GAAP equivalent consolidations. This last point is particularly relevant for subsidiaries of overseas parents.

We believe that accounts could be prepared on this basis, described as “in accordance with IFRS for SME as applied in accordance with the provisions of the Companies Act 2006” and that they would, as is the case currently, present a true and fair view.

Reduced disclosure for the subsidiaries has the advantage of reducing costs for the group as a whole without disadvantaging users.

Question 5

Do you agree with the Board's proposal that the IFRS for SMEs should be used by 'Tier 2' entities?

Yes, subject to our comments on Tier 2(a) as explained above.

Question 6

Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reason for recommending these amendments.

In general we believe that the Board should adopt the IFRS for SMEs in full without any amendment. It would undermine the point of adopting IFRS for SME if the recognition and measurement requirements of the standard were amended for the UK environment.

However, from a disclosure perspective as we discuss in our covering letter and Question 4 above, subsidiaries that apply the IFRS for SMEs should be allowed to maintain current disclosure exemptions. This would not necessarily involve amending the IFRS for SME standard, rather the exemptions could be incorporated into legislation such that a UK entity would state in the notes that it has taken advantage of relevant sections of the Companies Act to omit certain IFRS for SME disclosures. Tier 2(a) adopters could either apply the same Companies Act exemptions or have these exemptions included with their disclosure framework.

We assume that the Board intends to retain the right to override or amend the IFRS for SMEs standard even if their intention is to adopt the current version without amendment to allow for the possibility that any future changes to the IFRS for SME are not appropriate for the UK.

Question 7

Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your view.

Yes, we agree that whether or not an entity is publicly accountable is key, not its size.

We have noted that the phrases "publicly accountable" and "public interest" while meaning different things were often used inter-changeably during our conversations with users and preparers. For example, private entities such as large water/electricity utilities or the Virgin Group or even entities that are required to lay accounts before Parliament would not be publicly accountable and therefore entitled to use the IFRS for SMEs.

For those entities that are not publicly accountable but are considered to be of public interest we believe it is for regulators to decide whether the use of IFRS should be mandated rather than the Board amending their definition to suit. The flexibility to move up the Tier hierarchy would allow a regulator to impose IFRS while still complying with the Board's framework.

Question 8

Do you agree with the Board that the FRSSE should remain in force for the foreseeable future?

Our client base does not typically apply the FRSSE. Nonetheless, in our view the Board should drop the FRSSE and move straight to an IFRS based framework.

Based on the points raised in paragraphs 2.27 and 2.28 of the consultation document regarding field testing by ACCA it is difficult to understand why it would be advantageous to delay the convergence of small entities to IFRS for SMEs. Such entities typically have non-complex transactions and the expectation is that for the majority of transactions the treatment under FRSSE and IFRS for SMEs would be identical. As they are likely to have less complex issues to address a transition date to IFRS for SMEs in 2012 should provide sufficient time for FRSSE users to change.

Keeping the FRSSE current once UK GAAP is withdrawn will cause issues regarding its maintenance and maintaining different accounts formats, different frameworks and arbitrary

thresholds will do nothing to enhance UK GAAP. An additional tier will require more complex training for preparers and advisors with little perceived benefit.

Question 9

Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period, following the issuance of the IFRS for SMEs?

Notwithstanding our response to question 8, assuming the FRSSE continues in use after the introduction of the IFRS for SMEs we believe that the FRSSE has a limited future life once UK GAAP is replaced. Withdrawing UK GAAP removes the platform on which the FRSSE is based and so future maintenance will become an issue. It would not be worth spending time and effort moving the FRSSE over to an IFRS platform when the IFRS for SME is an obvious replacement.

Question 10

Do you agree with the Board's current views on the future role of SORPs. If not, why not?

During the course of our consideration of the Board's proposals regarding public benefit entities and SORPs it has become clear that this is probably the most complicated part of the proposal.

Individually the SORPs work very well for their sectors. The challenges faced by the Board are in moving toward IFRS and aligning the differences in SORP guidance that exist between sectors. Some of the SORPs will require significant updating if they are to be used in an IFRS context. Coordinating with the various SORP authors will no doubt take significant time and effort.

The content of a SORP can be split into three areas: GAAP, application of GAAP and interpretation where there is no GAAP. By removing any GAAP information, on the grounds that reference can be made to the underlying standards, one is left with a document that provides guidance on the application of GAAP for a specific sector as well as additional GAAP where the underlying standards have yet to address the issue. Such a document could be renamed as application guidance for specific sectors and as and when IFRS or IFRS for SMEs is expanded/improved the SORP content can be reduced appropriately. Users and preparers are likely to expect some sort of endorsement, such as negative assurance, from the Board for any such guidance that is produced.

Furthermore, a distinction should be drawn between SORPs for corporates and those for public benefit entities.

Some corporate entity SORPs would no longer be required. For example, if all insurance companies are in Tier 1 (a scoping decision) then the need for the insurance business SORP would disappear as companies would either follow the new IFRS standard for insurance contracts or continue with existing accounting policies under IFRS 4. However, if some insurers are considered to be not publicly accountable (such as captive insurers for pure reinsurers as they do not serve a broad group of outsiders) then there may be the need for an insurance SORP as IFRS for SMEs does not address the accounting for insurance contracts.

Public benefit SORPs are considered in our response to Question 12.

Question 11

Do you agree with the Board's proposal to develop a public benefit entity standard as part of its plans for the future of UK GAAP? If not, how should (converged) UK GAAP address public benefit entity issues?

We agree that a public benefit entity standard would benefit UK GAAP but note that it is not clear from the proposal whether the Board intends to overlay this standard onto the 3 tier model or to require a single tier for all that apply a public benefit entity standard. Our view is that the 3 tier approach remains valid for public benefit entities as they can vary significantly in size from very large entities with listed debt through to very small entities with simple operations. It will depend on

the Board's view as to whether any desire for consistency is driven by public accountability status or the sector within which the entity operates. The regulators for each of the sectors will no doubt have a view on this.

Question 12

If you do agree with the proposal to develop a public benefit entity standard, should the standard cover all the requirements for preparing true and fair view accounts or should it cover only those issues where IFRS or the IFRS for SMEs needs to be supplemented for the public benefit entity sector?

Our preference would be for a public benefit entity standard that covers all requirements for preparing true and fair view accounts, subject to any matters covered in the supplementary sector specific guidance that is currently found in the SORPs. We do not believe that it would be practical to try and incorporate all of the SORP content into the body of a public benefit entity standard given the number of stakeholders involved across these sectors and the different issues that they face. However, we do note that this would be an opportunity to eliminate divergent practice for similar items that has developed across the SORPs.

The end result may be some form of 'Adapted' IFRS for public benefit entities in a similar way to the approach adopted by the Financial Reporting Advisory Board for the HM Treasury Financial Reporting Manual.

Question 13

Do you agree the issues listed in the above table are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard? What other issues might the proposed standard include?

Three of the main areas of relevance to public benefit entities that are not well served by IFRS are presentation, non-reciprocal transactions and control. The issues included within the proposal are relevant examples of these. Additional areas that warrant guidance include the treatment of grants awarded, functional versus investment properties and total return accounting.

Question 14

The Board accepts there may be a continuing need for guidance to supplement a public benefit entity standard in sectors such as charities, housing and education. Where this is the case, do you think the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

As noted in our response to Questions 10 and 12 above, supplementary guidance for certain sectors is likely to be necessary and assurance from the ASB that these are GAAP compliant would be desirable.

Question 15

If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

We have no comment on the application of the new requirements although we would expect a greater benefit with lower costs to be achieved under our proposed Tier 2(a) than Tier 2 for subsidiary entities.

Question 16

What are your views on the proposed adoption dates?

Our view is that the IFRS for SME is a sensible replacement for UK GAAP and is consistent with the Board's IFRS convergence agenda and so should be implemented on a timely basis. However, it has become clear from our discussions that there are several things that need to happen, most of which are outside the Board's control, i.e. confirmation of compatibility with EU Directives, changes to UK legislation to allow use of IFRS for SMEs and confirmation of HMRC's approach.

We would also note that the plans for public benefit entities still need further clarification and that there are a number of stakeholders in these sectors that will need to be consulted and potentially approve the ASB's proposals for the entities that they regulate. The timetable for public benefit entities may therefore differ from that for other entities. As some public benefit entity groups include corporate entities or have parts of the group subject to different SORPs, there will be practical issues if different entities in the same group are on different implementation timetables.

From the perspective of changing from UK GAAP to IFRS for SME a three year period running to 2012 seems sufficient time for corporate entities to prepare and implement if a stable platform could be assured. The Board does however need to consider the IASB's plans to significantly update full IFRS by 2011 and to review the IFRS for SMEs in 2012 for initial implementation issues as well consideration of any changes to IFRS that might be applicable for SMEs. It would be unhelpful for UK entities to have to move to IFRS for SME in 2012 and then adopt amendments shortly after.

Perhaps a later mandatory transition date with early adoption from 2012 possible for all or some entities would be the most sensible approach.

Reduced disclosures – making “Tier 2(a)” work in practice

As noted in our covering letter, where the recognition and measurement requirements of IFRS for SMEs are the same as, or a simplified version of, those in full IFRS, the disclosures from IFRS for SMEs will work straightforwardly. However, there is a need to consider carefully how we determined suitable reduced disclosures where there are differences in recognition and measurement rules between full IFRS and IFRS for SMEs. We explore this below.

We have considered three such areas and suggest reduced disclosures for Tier 2(a) based on the disclosures in the IFRS for SMEs. We have also compared these suggested disclosures against the current extensive requirements of full IFRS at the end of the Appendix.

A practical way for the ASB to implement Tier 2(a) is to apply a framework such as:

- Apply recognition and measurement requirement of full IFRS per the IASB
- Apply the presentation and disclosure requirements of IFRS for SME (a separate booklet containing only these is available from the IASB titled ‘Illustrative financial statements – Presentation and disclosure checklist’)
- Apply additional specific limited disclosure requirements for those aspects of recognition and measurement not addressed by the SME standard

Goodwill

IFRS for SME requires goodwill to be amortised while full IFRS considers goodwill to have an indefinite life. IFRS for SME and full IFRS have the same impairment model although full IFRS requires goodwill to be assessed for impairment annually whereas IFRS for SME only requires [an assessment when there is an indication that this might be required]. Apart from the disclosures in full IFRS concerning the indefinite life of goodwill a review of the disclosure requirements in both standards indicates that the same areas are addressed albeit in a great more detail for full IFRS.

Unlike full IFRS, the IFRS for SME does not require detailed disclosures of assumptions used in impairment testing. A judgement will need to be made as to whether that is appropriate for impairment testing of indefinite lived assets that are not amortised. Following the principles used by the IFRS for SME set out in BC 157 which include ‘information on measurement uncertainties is important’ the suggestion below includes relevant disclosure.

Similar disclosures could be used for other indefinite lived assets.

A suggested disclosure requirement is set out below (an extract from the IFRS for SME supplemented by additional requirements that are shown in highlighted text).

18.27 An entity shall disclose the following for each class of intangible assets:

- (a) the useful lives or the amortisation rates used.
- (b) the amortisation methods used.
- (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.
- (d) the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included.

19.26 An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately:

- (a) changes arising from new business combinations.
- (b) impairment losses.

(c) disposals of previously acquired businesses.

(x) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals¹

(d) other changes.

This reconciliation need not be presented for prior periods.

27.32 An entity shall disclose the following for each **class of assets** indicated in paragraph 27.33:

(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included.

(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed.

An entity shall disclose²:

(a) the basis on which goodwill's recoverable amount has been determined (i.e. value in use or fair value less costs to sell).

(b) if goodwill's recoverable amount is based on value in use:

(i) a description of each key assumption on which management has based its cash flow.

(ii) a description of management's approach to determining the value(s) assigned to each key assumption

(iii) the period over which management has projected cash flows based on financial budgets/forecasts which should not exceed five years

(iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts which should not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates.

(v) the discount rate(s) applied to the cash flow projections.

(c) if goodwill's recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for goodwill, the following information shall also be disclosed:

(i) a description of each key assumption on which management has based its determination of fair value less costs to sell.

(ii) a description of management's approach to determining the value (or values) assigned to each key assumption

If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:

(iii) the period over which management has projected cash flows.

(iv) the growth rate used to extrapolate cash flow projections.

(v) the discount rate applied to the cash flow projections.

¹ Added because full IFRS includes a requirement to present assets held for sale separately

² Added because goodwill under full IFRS has an indefinite life and so is subject to annual impairment testing. Additional disclosure is warranted as a result

Capitalisation of borrowing costs

IFRS for SMEs requires all borrowing costs to be expensed. Full IFRS requires capitalisation of borrowing costs for qualifying assets.

A suggested disclosure requirement is³:

An entity shall disclose:

(a) the amount of borrowing costs capitalised during the period; and

(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

Revaluation of property plant and equipment

IFRS for SMEs does not allow the revaluation of property plant and equipment. Full IFRS allows but does not require revaluation of fixed assets.

A suggested disclosure requirement is (an extract from IFRS for SMEs supplemented by valuation information from IAS16):

17.31 An entity shall disclose the following for each class of property, plant and equipment that was deemed appropriate in accordance with paragraph 4.11(a):

- (a) the measurement bases used for determining the gross carrying amount.
- (b) the depreciation methods used.
- (c) the useful lives or the depreciation rates used.
- (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.
- (e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:
 - (i) additions.
 - (ii) disposals.
 - (iii) acquisitions through business combinations.
 - (iv) transfers to investment property if a reliable measure of fair value becomes available (see paragraph 16.8).
 - (v) impairment losses recognised or reversed in profit or loss in accordance with Section 27.
 - (vi) depreciation.
 - (vii) other changes.

This reconciliation need not be presented for prior periods.

17.32 The entity shall also disclose the following:

- (a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities.
- (b) the amount of contractual commitments for the acquisition of property, plant and equipment

³ An extract from the disclosures that are part of full IFRS

77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed⁴:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

⁴ Additional disclosures for revalued items that are allowed under full IFRS but not IFRS for SME

A sense of the extent of disclosure reduction

Even allowing for the additional disclosures that we propose above (highlighted in yellow), the disclosures for Tier 2(a) would be considerably less than the comparable disclosures in full IFRS.

The following tables demonstrated this. Font sized has been deliberately reduced – the important point here is the overall impression of the degree of reduction, rather than the detailed text.

Goodwill

Full IFRS disclosure requirements	Suggested Tier 2(a) disclosures
<p>IAS 38 118 An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <p>(a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used (b) the amortisation methods used for intangible assets with finite useful lives; (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included;</p>	<p>18.27 An entity shall disclose the following for each class of intangible assets: (a) the useful lives or the amortisation rates used. (b) the amortisation methods used. (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period. (d) the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included.</p>
<p>(e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations; (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals; (iii) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed directly in equity in accordance with IAS 36 (if any); (iv) impairment losses recognised in profit or loss during the period in accordance with IAS 36 (if any); (v) impairment losses reversed in profit or loss during the period in accordance with IAS 36 (if any); (vi) any amortisation recognised during the period; (vii) net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and (viii) other changes in the carrying amount during the period.</p>	<p>19.26 An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately: (a) changes arising from new business combinations. (b) impairment losses. (c) disposals of previously acquired businesses. (x) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals (d) other changes. This reconciliation need not be presented for prior periods.</p>
<p>IAS 36 126. An entity shall disclose the following for each class of assets:</p> <p>(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period. (d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.</p>	<p>27.32 An entity shall disclose the following for each class of assets indicated in paragraph 27.33: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period. (d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.</p>
<p>129. An entity that reports segment information in accordance with IFRS 8 shall disclose the following for each reportable segment: (a) the amount of impairment losses recognised in profit or loss and in other comprehensive income during the period. (b) the amount of reversals of impairment losses recognised in profit or loss and in other comprehensive income during the period.</p>	<p>NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME</p>
<p>130. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:</p> <p>(a) the events and circumstances that led to the recognition or reversal of the impairment loss. (b) the amount of the impairment loss recognised or reversed. (c) for an individual asset: (i) the nature of the asset; and (ii) if the entity reports segment information in accordance with IFRS 8, the reportable segment to which the asset belongs. (d) for a cash-generating unit: (i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in IAS 14); (ii) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in IFRS 8); (iii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with IFRS 8, by reportable segment; and (iv) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified. (e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use. (f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference</p>	<p>NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME [Impairment model is the same as full IFRS so current disclosure is adequate]</p>

<p>to an active market). (g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.</p>	
<p>131. An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130: (a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses. (b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.</p>	NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME
<p>133. If, in accordance with paragraph 84, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the end of the reporting period, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.</p>	NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME
<p>134. An entity shall disclose the information required by (a)-(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives: (a) the carrying amount of goodwill allocated to the unit (group of units). (b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units). (c) the basis on which the unit's (group of units) recoverable amount has been determined (ie value in use or fair value less costs to sell). (d) if the unit's (group of units) recoverable amount is based on value in use: (i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units) recoverable amount is most sensitive. (ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. (iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified. (iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated. (v) the discount rate(s) applied to the cash flow projections. (e) if the unit's (group of units) recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed: (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units) recoverable amount is most sensitive. (ii) a description of management's approach to determining the value (or values) assigned to each key assumption, whether those value reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed: (iii) the period over which management has projected cash flows. (iv) the growth rate used to extrapolate cash flow projections. (v) the discount rate applied to the cash flow projections. (f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units) recoverable amount would cause the unit's (group of units) carrying amount to exceed its recoverable amount: (i) the amount by which the unit's (group of units) recoverable amount exceeds its carrying amount. (ii) the value assigned to the key assumption. (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units) recoverable amount to be equal to its carrying amount.</p>	<p>REDUCED INFORMATION BASED ON IFRS FOR SME PRINCIPLES An entity shall disclose: (a) the basis on which goodwill's recoverable amount has been determined (ie value in use or fair value less costs to sell). (b) if goodwill's recoverable amount is based on value in use: (i) a description of each key assumption on which management has based its cash flow. (ii) a description of management's approach to determining the value(s) assigned to each key assumption (iii) the period over which management has projected cash flows based on financial budgets/forecasts which should not exceed five years (iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts which should not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates. (v) the discount rate(s) applied to the cash flow projections. (e) if goodwill's recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for goodwill, the following information shall also be disclosed: (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. (ii) a description of management's approach to determining the value (or values) assigned to each key assumption If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed: (iii) the period over which management has projected cash flows. (iv) the growth rate used to extrapolate cash flow projections. (v) the discount rate applied to the cash flow projections.</p>
<p>135 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with: (a) the aggregate carrying amount of goodwill allocated to those units (groups of units). (b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units). (c) a description of the key assumption(s). (d) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. (e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units) carrying amounts to exceed the aggregate of their recoverable amounts: (i) the amount by which the aggregate of the units' (groups of units) recoverable amounts exceeds the aggregate of their carrying amounts. (ii) the value(s) assigned to the key assumption(s). (iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units) recoverable amounts to be equal to the aggregate of their carrying amounts.</p>	DEALT WITH ABOVE

Property, plant and equipment

Full IFRS disclosure requirements	Suggested Tier 2(a) disclosures
<p>73. The financial statements shall disclose, for each class of property, plant and equipment:</p> <p>(a) the measurement bases used for determining the gross carrying amount;</p> <p>(b) the depreciation methods used;</p> <p>(c) the useful lives or the depreciation rates used;</p> <p>(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and</p> <p>(e) a reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) additions;</p> <p>(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;</p> <p>(iii) acquisitions through business combinations;</p> <p>(iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36:[AMD 14]</p> <p>(v) impairment losses recognised in profit or loss in accordance with IAS 36;</p> <p>(vi) impairment losses reversed in profit or loss in accordance with IAS 36;</p> <p>(vii) depreciation;</p> <p>(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and</p> <p>(ix) other changes.</p>	<p>17.31 An entity shall disclose the following for each class of property, plant and equipment that was deemed appropriate in accordance with paragraph 4.11(a):</p> <p>(a) the measurement bases used for determining the gross carrying amount.</p> <p>(b) the depreciation methods used.</p> <p>(c) the useful lives or the depreciation rates used.</p> <p>(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.</p> <p>(e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:</p> <p>(i) additions.</p> <p>(ii) disposals.</p> <p>(iii) acquisitions through business combinations.</p> <p>(iv) transfers to investment property if a reliable measure of fair value becomes available (see paragraph 16.8).</p> <p>(v) impairment losses recognised or reversed in profit or loss in accordance with Section 27.</p> <p>(vi) depreciation.</p> <p>(vii) other changes.</p> <p>This reconciliation need not be presented for prior periods.</p>
<p>74. The financial statements shall also disclose:</p> <p>(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;</p> <p>(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;</p> <p>(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and</p> <p>(d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.</p>	<p>17.32 The entity shall also disclose the following:</p> <p>(a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities.</p> <p>(b) the amount of contractual commitments for the acquisition of property, plant and equipment</p>
<p>75. Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:</p> <p>(a) depreciation, whether recognised in profit or loss or as a part of the cost of other assets, during a period; and</p> <p>(b) accumulated depreciation at the end of the period.</p>	<p>NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME</p>
<p>76. In accordance with IAS 8 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:</p> <p>(a) residual values;</p> <p>(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;</p> <p>(c) useful lives; and</p> <p>(d) depreciation methods.</p>	<p>NOT REQUIRED FOR TIER 2(a) – SAME AS IFRS for SME [Dealt with in Section 10 of IFRS for SME]</p>
<p>77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:</p> <p>(a) the effective date of the revaluation;</p> <p>(b) whether an independent valuer was involved;</p> <p>(c) the methods and significant assumptions applied in estimating the items' fair values;</p> <p>(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;</p> <p>(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and</p> <p>(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.</p>	<p>USE SAME DISCLOSURE AS FULL IFRS</p> <p>77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:</p> <p>(a) the effective date of the revaluation;</p> <p>(b) whether an independent valuer was involved;</p> <p>(c) the methods and significant assumptions applied in estimating the items' fair values;</p> <p>(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;</p> <p>(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and</p> <p>(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.</p>
<p>78. In accordance with IAS 36 an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraph 73(e)(iv)-(vi).</p> <p>79. Users of financial statements may also find the following information relevant to their needs:</p> <p>(a) the carrying amount of temporarily idle property, plant and equipment;</p> <p>(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;</p> <p>(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with IFRS 5; and</p> <p>(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.</p> <p>Therefore, entities are encouraged to disclose these amounts.</p>	<p>An entity discloses information on impaired property, plant and equipment in accordance with 27.32</p>

Capitalised borrowing costs

Full IFRS disclosure requirements	Suggested Tier 2(a) disclosures
<p>23 para 26</p> <p>An entity shall disclose:</p> <p>(a) the amount of borrowing costs capitalised during the period; and</p> <p>(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.</p>	<p>23 para 26</p> <p>An entity shall disclose:</p> <p>(a) the amount of borrowing costs capitalised during the period; and b</p> <p>(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.</p>

