



Andreas Barckow
Chair
International Accounting Standards Board
IFRS Foundation
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Canary Wharf
London E14 4HD

13 January 2022

Dear Andreas,

I am writing on behalf of the UK's Financial Reporting Council (FRC) to comment on the Exposure Draft ED/2021/7 *Subsidiaries Without Public Accountability: Disclosures*.

The FRC is responsible for setting UK and Ireland accounting standards, and we are also the UK regulator responsible for ensuring that the provision of financial information by public and large private companies complies with relevant reporting requirements. The adoption of any IFRS Standard resulting from this project is the responsibility of the independent UK Endorsement Board (UKEB).

Our response draws on the FRC's experience in developing UK and Ireland accounting standards, in particular FRS 101 *Reduced Disclosure Framework*, which has a similar purpose to the Exposure Draft although with a different scope and constructed in a different manner. FRS 101 became effective in 2015 and it has proved popular with eligible preparers.

The FRC welcomes the introduction of a similar reduced disclosure framework into IFRS, which has the potential to deliver cost savings for preparers without a significant impact on the usefulness of the financial statements for users, taking into account the often more limited users for subsidiary financial statements and their information needs.

We have provided responses to the consultation questions in the Appendix to this letter. If you have any queries, or would like to discuss our comments in more detail, please do not hesitate to contact either Stephen Maloney (Senior Project Director, s.maloney@frc.org.uk) or Merrick Bousfield (Project Director, m.bousfield@frc.org.uk).

Yours with best wishes for 2022

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Appendix

Question 1

Paragraph 1 of the Exposure Draft proposes that the objective of the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* is to permit eligible subsidiaries to apply the disclosure requirements in the Exposure Draft and the recognition, measurement and presentation requirements in IFRS Standards.

Do you agree with the objective of the Exposure Draft? Why or why not? If not, what objective would you suggest and why?

- A1. We agree that a reduced disclosure framework for entities without public accountability is a relevant and useful objective. However, the objective of the standard itself should be framed around high-quality reporting, which, for the relevant entities, may be achieved through applying the disclosure requirements of the standard and the recognition, measurement and presentation requirements of IFRS Standards.
- A2. In the UK and Republic of Ireland, entities may apply FRS 101 *Reduced Disclosure Framework*¹. FRS 101 is similar to the Exposure Draft in that it permits eligible entities to apply the recognition, measurement and presentation requirements of IFRS but with reduced disclosure, but it differs in several ways, including:
- It is not restricted to entities without public accountability;
 - It is available to parent companies for their individual financial statements;
 - It may not be adopted for consolidated financial statements; and
 - It does not require the financial statements into which the entity is consolidated to be prepared under IFRS.
- A3. We understand that preparers and users in the UK and Republic of Ireland have found FRS 101 to be a useful alternative to both full IFRS and to our 'main GAAP standard' FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and it has been adopted by a significant number of entities. FRS 101 provides a framework in which recognition and measurement are consistent with full IFRS, but disclosure requirements are significantly reduced. In contrast, recognition and measurement under FRS 102 is not fully aligned with IFRS, although disclosure requirements are less extensive as it was developed from the *IFRS for SMEs Standard*.

¹ [https://www.frc.org.uk/getattachment/a7d5c00c-93a4-4796-b23a-7cc50af34a94/FRS-101-Reduced-Disclosure-Framework-\(March-2018\).pdf](https://www.frc.org.uk/getattachment/a7d5c00c-93a4-4796-b23a-7cc50af34a94/FRS-101-Reduced-Disclosure-Framework-(March-2018).pdf)

Question 2
Paragraphs 6–8 of the Exposure Draft set out the proposed scope. Paragraphs BC12–BC22 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?

- A4. We agree with the proposed scope, within the context of the existing IFRS framework and definitions (including the definition of public accountability).
- A5. We believe that some entities deemed by the proposed scope not to have public accountability could be considered publicly accountable (for example, those with a large number of employees or which are otherwise considered economically significant in a jurisdiction). In the UK, all companies are required to prepare financial statements in accordance with financial reporting standards and make them publicly available by filing them at Companies House. Companies House filings are freely available online. It is within this context that we form our view of public accountability, as all companies’ financial statements are available for public scrutiny.
- A6. However, we note that the IASB’s definition of public accountability has already been considered in the context of the *IFRS for SMEs* Standard and considered suitable. If the aim of the Exposure Draft is to complement the *IFRS for SMEs* Standard, then we agree that the scope should be consistent. It may be a matter for national legislators to consider whether to impose their own additional constraints on which entities are publicly accountable and hence narrow the scope, and the entities which may adopt the standard.
- A7. It may be relevant to compare the scope of the Exposure Draft with the scope of the comparable standard currently applicable in the UK and Republic of Ireland, FRS 101:
- FRS 101 is available for the individual financial statements of entities which are included via full consolidation in consolidated financial statements intended to give a true and fair view (with the exception, after the effective date of IFRS 17 *Insurance Contracts* of insurance companies); it is not restricted by reference to public accountability. In practice, FRS 101 can be applied by both ultimate parents and subsidiaries. Experience of FRS 101 suggests that the inclusion of the ultimate parent’s individual financial statements within the scope of the Exposure Draft could represent a significant additional cost saving for preparers. However, whilst users are likely to focus on the consolidated financial statements, we acknowledge that the parent entity would usually meet the IASB’s definition of having public accountability.
 - FRS 101 does not require the group accounts into which the entity has been consolidated to be prepared under IFRS – only that they are intended to give a true and fair view. It can therefore be adopted by entities which are consolidated into financial statements prepared under other frameworks, such as US GAAP. We understand that this is attractive to some preparers, particularly when the recognition and measurement requirements of the group accounts are closer to those of IFRS than to those of FRS 102 (which was originally based on the *IFRS for SMEs* Standard).
- A8. We note the dissenting view that the Exposure Draft should be available to entities without public accountability that are not members of a group, but we do not believe the scope needs to be widened in this way. We have not received calls for FRS 101 to

be made available to such entities; however, we acknowledge that this may be because of the existence of an alternative standard in FRS 102, such that entities outside the scope of FRS 101 are not necessarily required to apply full IFRS. The situation in other jurisdictions could vary depending on what national GAAP, if any, is otherwise available.

Intermediate consolidation

- A9. Paragraph 6 of the Exposure Draft allows for the production of consolidated financial statements that comply with the Exposure Draft. This differs from FRS 101, which is not available for use in consolidated financial statements.
- A10. In developing FRS 101, our view was that an intermediate parent would usually be able to take an exemption from preparing consolidated financial statements and therefore that, when it does prepare such financial statements, they are likely to be prepared for the benefit of one or more users. Those users would have information needs, which would not be served by permitting the consolidated financial statements of the intermediate parent to be prepared under the reduced disclosure framework. For example, under FRS 101, qualifying entities are permitted not to prepare a statement of cash flows; we understand this is a popular feature for FRS 101 preparers due to the significant effort that would usually be required to prepare this item for multiple sets of financial statements in a group. We decided that permitting exemptions in the consolidated financial statements of an intermediate parent would result in insufficient disclosure for the greater information requirements of the users of those consolidated financial statements.
- A11. In contrast, the Exposure Draft would permit an intermediate parent to apply the reduced disclosure framework in its consolidated financial statements – although we note that in some areas (such as cash flows) the disclosure exemptions in the Exposure Draft are less extensive than those in FRS 101. We recommend that the Board consider whether the resulting level of disclosure in intermediate consolidated financial statements would be sufficient for the information needs of the users of such financial statements; for example an intermediate consolidation may be required by a regulator, or under the terms of a shareholders' agreement where one shareholder has a large minority stake and does not have the ability to exercise control, but still has a strong interest in the financial statements.

Question 3

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?

- A12. We agree with the logical steps applied in developing the proposed disclosure requirements, however we have chosen a different approach in FRS 101, as discussed below.
- A13. The disclosure requirements of the *IFRS for SMEs* Standard have already been assessed by the IASB as suitable for entities without public accountability, and therefore are appropriate when recognition and measurement requirements are the same in both IFRS Standards and the *IFRS for SMEs* Standard. When the recognition and measurement requirements differ between IFRS Standards and the *IFRS for SMEs* Standard, we agree that tailoring the disclosure requirements is the correct way to deal with these differences.
- A14. The overall advantage of the approach is that it permits a middle ground between the requirements of full IFRS and the *IFRS for SMEs* Standard, which would not necessarily be possible if other approaches were chosen. For example, the approach we have taken in FRS 101 is that an entity must comply with the disclosure requirements of full IFRS, except where an exemption is specifically stated; FRS 101 does not introduce any new disclosure requirements. This approach means that for each IFRS disclosure requirement we have had to make a choice to require the full IFRS disclosure, or to provide an exemption from the disclosure. In certain circumstances the approach in the Exposure Draft may allow a simplified disclosure.
- A15. However, given that the aim of the Exposure Draft is to reduce the effort required to prepare the financial statements of subsidiaries, it is important to consider whether in all cases the approach results in this aim being met. Any entity applying the Exposure Draft will need to prepare disclosure information for inclusion in the IFRS consolidation in which it is included. When the disclosure requirements of the Exposure Draft differ from those of full IFRS, the entity will also need to prepare different disclosure information for inclusion in its separate financial statements. We suggest that the Board consider the degree to which subsidiaries adopting the Exposure Draft in their separate financial statements and also having to provide full IFRS disclosures for consolidated financial statements, may be required to make more effort than if they had not applied the Exposure Draft, and had instead provided full IFRS disclosures in their separate financial statements.
- A16. Given therefore that applying the Exposure Draft may involve additional preparation of different disclosures to full IFRS, whilst FRS 101 would not, we expect that FRS 101 will remain preferable to the Exposure Draft for many qualifying entities in the UK and Republic of Ireland.

Question 4

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 Exposure Draft) 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 Exposure Draft 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 Exposure Draft 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?

In response to part (a):

Disclosure objectives

A17. On balance, we agree that omitting disclosure objectives from the Exposure Draft is the correct decision, as including them would not necessarily result in simpler disclosure requirements and would increase the amount of judgement (and hence the workload) involved for preparers. We note that this choice will result in significant divergence from the requirements of full IFRS if those standards move towards an approach based more around disclosure objectives than detailed lists of disclosure requirements. Such divergence may then offset the benefits of the reduced disclosure approach in the Exposure Draft since preparers would need to consider two different approaches for the consolidated and individual financial statements, further accentuating the issue highlighted in our response to Question 3.

A18. However, consistent with the different approach taken to developing the disclosure framework, whereby each IFRS Standard is reviewed separately to establish which disclosures should be exempted, IFRS 101 does not always exempt preparers from the

disclosure objectives of IFRS Standards. FRS 101 does provide some exemptions from the disclosure objectives of IFRS – in particular those in IFRS 7 and IFRS 13, as long as equivalent disclosures are present in the consolidated financial statements in which the entity is included. FRS 101 also removes part of the disclosure objectives of IFRS 15 and IFRS 16, but unconditionally. We note that if IFRS Standards move towards an approach based around disclosure objectives, rather than lists of disclosures, we would need to consider the implications for our ongoing maintenance of FRS 101, given that FRS 101 operates on the approach of removing specific disclosure requirements.

Changes in liabilities from financing activities

- A19. We have written before in support of such a reconciliation, which we included within FRS 102 despite its not being part of the *IFRS for SMEs* Standard. However, we would also note that FRS 101 preparers are exempt from the requirements of IAS 7 in their entirety and so are not required to present a reconciliation of changes in liabilities from financing activities. This exemption is popular amongst the population of FRS 101 preparers. However, we believe that presentation of this reconciliation is appropriate when (as under the Exposure Draft) an entity presents a statement of cash flows.

Defined benefit obligations

- A20. Such arrangements often result in a large number of stakeholders since members will have a strong interest in the ability of the company to support the scheme. Given also that such schemes are typically tied to a particular legal entity, whose ultimate parent may not be obliged to support the scheme, there is therefore also the chance that the financial statements of the sponsoring entity may also have a large number of stakeholders. Given the above, we do not feel that limiting the disclosures in comparison to full IFRS is to the benefit of stakeholders and we would therefore support introducing the full disclosure requirements of IAS 19 into the Exposure Draft. Given that this information would (subject to materiality assessment) also be required for the group financial statements, obtaining such information should not incur additional work for the preparer.

Improvements to disclosure requirements in IFRS Standards

- A21. The inclusion of paragraph 93, requiring an explanation of significant changes in the contract asset and contract liability, appears to be out of keeping with the rest of the Exposure Draft as there are few other cases in which explanations are mandated.

In response to part (b):

- A22. When a similar requirement was introduced into FRS 102, no significant objections were raised during the consultation process or once the requirements became effective.
- A23. We have no specific comments to make in respect of the other items covered in this question.

Question 5

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?

- A24. We agree with the proposal. Given the key information that such disclosures provide and the relatively infrequent nature of such disclosures, retaining them is the correct choice.

Question 6

The Exposure Draft 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 Exposure Draft 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 Exposure Draft? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable.

In response to part (a):

A25. We agree that the Exposure Draft should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17. Although insurers would generally be outside the scope of the Exposure Draft, when an entity within the scope of the Exposure Draft issues insurance contracts within the scope of IFRS 17, information should be disclosed to enable users of the financial statements to assess the effect of those contracts on the entity. We note that IFRS 17 already clarifies that an entity shall assess the level of detail necessary to meet the disclosure objective.

In response to part (b):

A26. Whilst we do not believe they are common; we understand that such entities do exist in the UK. Such a company may not be publicly accountable (per the definition in paragraph 7 the Exposure Draft) as holding assets in a fiduciary capacity for a broad group of outsiders would typically not be its primary business.

A27. Companies that are not insurance companies but that issue contracts within the scope of IFRS 17 would be eligible to adopt FRS 101 but would be required to comply with IFRS 17 in full (as FRS 101 provides no exemptions from the disclosure requirements of IFRS 17). Therefore, the approaches of the Exposure Draft and FRS 101 are effectively aligned on this topic.

Question 7

Paragraphs 23–30 of the Exposure Draft 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 Exposure Draft, the entity would:

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

This approach is consistent with the Board's proposals on how the Exposure Draft 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 Exposure Draft rather than leaving the disclosure requirements in IFRS 1?

Paragraphs 12–14 of the Exposure Draft set out the relationship between the Exposure Draft and IFRS 1.

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

In response to part (a):

- A28. We do not agree with adopting reduced disclosures in respect of transition to IFRS. Such disclosures are an important element of understanding how a transition has impacted the financial position and performance of an entity and what choices it has made as part of the transition. This proposal also appears in contrast to the proposal discussed in Question 5 to retain the transitional disclosures in relation to adoption of new IFRS standards, since a transition to full IFRS from another reporting framework is likely to be more impactful on the financial statements than the adoption of a new individual standard.
- A29. We would however support the elimination of the opening balance sheet as detailed in IFRS 1 paragraphs 6 and 21, which is the approach taken in FRS 101, whilst maintaining any reconciliations as at the transition date, e.g. the equity reconciliation required by paragraph 24(a)(i) of IFRS 1.

In response to part (b):

- A30. Other than as discussed in A28 and A29, we agree with the proposals in paragraphs 12-14. It seems clear to us that an entity that has previously adopted IFRS Standards is not a first-time adopter of IFRS Standards when it subsequently chooses to apply the Exposure Draft.

Question 8

Paragraphs 22–213 of the Exposure Draft 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?

In response to part (a):

- A31. Paragraphs 110-113 (in the IAS 1 section) discuss the fair presentation requirements; however, they do not make reference to the need to provide additional disclosures, when necessary, in order to achieve a fair presentation; instead, additional disclosures are discussed in paragraph 16, preceding the sections that set out the disclosure requirements in paragraphs 22-213.
- A32. In both IAS 1 and the *IFRS for SMEs* Standard (Section 3), the need for additional disclosures is presented together with discussion of fair presentation. We therefore believe that for consistency with existing requirements, the same should be true of the Exposure Draft, as preparers will expect to see those items together based on previous experience.
- A33. We also believe that there should be some discussion of materiality in the context of the Exposure Draft. This may be best placed in or after paragraph 16, which already contains a reference to materiality. Whilst clearly the discussion of materiality in IAS 1 is still the key source that a preparer applying the Exposure Draft should consider, the different nature of the Exposure Draft compared to IFRS and the *IFRS for SMEs* Standard means that an additional discussion would benefit preparers.
- A34. It might not be clear to preparers how a set of financial statements prepared under full IFRS, and a set prepared under the disclosure requirements of the Exposure Draft can both provide a fair presentation given that the Exposure Draft requires less disclosure than full IFRS. It could be made clear that the differing framework, as a result of having differing users, may mean that different levels of disclosure are appropriate in the different contexts.
- A35. We have no further comments on parts (b) and (c).

Question 9

Paragraphs 22–213 of the Exposure Draft 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 Exposure Draft by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the Exposure Draft.

Do you agree with the structure of the Exposure Draft, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the Exposure Draft? Why or why not? If not, what alternative would you suggest and why?

- A36. For FRS 101 we adopted a top-down approach and listed only those disclosure requirements of IFRS Standards from which an exemption was granted. This appears to have worked well. Given the different approach adopted by the IASB, we agree with the overall structure of the Exposure Draft.
- A37. However, we do not agree that IFRS requirements that remain applicable should be presented only in footnotes, or that IFRS requirements that are no longer applicable should be presented only in Appendix A. Our preference would be for each IFRS Standard heading to be followed by:
- (i) A statement of which paragraphs of the relevant IFRS do not apply (as currently stated in Appendix A);
 - (ii) A complete list of the requirements from the relevant IFRS Standard which do apply (as currently stated in footnotes); and
 - (iii) A complete list of the additional requirements introduced by the Exposure Draft.
- A38. For items that are no longer applicable, paragraph A1 could remain, as paragraph A2 is read in conjunction with it, although this does create a duplication of content.
- A39. If the decision is taken to retain the footnote presentation, it should be applied consistently to all such items and paragraph BC70 should therefore be amended to change “generally stated” to “stated” to make this presentation clear and consistent.

Question 10

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

A40. We believe the Board should address the lack of consistency between the title of the Exposure Draft and the title of the *IFRS for SMEs* Standard, given that both standards are applicable to entities without public accountability. We have noted previously that we do not consider the title of the *IFRS for SMEs* Standard to be appropriate (see, for example, paragraphs C26-C29 of our response² to the Request for Information on the Second Comprehensive Review of the *IFRS for SMEs* Standard in October 2020). We therefore recommend adopting complementary titles for both standards to make their scope and applicability clear.

A41. Paragraph BC78 of the Exposure Draft reads:

The Board considered what comparative information should be required if a subsidiary elects to apply the Exposure Draft in the current period, having done so in the previous period. The Board noted such a subsidiary would provide fewer disclosures in its financial statements in the current period than in the preceding period.

We assume there is a typographical error and that paragraph BC78 should read:

The Board considered what comparative information should be required if a subsidiary elects to apply the Exposure Draft in the current period, having not done so in the previous period. The Board noted such a subsidiary would provide fewer disclosures in its financial statements in the current period than in the preceding period.

A42. Paragraph 24 of the Exposure Draft reads:

When an entity does not elect to apply IFRS 1 in accordance with paragraph 4A of IFRS 1, the entity shall disclose:

(a) the reason it stopped applying IFRS Standards;

(b) the reason it is resuming the application of IFRS Standards; or

(c) whether it has applied IFRS 1 or has applied IFRS Standards retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

We are unsure why these requirements contain an ‘or’ rather than an ‘and’; why requirements (a) and (b) would only apply when an entity does not elect to apply IFRS 1 in accordance with paragraph 4A of IFRS 1; and why requirement (c) would be applicable given that the leading sentence presupposes that the entity does not apply IFRS 1.

²http://eifrs.ifrs.org/eifrs/comment_letters//557/557_27007_EastonBilsboroughFinancialReportingCouncilFRC_0_20201021FRCresponseto2ndComprehensiveReviewoftheIFRSforSMEsStandardRfl.pdf

We suggest that paragraph 24 of the Exposure Draft should read:

~~When an entity does not elect to apply IFRS 1 in accordance with~~ An entity that has applied IFRS Standards in a previous period, as described in paragraph 4A of IFRS 1, the entity shall disclose:

- (a) *the reason it stopped applying IFRS Standards;*
- (b) *the reason it is resuming the application of IFRS Standards; ~~or~~ and*
- (c) *whether it has applied IFRS 1 or has applied IFRS Standards retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*