CHAPTER 2

IFRS 19, *Subsidiaries without Public Accountability: Disclosures*

This article aims to:

Provide an overview of the IFRS 19.

Introduction

On 9 May 2024, the International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries.

IFRS 19, *Subsidiaries without Public Accountability: Disclosures* permits eligible subsidiaries to elect to apply reduced disclosure requirements as per IFRS 19 and comply with the recognition, measurement and presentation requirements set out in other IFRS Accounting Standards.

These reduced disclosure requirements are expected to balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers.

The standard will become effective for reporting periods beginning on or after 1 January 2027 although earlier application is permitted.

Who can apply IFRS 19?

A subsidiary is eligible if:

- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

An entity has public accountability if:

its equity or debt instruments are traded in a public market

OR

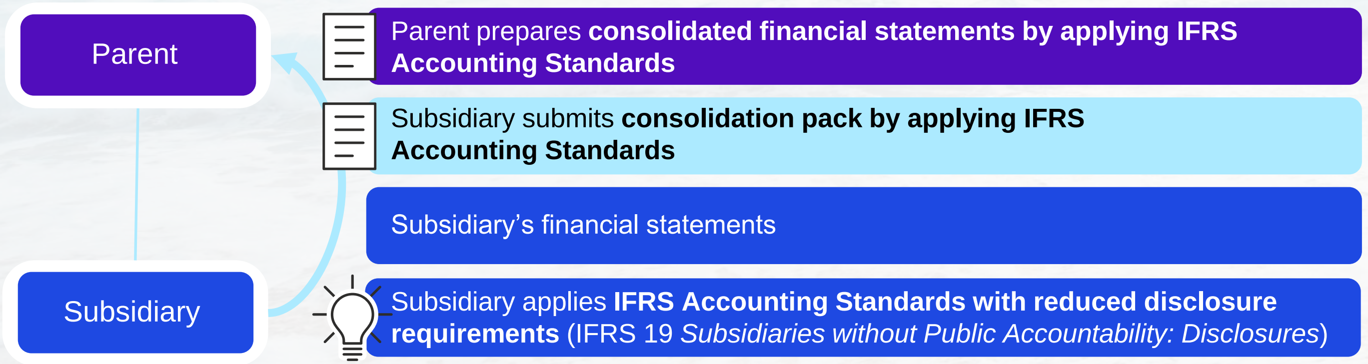
it holds assets in a fiduciary capacity (for example, banks and insurance companies)

(Source: Project Summary and Feedback Statement | Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures issued by IASB, May 2024)

Need for the standard

Based on IASB's research, stakeholders expressed a need to permit subsidiaries without public accountability to apply IFRS Accounting Standards with reduced disclosure requirements.

The solution



(Source: Project Summary and Feedback Statement | Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures issued by IASB, May 2024)

An eligible subsidiary who applies IFRS 19 will benefit by:

- **Keeping only one set of accounting records** to meet the needs of both the parent company and the users of its financial statements; and
- **Reduced disclosure requirements** of IFRS 19 which is better suited to the needs of the users of its financial statements.

Applying the standard

IFRS 19 would work alongside other IFRS Accounting Standards. It is a disclosure-only standard and does not include:

- Recognition, measurement and presentation requirements. Those requirements in other IFRS Accounting Standards remain applicable.
- Guidance on applying disclosure requirements. The guidance in other IFRS Accounting Standards remains available.

IFRS 19 does not reduce disclosure requirements for IAS 33 *Earnings per Share*, IFRS 8 *Operating Segments* and IFRS 17 *Insurance Contracts*. Therefore, an entity which applies IFRS 19 and is required to apply IFRS 17 or elects to apply IFRS 8/IAS 33, should apply all the relevant disclosure requirements in those standards.

Statement of compliance

A subsidiary is required to state that it has applied IFRS 19 in its statement of compliance. However, the standard does not provide an example disclosure. The following wording may be appropriate:

- *These [consolidated/separate/individual] financial statements have been prepared in accordance with IFRS Accounting Standards and the reduced disclosure requirements of IFRS 19 Subsidiaries without Public Accountability: Disclosures.*[1]

1. Reducing disclosures for subsidiaries, KPMG IFRG Limited's publication, 9 May 2024

Choice in application

A subsidiary can choose to revoke its election to apply IFRS 19 at any time. It may also choose to apply the standard again in subsequent periods.

An eligible subsidiary that applies IFRS 19 does so by applying the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19.

The below table illustrates an example of how entities would apply IFRS 19.

Reporting items of inventory	
Recognition, measurement and presentation requirements	Apply the relevant IFRS Accounting Standard; in this instance, an eligible subsidiary applies IAS 2, *Inventories*.
Disclosure requirements	Do not apply the disclosure requirements in IAS 2. Instead, an eligible subsidiary applies the disclosure requirements in IFRS 19, under the subheading 'IAS 2, *Inventories*'

(Source: Project Summary and Feedback Statement | Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures issued by IASB, May 2024)

Principles adopted for reducing disclosure requirements

Eligible subsidiaries are a subset of Small and Medium-Sized Entities ('SMEs'). Hence, the IASB considered its previous work on the disclosure requirements in the IFRS for SMEs Accounting Standard as a starting point in developing IFRS 19.

The IASB developed the following set of principles to help identify information that is important to users of the financial statements of entities without public accountability:

- **Short-term cash flows, obligations, commitments and contingencies, liquidity and solvency:** Information about the entity's ability to generate cash flows, meet its obligations and continue as a going concern
- **Measurement uncertainty:** Information about how amounts in the financial statements are measured, including inputs (for example, significant judgements and estimates) used in those calculations
- **Disaggregation of amounts:** Information about separation of amounts presented in the financial statements into component parts
- **Accounting policy choices:** Information about the accounting policy applied by the entity especially when more than one accounting policy option is allowed.

Next steps

The IASB has also proposed to make consequential amendments to IFRS 19 whenever it publishes an exposure draft of a new or amended IFRS Accounting Standard. This would ensure that IFRS 19 remains up to date and consistent with any new or amended disclosure requirements.

Expected benefits of IFRS 19

IFRS 19 will help entities to benefit from cost savings and reporting simplifications without compromising the usefulness of eligible subsidiaries' financial statements for their users. However, these cost savings can vary depending on various factors, including:

- the accounting requirements currently applied by an eligible subsidiary;
- the set-up of the reporting systems and processes within the group; and
- other factors, such as applicable laws and regulations.

Eligible subsidiaries that transition to IFRS 19 from the IFRS for SMEs Accounting Standard or local GAAP will benefit from:

- aligning accounting policies,
- eliminating dual accounting records and
- associated system simplifications.