

EARLY IMPRESSIONS

IFRS 19, Subsidiaries without Public
Accountability: Disclosures

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The International Accounting Standards Board (“IASB” or “Board”), in its efforts to address concerns raised by investors regarding permitting subsidiaries of a parent that prepares consolidated financial statements available for public use to apply IFRS accounting standards with reduced disclosure requirements issued **IFRS 19 Subsidiaries without Public Accountability: Disclosures**, allowing eligible subsidiaries (“eligible entities”) to elect to apply IFRS 19’s reduced disclosure requirements while still applying the recognition, measurement, and presentation requirements in other IFRS accounting standards.

IFRS for SMEs Accounting Standard provides for fewer disclosure requirements; however, its recognition and measurement requirements differ from those in IFRS accounting standards, requiring a subsidiary that applies the IFRS for SMEs Accounting Standard to maintain additional accounting records to meet the group reporting requirements of its parent. To address this matter, the IASB initiated a comprehensive project to analyze alterations required to the disclosure requirements of the **IFRS for SMEs** and possibly develop a reduced disclosure IFRS that would allow eligible subsidiaries to apply, in principle, the recognition and measurement requirements of full IFRSs and the disclosure requirements of the IFRS for SMEs with minimal tailoring of those disclosure requirements.

The changes expected from IFRS 19 will help to reduce the cost of preparing financial statements under IFRS accounting standards for subsidiaries that are not publicly accountable and will improve the application of IFRS accounting standards within groups while maintaining the usefulness of the information provided. The Board believes that the usefulness of the financial statements is maintained because the disclosures would be tailored to users’ needs of the subsidiaries’ financial statements by removing certain disclosures that are more relevant for publicly accountable entities.

This publication provides an overview of the key principles of the new accounting standard allowing reduced/ condensed disclosure requirement framework for eligible subsidiaries.

We sincerely hope you find the enclosed publication informative. We will be happy to participate in any discussions required to clarify our views. We look forward to hearing from you.

Thank you.

Yours faithfully

For Uniquus Consultech Inc.



Sandip Khetan

Co-Founder and Global Head,
Accounting & Reporting Consulting

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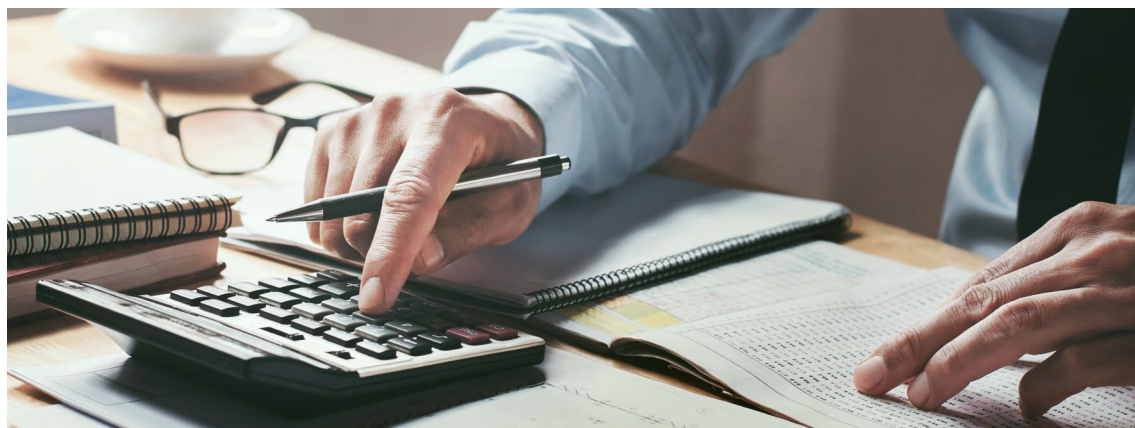
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Background

IASB has been diligently addressing the concerns raised by investors regarding Financial Statement disclosure requirements. On 9 April 2024, the IASB issued a new standard **IFRS 18, titled “Presentation and Disclosure in Financial Statements,”** replacing the existing IAS 1 standard with the objective of improving comparability and transparency of entities’ performance reporting. In its continuous efforts to ensure that financial statements provide adequate and appropriate disclosures to the investors, on 9 May 2024, the IASB issued **IFRS 19 Subsidiaries without Public Accountability: Disclosures**. IFRS 19 is the culmination of the IASB’s Disclosure Initiative, a set of projects aiming to improve the effectiveness of disclosures in financial statements. The new standard allows eligible entities to elect to apply IFRS 19’s reduced disclosure requirements while still applying the recognition, measurement, and presentation requirements in other IFRS accounting standards.

¹ To learn more about IFRS 18 refer to our recent publication titled “Early Impressions: IFRS 18, Presentation and Disclosure in Financial Statements.”



Key Principles of reduced disclosure framework



Objective of the standard

The objective of the standard is to allow eligible entities a practical way of addressing the problems of over-disclosure by voluntary election of a reduced disclosure requirement framework set out in IFRS 19 while continuing to apply the recognition, measurement, and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

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Eligibility Criteria’s for entities permitted to apply condensed disclosure framework

An entity (or eligible entity) is permitted to apply IFRS 19 only if at the end of the reporting period:

It is a **subsidiary** as defined in IFRS 10 Consolidated Financial Statements.

+

It does not have **public accountability**.

+

It’s parent (either ultimate or intermediate) prepares **consolidated financial statements**, available for public use, which comply with IFRS accounting standards

Eligible entities can, but are not required to, apply IFRS 19 in their consolidated, separate, or individual financial statements. An intermediate parent that does not have public accountability and meets the other eligibility conditions may apply this Standard in its separate financial statements even if it does not apply this Standard in its consolidated financial statements.

One of the key questions on the assessment of eligibility criteria for the applicability of IFRS 19 relates to the timing of the assessment of the eligibility criteria. It is clearly specified that only a subsidiary without public accountability **at the end of its reporting period** can apply IFRS 19 in its financial statements for that reporting period. The principles of IFRS 19 are not applicable to entities that are subsidiaries at the start of, or at any time during the reporting period but cease to meet the eligibility criteria before the end of its reporting period.



Public Accountability

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses² (for example, banks, credit unions, insurance companies, securities brokers/ dealers, mutual funds, and investment banks often meet this second criterion).

² Entities that hold assets in a fiduciary capacity for reasons that are **incidental** to their primary business are not publicly accountable (for example, this might be the case for travel or real estate agents and utility companies that receive payments in advance of delivery of the goods or services).

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Developing the disclosure requirements- Underlying principles

Since subsidiaries without public accountability are a subset of small and medium sized entities (SMEs), therefore the Board considered the disclosure requirements in the IFRS for SMEs Accounting Standard as a starting point. The disclosure requirements in the IFRS for SMEs Accounting Standard are based on IFRS Accounting Standards, with appropriate omissions and changes to reflect the information needs of users of the financial statements of SMEs. IFRS for SMEs Accounting Standard provides for fewer disclosure requirements; however, its recognition and measurement requirements differ from those in IFRS accounting standards. Therefore, applying the disclosure requirements in the IFRS for SMEs Accounting Standard in its entirety would be inappropriate to achieve the objective of a reduced disclosure requirement for eligible entities. The underlying principles for IFRS 19 disclosure requirements represent the hybrid framework of principles of IFRS for SMEs Accounting Standard and IFRS Accounting Standards.

For topics where recognition and measurement requirements are the same, the disclosure requirements in the IFRS for SMEs Accounting Standard have been used in IFRS 19 with the wording aligned to that used in other IFRS accounting standards. In cases of different recognition and/or measurement requirements in the IFRS for SMEs Accounting Standard, the disclosure requirements in IFRS 19 have been tailored applying the principles used in developing disclosure requirements in the IFRS for SMEs Accounting Standard.

In developing the IFRS 19, the IASB was guided by following broad principles regarding users’ information needs:

- a.** users of the financial statements of eligible subsidiaries are particularly interested in information about-
 - short-term cash flows and information about obligations, commitments, or contingencies, whether they are recognized as liabilities, liquidity, and solvency.
 - information on measurement uncertainties and the entity’s accounting policy choices.
 - disaggregation of amounts presented in the financial statements.
- b.** some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.

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Disclosure requirements and interaction with other IFRS accounting standards

The disclosure requirements in IFRS 19 are a condensed version of the disclosure requirements set out in other IFRS Accounting Standards. Key principles for the application of IFRS 19 are summarized below:

Interaction of IFRS 19 with other IFRS Accounting Standards

- IFRS 19 is a disclosure-only standard.
- An eligible subsidiary that applies IFRS 19 is required to apply the recognition, measurement, and presentation requirements in other IFRS Accounting Standards.
- For disclosure requirements, it applies IFRS 19 instead of the disclosure requirements in other IFRS Accounting Standards, except in specified circumstances.

All disclosure requirements related to respective IFRS accounting standards located at one place

- The disclosure requirements related to individual IFRS accounting standards are organized in IFRS 19 into **subheadings by IFRS accounting standards**. For example, all disclosure requirements for business combinations included in IFRS 19 are organized under the subheading “**IFRS 3 Business Combinations.**”
- Some disclosure requirements in IFRS accounting standards (e.g., those embedded in paragraphs that include recognition, measurement, or presentation requirements) remain applicable. Their paragraph references are specified under the subheading of each IFRS accounting standard in IFRS 19. For example, the subsection related to “**IFRS 1 First-time Adoption of International Financial Reporting Standards**” includes a paragraph labeled “**Disclosure requirements in IFRS 1 that remain applicable**” with specific references to IFRS 1 paragraphs that are still applicable.

IFRS accounting standards wholly excluded from the Scope of IFRS 19

- IFRS 19 does not include the disclosure requirements applicable to IFRS 8 Operating Segments, IFRS 17 Insurance Contracts, and IAS 33 Earnings per Share.
- An eligible entity that applies IFRS 19, if required to apply IFRS 17 or elects to apply IFRS 8 and/or IAS 33, then would be required to apply all the relevant disclosure requirements in those respective standards.

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Requirement to provide additional disclosures

- An eligible entity is required to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS 19 is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance. This will require management's judgement.

Principles of materiality to override the IFRS 19 disclosure requirements

- An eligible entity applying IFRS 19 is not required to provide a specific disclosure required by IFRS 19 if the information resulting from that disclosure would not be material.

Example- Application Guidance on how to apply IFRS 19

Reporting items of Leases

Recognition, measurement, and presentation requirements

- Apply the relevant IFRS Accounting Standard.
- In this instance, an eligible subsidiary applies IFRS 16 Leases.

Disclosure requirements

- Do not apply the disclosure requirements in IFRS 16.
 - Except those which continue to apply to an eligible subsidiary as listed in IFRS 19 under the relevant subheadings.
- Instead, an eligible subsidiary applies the disclosure requirements in IFRS 19, under the subheading 'IFRS 16 Leases'.



Compliance with IFRS Accounting Standard

- An entity whose financial statements comply with IFRS Accounting Standards and the requirements in IFRS 19 shall make an explicit and unreserved statement of such compliance in the notes.
- An entity that applies IFRS 19 shall, as part of that unreserved statement, state that it has applied IFRS 19. However, it shall not describe financial statements as complying with IFRS Accounting Standards unless the entity complies with the requirements in IFRS 19 and all applicable requirements in other IFRS Accounting Standards.

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Electing or revoking an election to apply IFRS 19

An entity that meets the eligibility criteria of IFRS 19 may elect to apply IFRS 19 disclosure requirements on a voluntary basis. Once elected, an entity may revoke its election to apply IFRS 19 at any time, in which case, it would be required to prepare financial statements providing the disclosures set out in other IFRS accounting standards. IFRS 19 also allows an entity to elect to apply the standard more than once, enabling entities that have revoked their election to reapply for it in a later period, for example, an entity that applied this Standard in a prior period but not in the immediately preceding period may elect to apply this Standard in the current period.

Effective date and transition

Effective date

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact.

Transition

If an entity applies IFRS 19 in the current reporting period but not in the immediately preceding period, it is required to provide comparative information (that is, information for the preceding period) for all amounts reported in the current period’s financial statements unless IFRS 19 or another IFRS Accounting Standard permits or requires otherwise. If relevant, an entity will include comparative information for narrative and descriptive information. Similarly, an entity that revokes its election to apply IFRS 19 must provide comparatives for all amounts disclosed under the requirements in other IFRS accounting standards.

Suppose an entity that applied IFRS accounting standards in the immediately preceding period elects to apply IFRS 19 in the current period. In that case, the requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards³ and the requirements for changes in accounting policies in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors will not be applicable. Similarly, if an entity revokes its election (or is no longer eligible) to apply IFRS 19 but continues to apply IFRS accounting standards, the requirements of IFRS 1 and the requirements of IAS 8 for changes in accounting policies would not be applicable.

³ It has been clarified in the Basis of Conclusion that a subsidiary that applied a local GAAP or the IFRS for SMEs Accounting Standard in a preceding reporting period and elected to apply IFRS Accounting Standards, including IFRS 19, in the current period would be required to apply IFRS 1 when it first applied IFRS 19 because those reporting frameworks are not IFRS Accounting Standards. Other subsidiaries moving between applying IFRS Accounting Standards with IFRS 19 and IFRS Accounting Standards without IFRS 19 would not be within the scope of IFRS 1.

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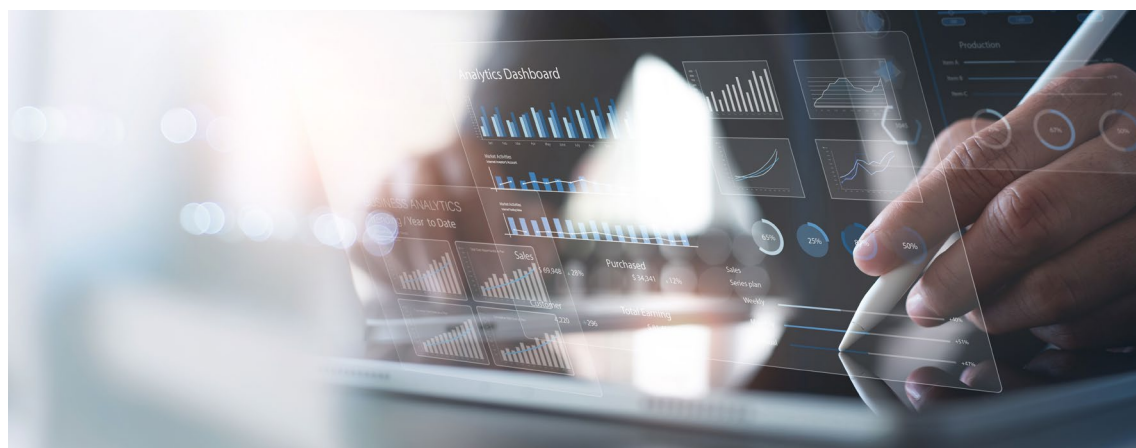
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Disclosure requirements if an entity applies IFRS 19 before applying IFRS 18

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024. IAS 1 Presentation of Financial Statements will be withdrawn from the effective date of IFRS 18, with some of the requirements from IAS 1 reproduced in IFRS 18 and others relocated to IAS 8 Basis of Preparation of Financial Statements. IFRS 18 has the same effective date as IFRS 19 Subsidiaries without Public Accountability: Disclosures, but IFRS 19 includes an appendix with requirements for eligible subsidiaries applying IFRS 19 before IFRS 18. A subsidiary applying IFRS 19 before IFRS 18 will apply disclosure requirements set out in an Appendix to IFRS 19, which are based on IAS 1 rather than IFRS 18.



“Catch-up” amendments to be published

IFRS 19 disclosure requirements are based on disclosure requirements in IFRS Accounting Standards as of 28 February 2021. Disclosure requirements in IFRS Accounting Standards that have been added or amended subsequently are included in IFRS 19 without any changes. For example, new disclosure requirements on Supplier Finance Arrangements (which amended IAS 7 and IFRS 7) apply to eligible subsidiaries applying IFRS 19.

Consequently, the Board indicated that it would publish an Exposure Draft, stating whether and how to reduce the disclosure requirements of these post-28 February 2021 amendments and additions to update IFRS 19. It will develop those proposed amendments to IFRS 19 by applying the principles for reducing disclosure requirements. The IASB plans to publish the exposure draft as soon as possible.

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Through this new disclosure-only standard, the IASB has taken a significant step to simplify reporting systems and processes for Companies, reducing the costs of preparing eligible subsidiaries' financial statements while maintaining their usefulness for their users.

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Benefits for Entities:

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IFRS 19 allows entities to benefit from cost savings and reporting simplifications without compromising the usefulness of eligible subsidiaries' financial statements for their users. These cost savings will extend from subsidiaries to their group and ultimately benefit their owners. The benefits will vary depending on the circumstance of the entity, including:

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- the accounting requirements currently applied by an eligible subsidiary, i.e., whether an entity is presently applying IFRS for SMEs Accounting Standard or local GAAP or IFRS Accounting Standards;
- the set-up of the reporting systems and processes within the group; and
- other factors, such as applicable laws and regulations.

6. "Catch-up" amendments to be published

Entities transitioning to IFRS 19 from the disclosure requirements in other IFRS Accounting Standards will benefit from reduced disclosure requirements for eligible subsidiaries' financial statements and, hence, reduced time, cost, and effort involved in preparing and auditing those financial statements. Since IFRS 19 provides a condensed disclosure requirement framework, therefore eligible entities electing to shift from disclosure requirements as per IFRS accounting standards may not need to put in much additional effort in terms of adjusting their accounting systems, processes, and controls. The allowance of electing, revoking, and re-electing the applicability of disclosure requirements under IFRS 19 anytime at a time of eligible entities' choice makes the decision-making to elect IFRS 19 simple and easy.

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Although IFRS 19 will benefit eligible entities by providing a condensed disclosure requirement framework, the fact that it makes reference to the specific disclosure requirements of other IFRS accounting standards that are applicable for the various subsections indicates that IFRS 19 cannot be applied independently without referring to relevant guidance of disclosure requirements stated in other IFRS Accounting Standards.

IFRS 19 will also invoke standard-setting changes in jurisdictions such as India, which are aligned to IFRS, however, where an IFRS 19 equivalent update may not have been initiated.

Meanwhile, until the standard becomes effective, the management and those charged with governance may educate the stakeholders, employees, investors, and other relevant financial statement users about the new condensed disclosure requirements framework as per IFRS 19 for their reporting entity.

A TEAM THAT YOU CAN TRUST TO DELIVER



Jamil Khatri

Co-Founder & CEO
jamilkhatri@uniquis.com



Sandip Khetan

Co-Founder, Global Head of ARC
sandip.khetan@uniquis.com



Anu Chaudhary

Partner, Global Head of ESG Consulting
anuchaudhary@uniquis.com



Akash Loonia

Partner, ARC
akashloonias@uniquis.com



Sagar Lakhani

Partner, ARC
sagarlakhani@uniquis.com



Sharad Chaudhry

Partner, ARC
schaudhry@uniquis.com



Shashikant Shenoy

Partner, ARC
sshenoy@uniquis.com



Venkateswaran Narayanan

Partner, ARC
vn@uniquis.com



Puneet Chowdhary

Director, ARC
puneetchowdhary@uniquis.com

To know more about us, please visit www.uniquis.com