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IFRS 19 - Subsidiaries with Public Accountability: Disclosures

Overview

On 09 May 2024, the International Accounting Standard Board (IASB) issued ***IFRS 19 Subsidiaries without public Accountability: Disclosures***.

For the purpose of reporting to a parent for its consolidation, subsidiaries are required to follow the same accounting standard as that of the Parent Company. Eligible subsidiaries have the flexibility to utilize the IFRS for SMEs Accounting Standard for their own financial statements. However, many subsidiaries choose not to adopt the IFRS for SMEs, given the necessity to report to their parent entity using the full IFRS Accounting Standards, which significantly differ from the SMEs' standards.

Stakeholders requested that the IASB allow subsidiaries reporting to a parent to apply IFRS Accounting Standards with reduced disclosure requirements in their own financial statements. In response to this feedback, the IASB initiated a project to develop reduced disclosure requirements for subsidiaries without public accountability. This project has led IASB to the issuance of IFRS 19, which allows eligible subsidiaries to apply reduced disclosure requirements while still adhering to the recognition, measurement, and presentation requirements of IFRS Accounting Standards.

IFRS 19 offers entities the opportunity to benefit from cost savings and reporting simplifications without compromising the usefulness of eligible subsidiaries' financial statements for their users.

The extent of these benefits will vary depending on the specific circumstances of the entity, including:

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

Effective date of application

An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity chooses to apply this Standard earlier, it shall disclose that fact.

Eligibility criteria

An entity may elect to apply IFRS 19 in its standalone and consolidated financial statements at **the end of reporting period**, if and only if:

- It is a subsidiary as per IFRS 10.
- It does not have public accountability.
- Its ultimate or immediate parent Company produces consolidated financial statements available for public use in compliance with IFRS standards.

Any subsidiary that ceases to meet the eligibility criteria before the end of the reporting period, IFRS 19 will not be applicable to that subsidiary.

What is public accountability?

IFRS 19 defines public accountability as:

- Its debt or equity are traded in the public market or in the process of issuing such instruments for trading in public market.

or

- Its holds asset in a fiduciary capacity for broad group of outsiders as their primary business (for example banks, credit memo, mutual funds).

IFRS 19: Disclosures Requirement

In developing the disclosure in IFRS 19 relating to each IFRS accounting standard, the IASB adopted the following approach,

If the recognition and measurement requirements of the IFRS Accounting Standards are same as those of the IFRS for SMEs Accounting Standard.	Same disclosure requirements used in IFRS for SMEs Accounting Standard will apply.
If the recognition and measurement requirements of the IFRS Accounting Standards differs with that of IFRS for SMEs Accounting Standard.	Disclosures requirement in IFRS 19 were developed directly from IFRS Accounting Standards.

In developing IFRS 19, the IASB was guided by following broad principles regarding user's information needs.

Liquidity and solvency	Information about entity's ability to generate cash flows and continue as going concern
Short-term cash flows, obligations, commitments and contingencies	Information about the entity's ability to meet its obligations
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

Disclosure requirements and reference to other IFRS accounting standards:

Under IFRS 19, a subsidiary will utilize an IFRS Accounting Standard for a recognition, measurement and presentation, and subsequently, adhere to the disclosure requirements specified within the sub-heading of that Accounting Standard in IFRS 19. For example, all the disclosure requirements with respect to Leases included in IFRS 19 are organized under the sub-heading "IFRS 16: Leases".

The following standards do not have reduced disclosure requirements under IFRS 19 and the disclosures set out in each standard still apply:

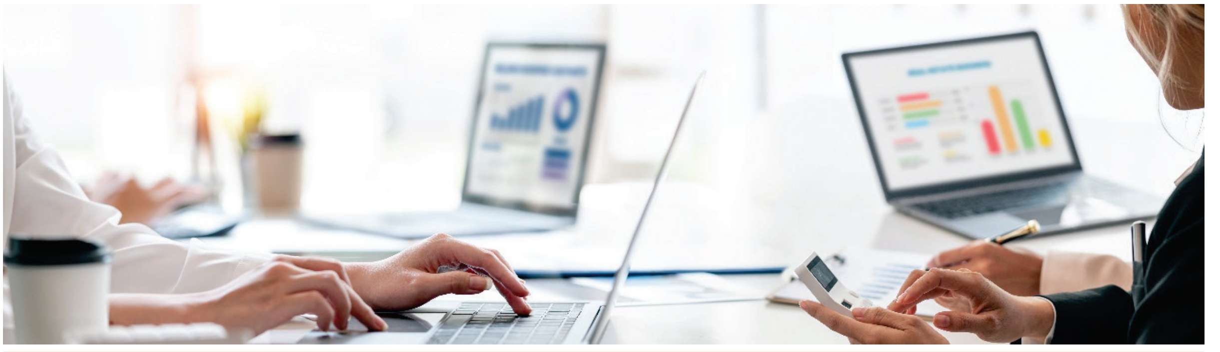
- IFRS 8 "Operating Segments"
- IAS 33 "Earning per Share"
- IFRS 17 "Insurance Contracts"

Electing or revoking an election to apply IFRS 19

An entity that elects to apply this standard in one reporting period may later revoke that election. This standard gives an option to the Company to apply the standard more than once. —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.

An entity that applies this Standard in the current reporting period but not in the immediately preceding period shall provide comparative information (that is, information for the preceding period) for all amounts reported in the current period's financial statements, unless this Standard or another IFRS Accounting Standard permits or requires otherwise. The entity shall include comparative information for narrative and descriptive information if it is necessary for an understanding of the current period's financial statements.

An entity that applied this Standard in the preceding reporting period—but elects not to (or is no longer eligible to) apply it in the current period and continues applying IFRS Accounting Standards—shall provide comparative information with respect to the preceding period for all amounts reported in the current period's financial statements, unless another IFRS Accounting Standard permits or requires otherwise



Key practical considerations:

- If a subsidiary voluntarily chooses to apply IFRS 19 but later decides to revoke that choice or becomes ineligible to apply it, the provisions of IAS 8 won't apply as IFRS 19 doesn't alter the recognition or measurement of items or amounts in the primary financial statements.
- Upon IFRS 19 adoption an eligible subsidiary adjusts its comparative information to ensure consistency with the current reporting period. Once elected subsidiary may subsequently revoke its election to apply IFRS 19 at any time, in such case, the subsidiary Company must prepare financial statements that provide the disclosures required by other IFRS Accounting Standard.
- IFRS 19 presents an overall benefit that include unifying accounting policies with group, users will receive proportionate benefit as per their information need, reduce time, cost and efforts involved in preparing and auditing those financial statements.

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