IFRS®
Accounting

May 2024

Effects Analysis

IFRS® Accounting Standards

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

This Effects Analysis accompanies, but is not part of, IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

What is the purpose of this Effects Analysis?

This Effects Analysis describes the likely costs and benefits of IFRS 19. The International Accounting Standards Board (IASB) gains insights into the likely effects of new or revised IFRS Accounting Standards through its exposure of proposals, consultation with stakeholders and research and analysis. This document describes the IASB's consideration of the effects of IFRS 19.

Background

IFRS 19 works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and, instead, the subsidiary applies the reduced disclosure requirements in IFRS 19. Those reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers.

Glossary

Many terms used in this document are specific to IFRS 19. See the Glossary on pages 50–52 for definitions of these terms.

Executive summary

IFRS 19 will simplify reporting systems and processes for companies, reducing the costs of preparing eligible subsidiaries' financial statements, while maintaining the usefulness of those financial statements for their users.

Why did the IASB issue IFRS 19?

The IASB undertook the project that led to IFRS 19 in response to feedback that subsidiaries should be permitted to apply IFRS Accounting Standards with reduced disclosure requirements.

IFRS 19 presents an opportunity for companies to benefit from cost savings and reporting simplifications, without compromising the usefulness of eligible subsidiaries' financial statements for users. These cost savings will extend from subsidiaries to their group and ultimately benefit their owners.

Where will the savings and simplifications come from?

The savings and simplifications will come from:

- unifying accounting policies within groups, which will eliminate the need for dual accounting records; and
- reducing disclosures in eligible subsidiaries' financial statements, resulting in reduced time, cost and effort involved in preparing and auditing those financial statements.

What information will users get?

Users of eligible subsidiaries' financial statements will receive information that is proportionate to their information needs.

Which companies will benefit?

IFRS 19 is a voluntary IFRS Accounting Standard for eligible subsidiaries—reduced costs and reporting simplifications for those subsidiaries will benefit the group as a whole. The more of a group's subsidiaries that apply IFRS 19, the greater the benefits for the group.

The benefits offered by IFRS 19 could be particularly valuable to companies that are subject to increasing reporting obligations.

Are there transition costs?

Companies might incur transition costs on initial application of IFRS 19. The transition costs will differ from company to company and are likely to be outweighed by benefits from subsequent cost savings and reporting simplifications.

Furthermore, IFRS 19 is a voluntary Standard. If a company concludes that the transition costs are not justified, it may choose not to apply IFRS 19.

What are the benefits for jurisdictions?

Jurisdictions wishing to attract inward investment aim to make their jurisdiction an appealing place in the world to start, grow and invest in a business. Enabling the use of IFRS 19 will help to achieve this, by reducing costs for global companies, permitting a global financial language to be applied throughout the group.

Enabling eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosures is also expected:

- to improve application of those Standards, which should improve the quality of the subsidiary's financial statements and therefore the information provided to users; and
- to reduce the need for specialised knowledge of local GAAP, reducing associated training and education costs in the reporting ecosystem and improving workforce mobility.

Contents

1—Introduction

1—Introduction

What is an effects analysis?

The IASB has assessed the likely costs and benefits of implementing IFRS 19 *Subsidiaries without Public Accountability: Disclosures*—a new voluntary IFRS Accounting Standard—for preparers and other stakeholders. These costs and benefits are referred to as 'effects'.

The analysis in this document is confined to the likely effects of IFRS 19 because the actual effects will be known only after eligible subsidiaries have been applying the new Accounting Standard for some time. As part of the post-implementation review of IFRS 19, the IASB will assess whether the new Standard is operating as intended.

Consultation process

- Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published in July 2021
- 68 comment letters
- 24 outreach events with wide geographical spread

How did the IASB compile the Effects Analysis?

The IASB gains insights into the likely effects of new IFRS Accounting Standards through research and by analysing stakeholder feedback on its proposals. It also consults extensively with stakeholders.

In accordance with its due process, the IASB has completed a formal public consultation. As part of the public consultation, the IASB participated in 24 outreach events with preparers, users, regulators, standard-setters and accounting firms worldwide.

The IASB was also informed by the work of its advisory bodies.

This Effects Analysis is based on the feedback that the IASB has gathered through its consultation process.

What was the methodology used to assess the effects?

In this Effects Analysis, the evaluation of effects is mainly qualitative instead of quantitative. This approach was used because quantifying costs and, particularly, benefits of new IFRS Accounting Standards is a subjective and difficult process.

The costs and benefits of IFRS 19 will vary depending on factors such as:

- the accounting standards applied by eligible subsidiaries prior to transition;
- the reporting systems and processes within the group; and
- local law and regulation.

Furthermore, because IFRS 19 is a voluntary Accounting Standard, its effects will be influenced by the degree of its application around the world.

These factors specific to IFRS 19 make quantitative analysis particularly difficult. The IASB has therefore gathered evidence and analysed the qualitative effects of the new Accounting Standard in various circumstances.

2—Background

2.1—Introducing IFRS 19

In May 2024 the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

> IFRS 19 will simplify reporting systems and processes for companies, reducing the costs of preparing eligible subsidiaries' financial statements, while maintaining the usefulness of those financial statements for their users.

What IFRS 19 does

IFRS 19 works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19.

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

IFRS 19 is a voluntary standard for eligible subsidiaries. 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.

IFRS 19 can be applied as soon as it is issued.

2.2—Why the IASB undertook the project

To simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements

The problem

The IASB added to its work plan the project that led to IFRS 19 in response to stakeholder feedback on the 2015 Agenda Consultation. Stakeholders said that some subsidiaries should be permitted to apply IFRS Accounting Standards with reduced disclosure requirements.

The feedback came about because of complications in preparing subsidiaries' financial statements when the parent prepares consolidated financial statements applying IFRS Accounting Standards. These complications arise irrespective of whether the subsidiaries apply local GAAP, the *IFRS for SMEs*® Accounting Standard or IFRS Accounting Standards. The feedback showed:

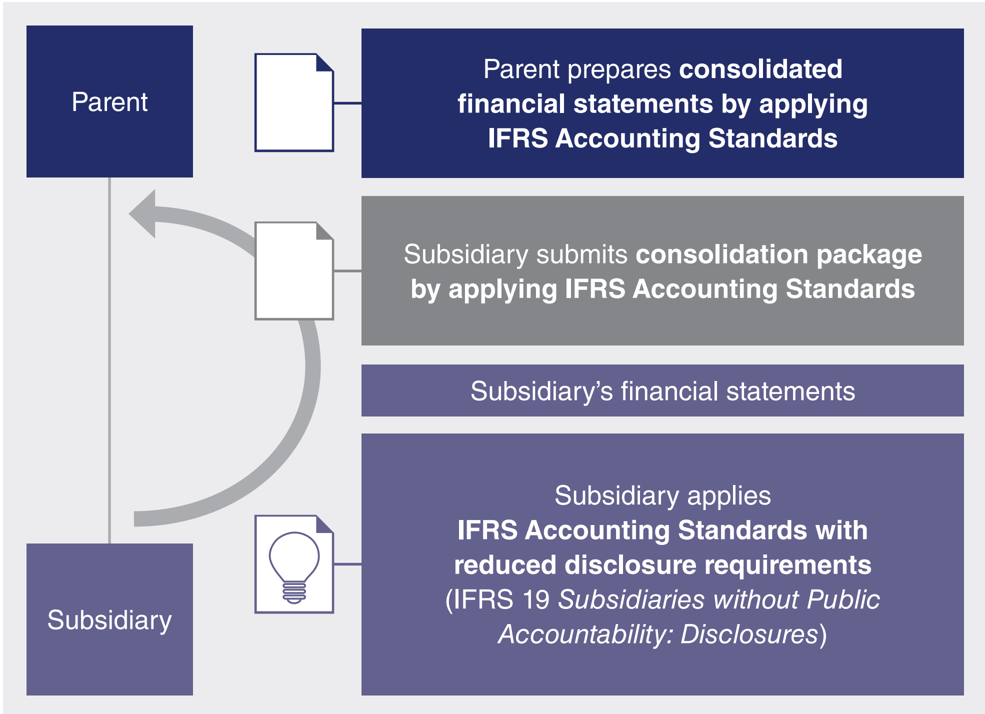
- subsidiaries applying local GAAP or the *IFRS for SMEs* Accounting Standard have recognition and measurement differences between their own financial statements and the amounts reported to their parent for group consolidation purposes; and
- subsidiaries applying IFRS Accounting Standards avoided this problem, but found the disclosure requirements disproportionate to the information needs of the users of their financial statements.

Finding a solution

The research showed that:

- the new Accounting Standard would be welcomed by jurisdictions and companies; and
- the disclosure requirements in the *IFRS for SMEs* Accounting Standard could be used as the starting point for developing the new Standard.

Diagram 1—The solution



3—Overview of IFRS 19

3.1—Who can apply IFRS 19

An eligible subsidiary can apply IFRS 19

An eligible subsidiary is permitted to apply IFRS 19 in its consolidated, separate or individual financial statements.

A subsidiary is eligible if:

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

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 businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Diagram 2—What is public accountability?

3.2—The reduced disclosure requirements

The requirements

The disclosure requirements in IFRS 19 are a reduced version of those set out in other IFRS Accounting Standards.

The IASB applied the same principles to reduce the disclosure requirements as it applied when it developed the *IFRS for SMEs* Accounting Standard (see Diagram 7 on page 26).

The IASB was able to make use of its previous work on the disclosure requirements in the *IFRS for SMEs* Accounting Standard because eligible subsidiaries are a subset of SMEs.

This approach meant the IASB was able to develop the Exposure Draft more efficiently by using the work it had already done.

Applying IFRS 19

IFRS 19 is a disclosure-only Standard. An eligible subsidiary that applies IFRS 19 applies the requirements in other IFRS Accounting Standards except for disclosure requirements and, instead, applies the reduced disclosure requirements in IFRS 19.

Diagram 3—Example of how to 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*'.

3.3—How IFRS 19 will be maintained

IFRS 19 will be amended as necessary to ensure it remains up to date and consistent with any new or amended disclosure requirements in other IFRS Accounting Standards.

When the IASB publishes an exposure draft of a new or amended IFRS Accounting Standard, it will also propose amendments to IFRS 19.

For example, the IASB plans to publish an exposure draft of proposed amendments to IAS 28 *Investments in Associates and Joint Ventures*. The IASB has tentatively decided to propose new disclosure requirements and consequential amendments to IFRS 19.

Diagram 4—Maintaining IFRS 19

Proposed amendments to IFRS 19 to be included in the exposure draft of a new or amended IFRS Accounting Standard

Apply the principles for reducing disclosure requirements and assess cost and benefits for eligible subsidiaries

↓

Obtain feedback and issue a new or amended IFRS Accounting Standard, and consequential amendments to IFRS 19

‘Catch-up’ exposure draft

In developing IFRS 19, the IASB took into account disclosure requirements in IFRS Accounting Standards as at 28 February 2021.

Disclosure requirements in IFRS Accounting Standards that have been added or amended subsequently are included in IFRS 19 unchanged. For example, new disclosure requirements on Supplier Finance Arrangements (which amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*) are applicable to eligible subsidiaries applying IFRS 19.

The IASB will publish a ‘catch-up’ exposure draft of proposed amendments to IFRS 19 resulting from disclosure requirements added to, or amended in, IFRS Accounting Standards between 28 February 2021 and May 2024. It is developing proposals to amend IFRS 19 by applying the principles for reducing disclosure requirements (see Diagram 7 on page 26) and plans to publish the exposure draft as soon as possible.

4—Effects for companies

4.1—Overview of benefits for companies

The opportunity to eliminate unnecessary reporting costs

IFRS 19 makes IFRS Accounting Standards more accessible for eligible subsidiaries. It presents an opportunity for companies 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.

Addressing the problem

IFRS 19 removes the complications of preparing subsidiary financial statements by permitting eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. Permitting the use of IFRS Accounting Standards with reduced disclosure requirements enables these subsidiaries to use group accounting policies while providing disclosures proportionate to the information needs of users of their financial statements. Subsidiaries using the *IFRS for SMEs* Accounting Standard or local GAAP may face complications if there are differences between the requirements in these standards and IFRS Accounting Standards.

What are the benefits?

On making the transition to IFRS 19 from local GAAP or from the *IFRS for SMEs* Accounting Standard, companies will benefit from aligning accounting policies within the group and hence removing the need for dual accounting records, simplifying reporting systems and processes, and eliminating associated costs.

On making the transition to IFRS 19 from the disclosure requirements in other IFRS Accounting Standards, companies 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.

For many companies, the cost savings and reporting simplifications on transition to IFRS 19 could be significant. Cumulatively for all affected groups, IFRS 19 has the potential to reduce global reporting costs substantially.

The benefits will vary

The benefits for companies on making the transition to IFRS 19 will vary depending on their own specific facts and circumstances, such as:

- the accounting requirements currently applied in preparing eligible subsidiaries' financial statements;
- the set-up of the reporting systems and processes within the group;
- the number of subsidiaries within the group that choose to apply IFRS 19;
- the size and complexity of the subsidiaries' operations; and
- other factors, such as applicable law and regulation.

An eligible subsidiary's ability to make the transition to IFRS 19 will depend on whether its jurisdiction will endorse or adopt IFRS 19 or otherwise enable its application.

4.2—How benefits for companies will arise

Jurisdictions' frameworks for financial reporting

Jurisdictions that require or permit IFRS Accounting Standards for domestic companies with public accountability often have different financial reporting requirements for companies without public accountability. Jurisdictions specify those requirements based on their regulatory, economic and cultural background.

Some jurisdictions require a particular approach for companies without public accountability—IFRS Accounting Standards, the *IFRS for SMEs* Accounting Standard or local GAAP. Other jurisdictions permit more than one approach (see page 24). Some jurisdictions specify different approaches for different types of companies without public accountability—for example, based on their size—or for different types of financial statements.

The starting point on making the transition to IFRS 19 will result in different benefits for companies.

Resolving complications of dual reporting

Subsidiaries of parents that prepare consolidated financial statements applying IFRS Accounting Standards experience complications due to being required to apply IFRS Accounting Standards for consolidation purposes and either local GAAP or the *IFRS for SMEs* Accounting Standard in preparing their own financial statements (see Table 1 on page 17).

Applying IFRS 19 will enable companies to simplify their reporting systems and processes. For example, before applying IFRS 19, an eligible subsidiary might keep its accounting records in accordance with local GAAP or with the *IFRS for SMEs* Accounting Standard and prepare a consolidation package for the parent for the purpose of preparing the group's consolidated financial statements. Applying IFRS 19 would enable the subsidiary to use the group's accounting policies in preparing its financial statements and eliminate the need to convert the amounts compliant with local GAAP or the *IFRS for SMEs* Accounting Standard into amounts compliant with IFRS Accounting Standards, and eliminate unnecessary costs.

Alternatively, a group might simultaneously record all transactions, events and other conditions in:

- local GAAP—to prepare the subsidiaries' financial statements; and
- IFRS Accounting Standards—to prepare the group's consolidated financial statements.

Applying IFRS 19 would eliminate the need for dual accounting and associated costs.

Some groups might use shared service centres for processing transactions, events and other conditions. A shared service centre that supports several jurisdictions needs an understanding of the local GAAPs in the jurisdictions it serves. Transition to IFRS 19 will eliminate this need and associated costs.

Removing disproportionate disclosure requirements

Subsidiaries that apply IFRS Accounting Standards in preparing their financial statements experience complications from being required to provide disclosures that are disproportionate to the information needs of the users of their financial statements (see Table 1 on page 17). Applying IFRS 19 would eliminate the need for these disproportionate disclosures, and the associated costs.

Table 1—Complications in preparing subsidiaries' financial statements

Subsidiaries applying a local GAAP	Subsidiaries applying the *IFRS for SMEs* Accounting Standard	Subsidiaries applying IFRS Accounting Standards
Subsidiaries applying a local GAAP in preparing their financial statements might encounter differences in recognition, measurement and disclosure requirements between their local GAAP and those in IFRS Accounting Standards—the extent of these differences varies. If there are differences between a local GAAP and IFRS Accounting Standards, subsidiaries applying a local GAAP need to report to their parent amounts that comply with IFRS Accounting Standards, because their parent prepares its consolidated financial statements in accordance with those standards.	Subsidiaries applying the *IFRS for SMEs* Accounting Standard in preparing their financial statements—although benefiting from fewer disclosure requirements compared to disclosure requirements in IFRS Accounting Standards—might encounter differences between recognition and measurement requirements in that Standard and IFRS Accounting Standards. These subsidiaries need to report to their parent amounts that comply with the recognition and measurement requirements in IFRS Accounting Standards, because their parent prepares its consolidated financial statements in accordance with those standards.	In some jurisdictions, subsidiaries might apply IFRS Accounting Standards in preparing their financial statements. Applying IFRS Accounting Standards allows a subsidiary to report to its parent amounts that comply with the recognition and measurement requirements in IFRS Accounting Standards. However, these subsidiaries might find applying IFRS Accounting Standards unappealing because the disclosure requirements in IFRS Accounting Standards are designed for publicly accountable companies and are disproportionate to the information needs of the users of these subsidiaries' financial statements.
A subsidiary applying a local GAAP would generally need to maintain additional accounting records or prepare additional information for its group's consolidation package because of these recognition and measurement differences.	A subsidiary applying the *IFRS for SMEs* Accounting Standard would generally need to maintain additional accounting records or prepare additional information for its group's consolidation package because of these recognition and measurement differences.	A subsidiary applying the disclosure requirements in IFRS Accounting Standards would generally need to disclose the information that is designed for publicly accountable companies so preparing these disclosures leads to unnecessary additional costs for the subsidiary.

Resolving complications of dual reporting—Case studies

To identify the likely effects of IFRS 19, interviews with members of the Global Preparers Forum (GPF)[1] were undertaken. Based on these interviews, case studies illustrating the likely effects of IFRS 19 on companies in various circumstances were developed. The case studies are based on real-life scenarios but do not purport to portray all nuances of a particular group's circumstances. The case studies are set out in Appendix A of this Effects Analysis.

Table 2—Summary of case studies

	Case Study A	Case Study B	Case Study C
Overview of the group	600 subsidiaries in 70 jurisdictions	100 subsidiaries in various jurisdictions	100 subsidiaries in 44 jurisdictions
Accounting standards applied by subsidiaries	Local GAAP or IFRS Accounting Standards	Local GAAP or IFRS Accounting Standards	Local GAAP or IFRS Accounting Standards
Reporting systems and processes within the group	• Accounting information system is centralised with records kept in accordance with IFRS Accounting Standards • Subsidiaries' financial statements in accordance with local GAAP are prepared by shared service centres	• Accounting information system is not centralised • Subsidiaries prepare their own financial statements and consolidation packages for the parent company	• Some subsidiaries are integrated into a centralised accounting information system where records are kept both in accordance with IFRS Accounting Standards and with local GAAP • Non-integrated subsidiaries prepare their own financial statements and consolidation packages for the parent company
Effects on systems and processes on making the transition to IFRS 19	• Eliminating the need for expertise in local GAAP in shared service centres	• Eliminating the need for dual reporting by subsidiaries • Centralising and standardising the reporting process in the group	• Eliminating the need for dual record keeping for integrated subsidiaries • Eliminating the need for dual reporting for non-integrated subsidiaries

1 The Global Preparers Forum (GPF) meets regularly with the International Accounting Standards Board (IASB) to provide input from the international community of preparers of financial statements. It is independent from the IASB and the IFRS Foundation.

Removing disproportionate disclosure requirements—How much are disclosure requirements reduced?

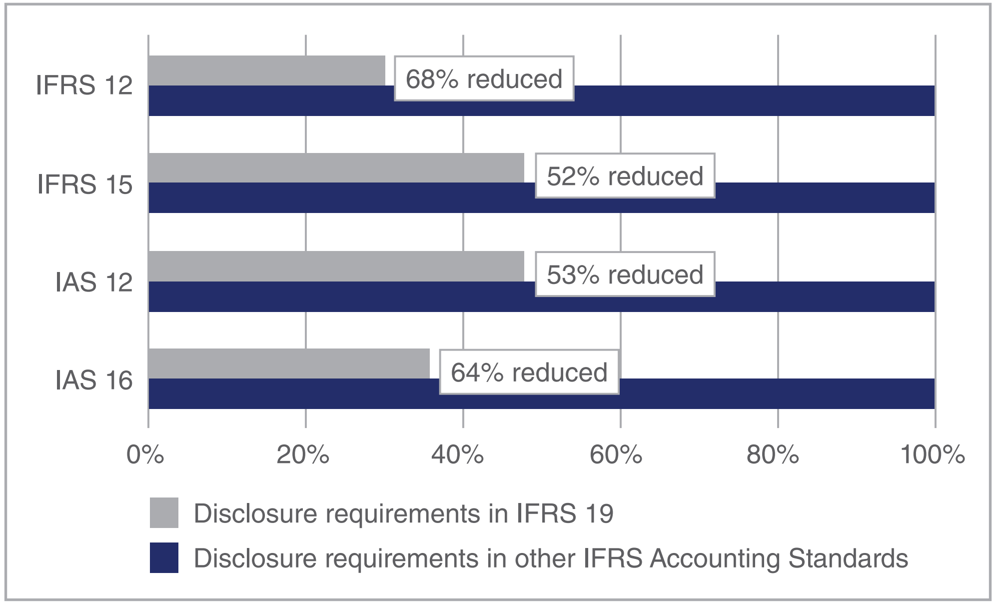
On making the transition to IFRS 19 from the disclosure requirements in other IFRS Accounting Standards, the benefits will arise from the reduction in disclosures in the eligible subsidiaries' financial statements and associated reduced time, cost and effort in preparing and auditing those disclosures.

The reduction in disclosures will differ from subsidiary to subsidiary depending on their specific facts and circumstances. For some subsidiaries, the reduction could be significant.

To illustrate the potential effects, the IASB assessed the reduction in disclosure requirements for a sample of IFRS Accounting Standards. The percentage reduction was calculated by comparing the number of disclosures under a subheading in IFRS 19 and those in the respective IFRS Accounting Standard.

Diagram 5 shows the percentage reduction in the volume of disclosure requirements for the sampled Standards.

Diagram 5—Percentage reduction in disclosure requirements



Appendix B illustrates the reduction in disclosure requirements for IFRS 12 *Disclosure of Interests in Other Entities*.

Removing disproportionate disclosure requirements—A field test

Introduction

A global group tested the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

The company has 150 subsidiaries located in various jurisdictions supported by four regional shared service centres.

The aim of the field test was to assess how effective the proposals might be in reducing the volume of information included in the subsidiary's financial statements.

Methodology

In doing the field test:

- the company prepared a comparison of the disclosure requirements in IFRS Accounting Standards and the disclosure requirements proposed in the Exposure Draft;
- each shared service centre chose one or two subsidiaries for the field test with an emphasis on the subsidiaries with longer and more complex financial statements; and
- the previous year's financial statements of the sampled subsidiaries were edited using the proposals in the Exposure Draft.

The field test was based on the Exposure Draft because IFRS 19 was yet to be issued. However, the IASB's decisions when finalising IFRS 19 did not substantially change the volume of the disclosure requirements.

Key findings

The field test revealed that for the sampled subsidiaries:

- the applicable disclosure requirements that the subsidiaries had to consider were reduced by approximately 64%;
- the average number of pages saved per subsidiary's financial statements was 4.5 pages (ranging between 2.3 pages and 9.3 pages), amounting on average to a 14% reduction in the length of the notes to financial statements (ranging between 8% and 19%);[2] and
- the principal areas of reduced disclosures related to:
  - o disclosures of liquidity risk and currency risk;
  - o comparative information for property, plant and equipment and intangible assets;
  - o breakdown of expenses by nature; and
  - o reconciliation of cash and cash equivalents.

The field test showed that the applicable disclosure requirements were reduced by approximately 64% resulting on average in a 14% reduction in the length of the notes to a subsidiary's financial statements (ranging from 8% to 19%).

Additional observations

The group observed that reduced disclosure requirements would bring about various benefits, such as:

- saving time and effort spent in preparing eligible subsidiaries' financial statements;
- audit-related savings resulting from the reduced volume of information that is subject to audit and from reduced disclosure requirements that need to be considered; and
- resources could be refocused on supporting other areas of financial reporting.

The group concluded that 57% of its subsidiaries would be eligible to apply IFRS 19 provided that the respective jurisdictions endorse or adopt the Standard or otherwise enable its application.

2 Excluding the summary of significant accounting policies.

4.3—Transition costs on initial application of IFRS 19

How big are transition costs?

The transition costs on initial application of IFRS 19 will vary from company to company depending on:

- the accounting requirements currently applied in preparing eligible subsidiaries' financial statements;
- the set-up of the reporting systems and processes within the group;
- the number of subsidiaries within the group that choose to apply IFRS 19;
- the size and complexity of the subsidiaries' operations; and
- other factors, such as applicable law and regulation.

For subsidiaries applying IFRS Accounting Standards, the transition costs on initial application of IFRS 19 will relate to identifying the disclosure requirements that no longer apply and the information that no longer needs to be gathered and disclosed. These transition costs are not expected to be significant.

For subsidiaries applying the *IFRS for SMEs* Accounting Standard or local GAAP, the transition costs on initial application of IFRS 19 will relate to changing systems and processes. These transition costs could be more significant than the costs on making the transition from the disclosure requirements in other IFRS Accounting Standards.

The transition costs on initial application of IFRS 19 might arise not only for the affected subsidiaries but also for the group as a whole—depending on the set-up of the reporting systems and processes within the group (for example, depending on whether and how shared service centres are used).

However, the assessment of the costs of applying IFRS 19 considers subsequent ongoing savings as well as transition costs on initial application of the Standard. In most cases the transition costs are likely to be outweighed by those subsequent savings. Furthermore, IFRS 19 is a voluntary Standard. If a company concludes that the transition costs are not justified, it may choose not to apply IFRS 19.

Findings from the case studies (see Appendix A)

All participants in the IASB's case studies indicated that they do not expect to incur significant transition costs on initial application of IFRS 19.

- Group A highlighted that it already maintains accounting records in accordance with IFRS Accounting Standards for all subsidiaries.
- Group B highlighted that it expects the transition costs to be outweighed by the subsequent reduction in reporting costs that the subsidiaries are currently incurring.
- Group C highlighted that for many subsidiaries, the data needed for preparing their financial statements in accordance with IFRS Accounting Standards is already available within the group.

4.4—Which companies will benefit?

IFRS 19 is available for eligible subsidiaries (see section 3.1 of this Effects Analysis) and can be applied in their consolidated, separate or individual financial statements.

However, eligible subsidiaries are not the only companies that will benefit from IFRS 19. The whole group will benefit as eligible subsidiaries make the transition to IFRS 19.

The extent of the benefit to the group will vary depending on how many jurisdictions endorse or adopt IFRS 19 or otherwise enable its application.

The more subsidiaries that make the transition to IFRS 19, the greater the benefit for the group. The group will derive the maximum benefit if IFRS 19 is adopted globally (see Table 3).

Findings from the case studies (see Appendix A)

All participants in the IASB's case studies indicated that their ability to benefit from IFRS 19 would depend on how many jurisdictions endorse or adopt IFRS 19 or otherwise enable its application.

Table 3—Effects of IFRS 19 within a group

Group X operates in five jurisdictions. The parent is located in Jurisdiction A.

- Scenario 1: All five jurisdictions in which the group operates adopt IFRS 19.
- Scenario 2: All jurisdictions except Jurisdiction D adopt IFRS 19.
- Scenario 3: All jurisdictions except Jurisdictions A and D adopt IFRS 19.

Jurisdiction	Scenario 1	Scenario 2	Scenario 3
A	✓	✓	✗
B	✓	✓	✓
C	✓	✓	✓
D	✓	✗	✗
E	✓	✓	✓
	The group derives maximum benefits from IFRS 19	The group enjoys lower costs of doing business except in Jurisdiction D	The group benefits even if the parent's jurisdiction does not adopt IFRS 19

4.5—The scale of opportunity

The current state of play

Jurisdictions that require or permit IFRS Accounting Standards for domestic companies with public accountability often have different financial reporting frameworks for companies without public accountability.

Analysis of the IFRS Foundation's jurisdictional profiles shows that a jurisdiction might:

- stipulate the financial reporting framework it requires companies without public accountability to apply—IFRS Accounting Standards, the *IFRS for SMEs* Accounting Standard or local GAAP;
- permit companies without public accountability to apply IFRS Accounting Standards as an alternative to either the *IFRS for SMEs* Accounting Standard or local GAAP; or
- permit companies without public accountability to apply IFRS Accounting Standards, the *IFRS for SMEs* Accounting Standard or local GAAP.

Analysis of the jurisdictional profiles shows that eligible subsidiaries could be making the transition to IFRS 19 from:

- IFRS Accounting Standards—in 137 jurisdictions (see Table 4 on page 24, sum of rows tagged (a)). These subsidiaries will benefit from reduced disclosure requirements, resulting in reduced time, cost and effort involved in preparing and auditing their financial statements.
- the *IFRS for SMEs* Accounting Standard or local GAAP—in 150 jurisdictions (see Table 4 on page 24, sum of rows tagged (b)). These subsidiaries will benefit from aligning accounting policies within the group and hence removing the need for dual accounting records, simplifying reporting systems and processes, and eliminating associated costs.

Methodology

The IASB assessed the potential effects of IFRS 19 by analysing information from the IFRS Foundation jurisdictional profiles (based on information as at August 2023). Supplementary information was obtained for some jurisdictions.

The jurisdictional profiles are used to assess progress towards the global adoption of IFRS Accounting Standards. The IFRS Foundation monitors the application of IFRS Accounting Standards in each jurisdiction. The jurisdictional profiles are updated on an ongoing basis.

Currently, there are 167 completed jurisdictional profiles (excluding the European Union), of which 158 require or permit IFRS Accounting Standards for domestic or foreign public companies (see Table 4 and Diagram 6 on page 24).

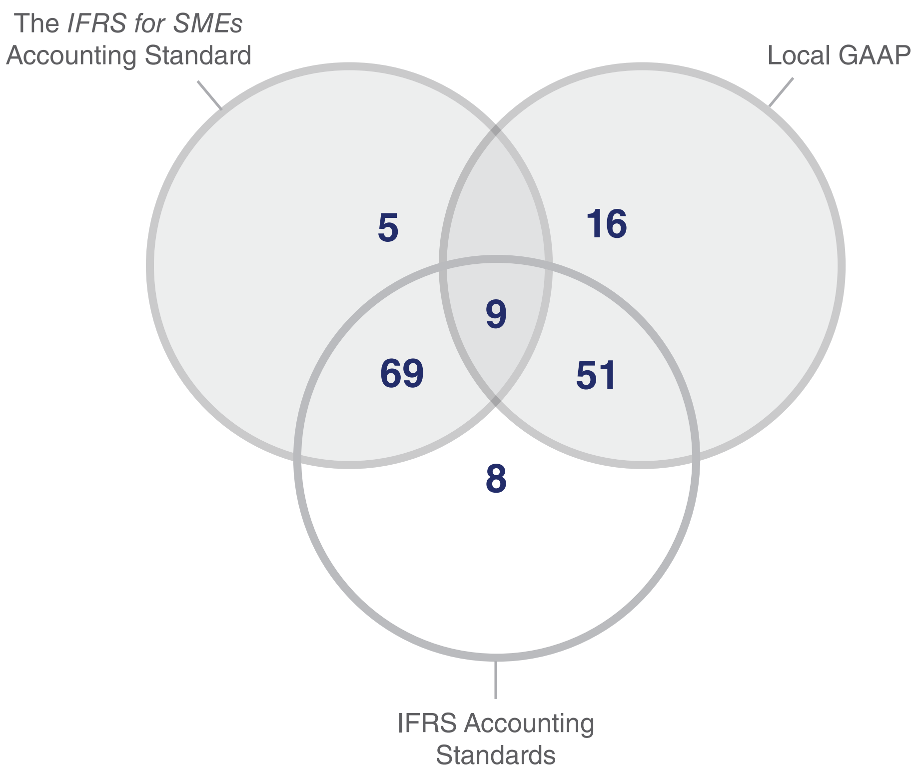
The jurisdictional profiles are available on the IFRS Foundation website: [Use of IFRS Accounting Standards by Jurisdiction](https://).

Table 4—Jurisdictional financial reporting frameworks for companies without public accountability

Jurisdictions that require companies without public accountability to apply:		
• IFRS Accounting Standards	8	(a)
• local GAAP	16	(b)
• the *IFRS for SMEs* Accounting Standard	5	(b)
Jurisdictions that permit IFRS Accounting Standards as an alternative to:		
• local GAAP	51	(a) (b)
• the *IFRS for SMEs* Accounting Standard	69	(a) (b)
• local GAAP or the *IFRS for SMEs* Accounting Standard	9	(a) (b)
Total jurisdictions that require or permit IFRS Accounting Standards for companies without public accountability	**137**	**(a)**
Total jurisdictions that require or permit the *IFRS for SMEs* Accounting Standard or local GAAP	**150**	**(b)**

The analysis in Table 4 and Diagram 6 relates to 158 jurisdictions that require or permit IFRS Accounting Standards for companies with public accountability.

Diagram 6—Jurisdictional financial reporting frameworks for companies without public accountability



5—Effects for users of financial statements

5—Effects for users of financial statements

Assessing users' needs

In developing IFRS 19, the IASB sought to balance calls from companies for reduced disclosure requirements for subsidiaries without public accountability with the information needs of users of their financial statements.

To develop disclosure requirements that meet these information needs, the IASB used its previous work on the *IFRS for SMEs* Accounting Standard as a starting point.

The *IFRS for SMEs* Accounting Standard is applied by companies without public accountability. This Standard has disclosure requirements that are reduced from those in IFRS Accounting Standards and are focused on the information needs of users of those companies' financial statements.

The IASB used a set of principles for reducing disclosure requirements to enable subsidiaries without public accountability to provide proportionate information that meets the needs of users of their financial statements.

The principles for reducing disclosure requirements for companies without public accountability

Reduced disclosure requirements in the *IFRS for SMEs* Accounting Standard are based on a set of principles the IASB developed to help identify information that is important to users of financial statements of companies without public accountability. As eligible subsidiaries are a subset of these companies, the IASB could use these principles to develop the disclosure requirements in IFRS 19.

Diagram 7—Principles for reducing disclosure requirements

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

Are the principles for reducing disclosure requirements fit for purpose?

The IASB has applied the principles for reducing disclosure requirements for over a decade. The IASB tested the principles by analysing stakeholder feedback during its second comprehensive review of the *IFRS for SMEs* Accounting Standard.

As part of that review, the IASB published an online survey and interviewed users of financial statements of companies without public accountability:

- to gain further insight into information needs of these users; and
- to understand whether their information needs are being met.

In consulting with users, the IASB focused on the principles for reducing disclosure requirements. In particular, it focused on whether these principles result in useful information that meets the needs of users of financial statements of companies without public accountability.

Because eligible subsidiaries are a subset of companies without public accountability, the results of the survey have provided timely insights to the IASB in developing IFRS 19.

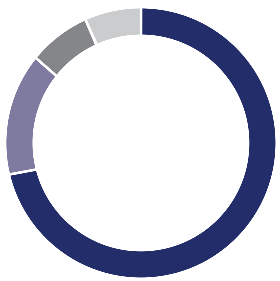
Do you agree with the principles for reducing disclosure requirements for the *IFRS for SMEs* Accounting Standard?

Who responded to the IASB?

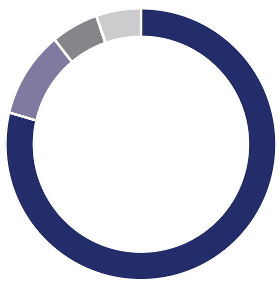
The IASB interviewed 13 users from seven jurisdictions. It also received 54 responses to the online user survey from various jurisdictions, comprising 14 responses from users and 40 from non-users.

Respondents to the survey represented the Americas (57%), Asia-Oceania (22%), Europe (11%) and Africa (10%). Table 5 sets out the demographics of the respondents by type of respondent.

Table 5—Respondents to the survey



	Completed surveys	
User respondent type	Number	Percentage
Financial institution lending to SMEs	10	**72%**
Investor in SMEs	2	**14%**
Supplier selling to SMEs on credit	1	7%
Analyst	1	7%
Total	**14**	**100%**



	Completed surveys	
Non-user respondent type	Number	Percentage
Auditor / Accountant / Consultant	32	**80%**
National Standard-setter / Regulator	4	**10%**
Preparer	2	5%
Other	2	5%
Total	**40**	**100%**

Are the principles for reducing disclosure requirements fit for purpose? *continued ....*

What did users say?

Most users agreed with the principles for reducing disclosure requirements for companies without public accountability.

> *“Disclosure principles used [in the* IFRS for SMEs *Accounting Standard] are right for credit analysis and should be maintained.”*

> *“Cash-flow is always the key factor to analyse the ‘health’ of a company. We are interested to know the sources of funds i.e. from shareholders, business activities, banking facilities; in order to make sound investment decisions.”*

> *“… information about liquidity and solvency is crucial for the survival of SMEs [small and medium entities].”*

Users also agreed that it is necessary to balance:

- the costs of preparing financial statements for companies without public accountability; with
- the benefits of information to users of those companies’ financial statements.

6—Effects for jurisdictions

6.1—Effects for jurisdictions

Why global accounting standards

The adoption of IFRS Accounting Standards by jurisdictions was driven by the need for a global financial reporting language. Modern economies rely on cross-border transactions and the free flow of international capital. More than a third of all financial transactions occur across borders, and that number is expected to grow.

IFRS Accounting Standards provide a high-quality, internationally recognised set of accounting standards that bring transparency, accountability and efficiency to financial markets around the world.

Jurisdictions that require or permit IFRS Accounting Standards for companies with public accountability often have different financial reporting frameworks for companies without public accountability (see Diagram 8). However, many jurisdictions already permit companies without public accountability to apply IFRS Accounting Standards as an alternative to the *IFRS for SMEs* Accounting Standard or local GAAP. For these jurisdictions, it is easier to realise the benefits of IFRS 19 because the application of IFRS Accounting Standards by companies without public accountability is already permitted.

Making global accounting standards more accessible

Global companies operate in many jurisdictions and may need to prepare consolidated financial statements that comply with IFRS Accounting Standards. For these global companies, there is a cost from having different accounting requirements in individual jurisdictions. IFRS 19 will make IFRS Accounting Standards more accessible to global companies.

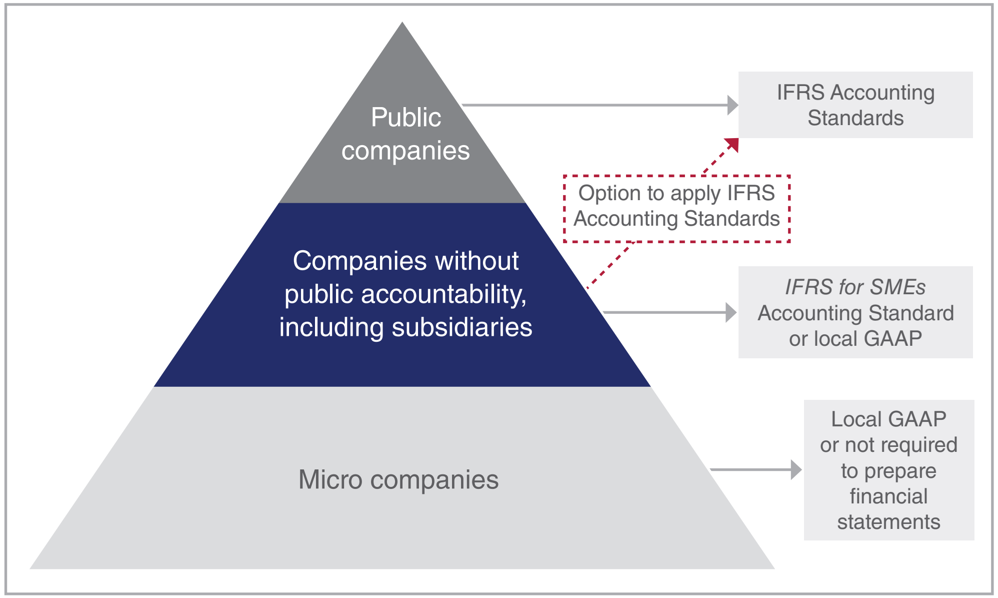
Jurisdictions wishing to attract inward investment aim to make their jurisdiction an appealing place in the world to start, grow and invest in a business. Enabling eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosures will reduce costs for global companies, permitting a global financial language to be applied throughout their group.

Other benefits

Enabling eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosures is also expected:

- to improve application of those Standards, which should improve the quality of the subsidiary's financial statements and therefore the information provided to users; and
- to reduce the need for specialised knowledge of local GAAP, reducing associated training and education costs in the reporting ecosystem and improving workforce mobility.

Diagram 8—Financial reporting frameworks



6.2—What jurisdictions say

IFRS 19 was presented at the World Standard-setters Conference 2023, which included a panel discussion with national standard-setters. Table 6 provides observations made by the representatives of national standard-setters at the panel discussion.

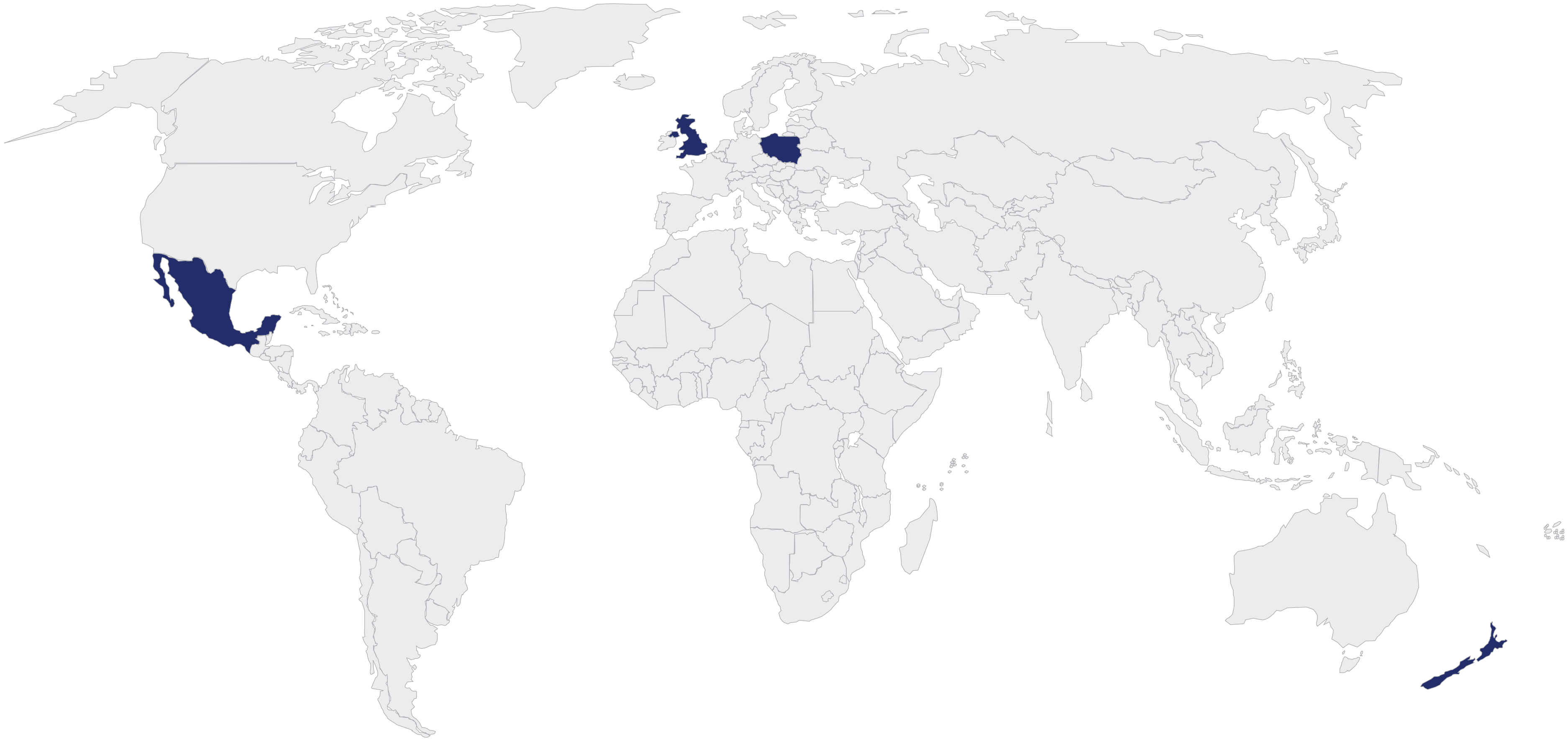


Table 6—Observations from the World Standard-setters Conference panel discussion

United Kingdom 	New Zealand 	Poland 	Mexico 
with a reduced disclosure standard		without a reduced disclosure standard	
FRS 101 Reduced Disclosure Framework FRS 101 can be applied in individual financial statements of subsidiaries where the parent of that group prepares publicly available consolidated financial statements. FRS 101 can also be applied in the ultimate parent's separate financial statements.	***NZ IFRS Reduced Disclosure Regime (RDR)*** NZ IFRS RDR is applicable for companies without public accountability and that are not a large for-profit public sector company.	In accordance with EU regulations, IFRS Accounting Standards as endorsed by the EU have been adopted in Poland for the consolidated financial statements of banks and all companies whose securities trade in a regulated market. Poland also permits the use of IFRS Accounting Standards for consolidated financial statements and for subsidiaries of a parent that prepares consolidated financial statements that comply with IFRS Accounting Standards as endorsed by the EU.	IFRS Accounting Standards have been adopted in Mexico for all listed companies other than financial institutions and insurance companies. Domestic companies whose securities are not publicly traded are permitted to use IFRS Accounting Standards, without reconciliation to local GAAP.
'FRS 101 has been available for over a decade and is very popular. *The subsidiaries wanted to be able to have the same accounting policies as the group but less disclosures. They were looking for something allowing them to use the same recognition and measurement requirements with reduced disclosure requirements.* *It is a cost-effective solution for the subsidiaries.'*	*'It's a good regime and we've been doing it for decades. We're really supportive of the IASB's project.* *According to our research, shareholders and potential investors are using entities' reports (with reduced disclosures) for decision making. A number of regulators utilise the reports. The users find the reports useful, and the information provided sufficient. Many of these companies applying NZ IFRS RDR obtain assurance and there is an assurance efficiency.'*	*'There is a large group of potentially eligible subsidiaries in Poland. Poland introduced a subsidiary option to apply IFRS Accounting Standards to limit the administrative cost of double accounting. More than 900 companies selected to use IFRS Accounting Standards and could be eligible for IFRS 19. With the use of IFRS 19 these companies could benefit from the cost of reduced disclosures and reduced audit costs.* *It has to be assessed whether the initial costs—which may be considerable—are worth incurring and whether the savings would be likely to be substantial. The companies stated that they would like to make the assessment and would like to have the choice to apply IFRS 19.'*	*'In Mexico we've long tried to be responsive to the users' and preparers' desire for reduced disclosure requirements.* *When the Exposure Draft came out we were thrilled because it would be a perfect platform for considering this possibility—for all companies and not just subsidiaries to apply the recognition and measurement requirements in IFRS Accounting Standards but with reduced disclosure requirements.* *We greatly support the project. We are convinced that it is the right way to go.'*

Appendix A—Case studies on the effects of IFRS 19 for companies

Case study A—An integrated accounting information system and shared service centres

Fact pattern

Group A comprises more than 600 subsidiaries located in approximately 70 jurisdictions (see Diagram 10 on page 35). The group has a multi-layered structure with some subsidiaries held directly by the parent company and other subsidiaries held by intermediate parent companies.

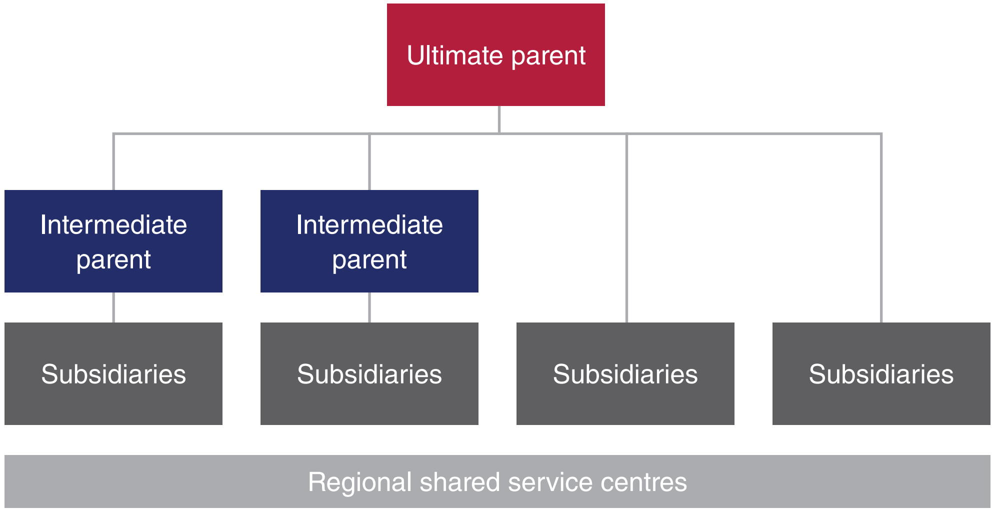
Accounting and reporting processes within Group A are centralised. Group A maintains an integrated accounting information system for all group companies. Accounting records are kept in accordance with IFRS Accounting Standards. The system is used to prepare the parent company's consolidated financial statements and those of intermediate parent companies if required.

All subsidiaries record their financial information in accordance with IFRS Accounting Standards in the integrated system. Subsidiaries' financial statements are prepared in accordance with local GAAP. In some cases, subsidiaries' financial statements are subject to statutory audit.

Subsidiaries' financial statements are prepared by shared service centres located in various jurisdictions. The shared service centres convert the amounts prepared in accordance with IFRS Accounting Standards into amounts that comply with the applicable local GAAP.

The shared service centres specialise in various topics (such as revenue and employee expenses) and require expertise in local GAAPs. The shared service centres maintain accounting manuals for various local GAAPs.

Diagram 9—Illustrating the structure of Group A



Likely effects of applying IFRS 19

Group A welcomes the opportunity presented by IFRS 19 to transition from local GAAP to IFRS Accounting Standards with reduced disclosure requirements in preparing eligible subsidiaries' financial statements.

The group will encourage its subsidiaries to make the transition to IFRS 19, which would:

- eliminate the need to maintain reconciliation tables and to track reconciling items between information prepared in accordance with IFRS Accounting Standards and information prepared in accordance with local GAAPs;
- eliminate the need for expertise in various local GAAPs, removing associated costs;
- enable the group to centralise the audit process to focus on information prepared in accordance with IFRS Accounting Standards, thus reducing audit costs for the group; and
- eliminate delays in preparing subsidiaries' financial statements that depend on expertise in local GAAP or require audit in local GAAP.

Group A anticipates that the decision to apply IFRS 19 will be made jurisdiction by jurisdiction. In making that decision, the group will consider jurisdiction-specific factors, such as:

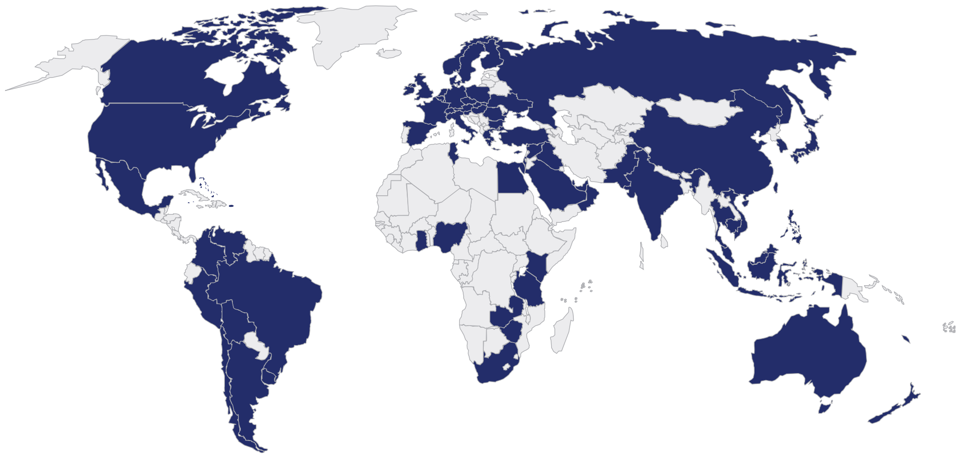
- whether local tax law and regulation are linked to local GAAP; or
- whether eligible subsidiaries are subject to statutory audit requirements based on local GAAP.

Group A acknowledges that its ability to benefit from IFRS 19 would depend on how many jurisdictions endorse or adopt the Standard or otherwise enable its application.

Costs of making the transition to IFRS 19

The group does not anticipate significant implementation costs on transition from local GAAP to IFRS Accounting Standards. This is because it already maintains accounting records in accordance with IFRS Accounting Standards for information for all subsidiaries.

Diagram 10—Group A jurisdiction presence



Case study B—A dual-listed group that grew through acquisitions

Fact pattern

Group B has more than 100 subsidiaries located in various jurisdictions (see Diagram 12 on page 37). The parent company is listed in two jurisdictions and prepares consolidated financial statements in accordance with IFRS Accounting Standards.

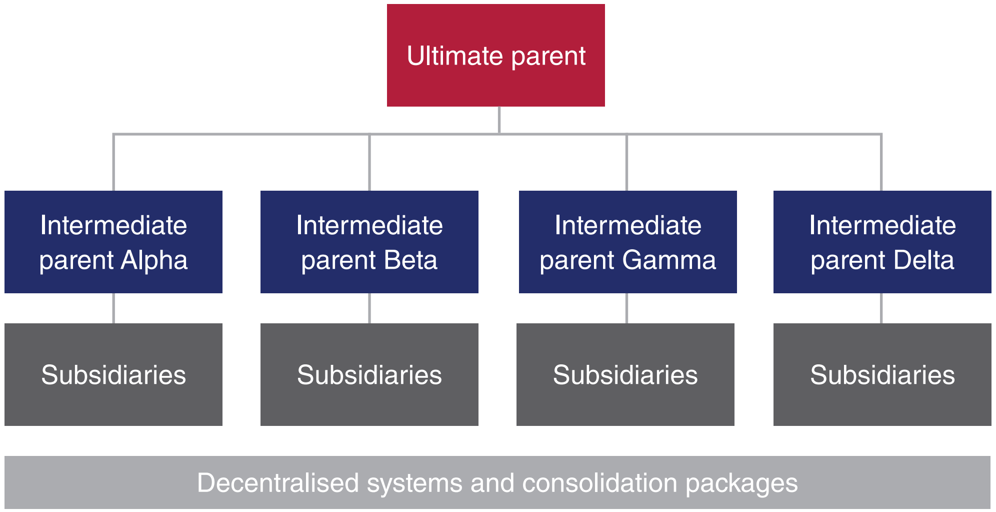
The parent company follows a two-step consolidation process, consolidating four subgroups—Alpha, Beta, Gamma and Delta. Each intermediate parent consolidates its own subsidiaries.

The group does not have a centralised process for preparing its subsidiaries' financial statements nor does it have shared service centres. The group provides support to its subsidiaries but the responsibility for preparing financial statements lies with individual subsidiaries.

Most subsidiaries prepare their financial statements in accordance with IFRS Accounting Standards, and provide the disclosures required by those Standards. However, some jurisdictions have adopted reduced disclosure regimes. Subsidiaries in those jurisdictions provide reduced disclosures. Some subsidiaries apply local GAAP but the differences between local GAAP and IFRS Accounting Standards are typically insignificant.

Subsidiaries submit consolidation packages for the preparation of their intermediate parent's consolidated financial statements in accordance with IFRS Accounting Standards. Typically, the adjustments recorded in consolidation packages are insignificant.

Diagram 11—Illustrating the structure of Group B



Likely effects of applying IFRS 19

Group B welcomes IFRS 19 and will encourage eligible subsidiaries to apply the Standard. The benefits of applying IFRS 19 would relate to:

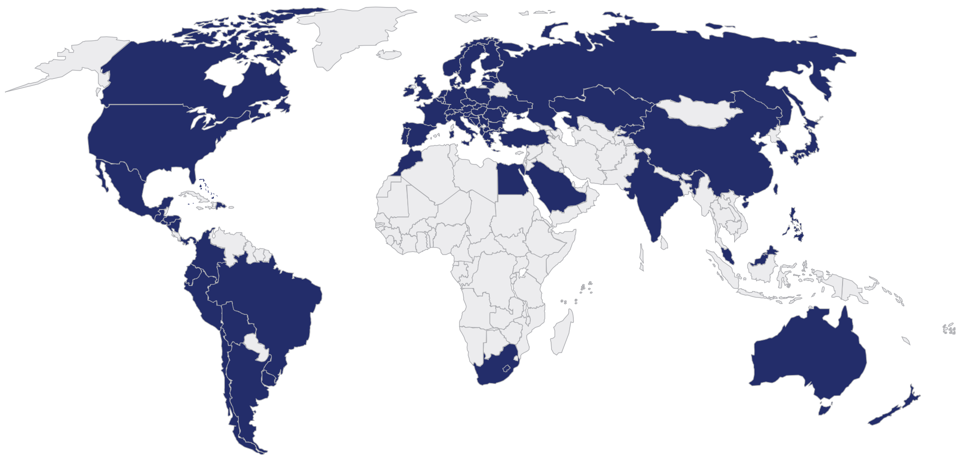
- centralising and standardising the reporting process throughout the group;
- eliminating accounting manuals in local GAAP, consolidation packages and the internal consultancy function;
- improving the quality and usefulness of the subsidiaries' financial statements and improving the consistency between those financial statements;
- closer alignment of local reporting to IFRS Accounting Standards, thereby reducing the risk of non-compliance in subsidiaries' financial statements; and
- reducing audit fees.

The group acknowledges that its ability to benefit from IFRS 19 would depend on how many jurisdictions endorse or adopt the Standard or otherwise enable its application.

Costs of making the transition to IFRS 19

The group does not anticipate significant implementation costs on transition to IFRS 19. The group expects that transition costs would be outweighed by the subsequent reduction in excessive reporting costs currently being incurred.

Diagram 12—Group B jurisdiction presence



Case study C—A group that grew both organically and through acquisitions

Fact pattern

Group C has approximately 100 subsidiaries in 44 jurisdictions (see Diagram 14 on page 39). The majority of the subsidiaries have been set up by the group while the other subsidiaries have been acquired. The parent's consolidated financial statements are prepared in accordance with IFRS Accounting Standards.

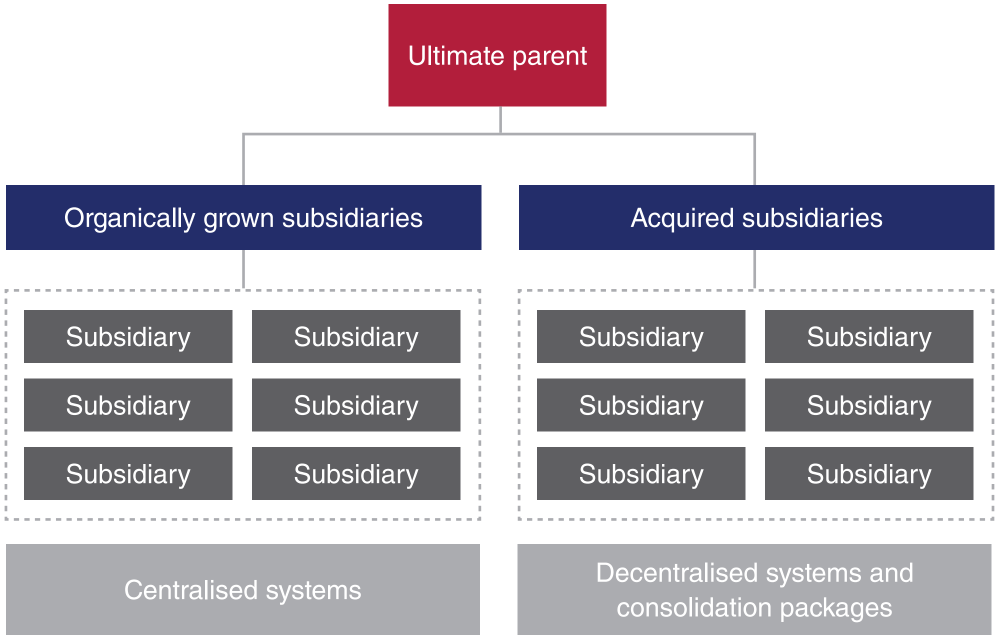
Subsidiaries' financial statements are prepared in accordance with IFRS Accounting Standards or local GAAP. In some cases, local GAAP is fully converged with IFRS Accounting Standards. In other cases, there are differences between local GAAP and IFRS Accounting Standards.

The subsidiaries set up by the group are integrated into the group's systems. All accounting and reporting for integrated subsidiaries is centralised in a single information system and managed by the parent company. For subsidiaries that are required to prepare financial information in accordance with local GAAP (for example, for tax or statutory audit purposes), the centralised information system maintains dual accounting records. One set of records contains information prepared in accordance with local GAAP and another set of records contains information prepared in accordance with IFRS Accounting Standards, including all the information necessary to meet the disclosure requirements in those Standards.

The acquired subsidiaries are not integrated into the group's systems and maintain their own accounting records. These subsidiaries tend to be small and do not have sophisticated information systems to maintain their accounting records. To aid preparation of the group's consolidated financial statements, the non-integrated subsidiaries complete a consolidation package prepared by the group. Over time and depending on various factors such as business needs, acquired subsidiaries may get integrated into the group's systems.

Unless non-integrated subsidiaries are required to provide financial information in accordance with local GAAP (for example, for tax or statutory audit purposes), the group encourages these subsidiaries to apply IFRS Accounting Standards in preparing their financial statements to avoid the need for adjustments in preparing the consolidation package.

Diagram 13—Illustrating the structure of Group C



Likely effects of applying IFRS 19

Group C welcomes IFRS 19 and will encourage eligible subsidiaries to apply the Standard.

The group expects that on application of IFRS 19:

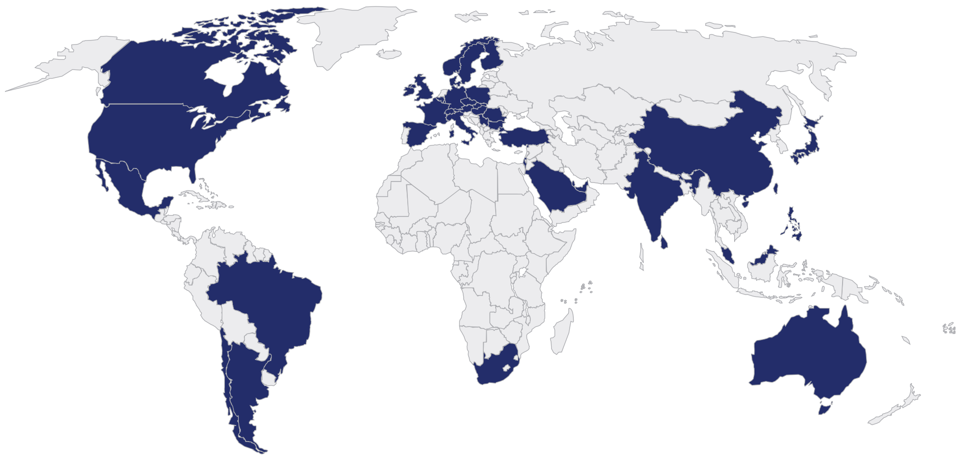
- for integrated subsidiaries, the benefits would relate to saving time and effort involved in preparing and auditing the subsidiaries' financial statements and saving costs related to maintaining dual accounting records. These subsidiaries would either start preparing reduced disclosures applying IFRS Accounting Standards or would no longer prepare financial information in accordance with local GAAP.
- for non-integrated subsidiaries, the benefits would relate to saving time and effort involved in preparing financial statements in accordance with local GAAP and converting them to the information required in the consolidation package.

The group acknowledges that its ability to benefit from IFRS 19 would depend on how many jurisdictions endorse or adopt the Standard or otherwise enable its application.

Costs of making the transition to IFRS 19

The group does not anticipate significant implementation costs on transition to IFRS 19. This is because for many subsidiaries the data necessary for preparing their financial statements in accordance with IFRS Accounting Standards is already available within the group.

Diagram 14—Group C jurisdiction presence



Appendix B—Illustration of reduced disclosure requirements

Appendix B—Reduced disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities*

This appendix demonstrates the extent to which the IASB has reduced the disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities* for IFRS 19. The grey shaded text indicates the disclosure requirements not included in IFRS 19. Based on the analysis, IFRS 19 offers a reduction in disclosure requirements of approximately 68% compared to IFRS 12.

1 The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interests on its financial position, financial performance and cash flows.

2 To meet the objective in paragraph 1, an entity shall disclose:

(a) the significant judgements and assumptions it has made in determining:

(i) the nature of its interest in another entity or arrangement;

(ii) the type of joint arrangement in which it has an interest (paragraphs 7–9);

(iii) that it meets the definition of an investment entity, if applicable (paragraph 9A); and

(b) information about its interests in:

(i) subsidiaries (paragraphs 10–19);

(ii) joint arrangements and associates (paragraphs 20–23); and

(iii) structured entities that are not controlled by the entity (unconsolidated structured entities) (paragraphs 24–31).

3 If the disclosures required by this IFRS, together with disclosures required by other IFRSs, do not meet the objective in paragraph 1, an entity shall disclose whatever additional information is necessary to meet that objective.

4 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the requirements in this IFRS. It shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics (see paragraphs B2–B6).

...

7 An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

(a) that it has control of another entity, ie an investee as described in paragraphs 5 and 6 of IFRS 10 *Consolidated Financial Statements*;

(b) that it has joint control of an arrangement or significant influence over another entity; and

(c) the type of joint arrangement (ie joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

8 The significant judgements and assumptions disclosed in accordance with paragraph 7 include those made by the entity when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period.

9 To comply with paragraph 7, an entity shall disclose, for example, significant judgements and assumptions made in determining that:

(a) it does not control another entity even though it holds more than half of the voting rights of the other entity.

(b) it controls another entity even though it holds less than half of the voting rights of the other entity.

(c) it is an agent or a principal (see paragraphs B58–B72 of IFRS 10).

(d) it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity.

(e) it has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

9A When a parent determines that it is an investment entity in accordance with paragraph 27 of IFRS 10, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more of the typical characteristics of an investment entity (see paragraph 28 of IFRS 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.

9B When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;

(b) the total gain or loss, if any, calculated in accordance with paragraph B101 of IFRS 10; and

(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

10 An entity shall disclose information that enables users of its consolidated financial statements

(a) to understand:

(i) the composition of the group; and

(ii) the interest that non-controlling interests have in the group's activities and cash flows (paragraph 12); and

(b) to evaluate:

(i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group (paragraph 13);

(ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities (paragraphs 14–17);

(iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control (paragraph 18); and

(iv) the consequences of losing control of a subsidiary during the reporting period (paragraph 19).

11 When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements (see paragraphs B92 and B93 of IFRS 10), an entity shall disclose:

(a) the date of the end of the reporting period of the financial statements of that subsidiary; and

(b) the reason for using a different date or period.

12 An entity shall disclose for each of its subsidiaries that have non-controlling interests that are material to the reporting entity:

(a) the name of the subsidiary.

(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.

(c) the proportion of ownership interests held by non-controlling interests.

(d) the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held.

(e) the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period.

(f) accumulated non-controlling interests of the subsidiary at the end of the reporting period.

(g) summarised financial information about the subsidiary (see paragraph B10).

13 An entity shall disclose:

(a) significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:

(i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.

(ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.

(b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary).

(c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

14 An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).

15 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (eg purchasing assets of or instruments issued by the structured entity), the entity shall disclose:

(a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and

(b) the reasons for providing the support.

16 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision.

17 An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

18 An entity shall present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.

19 An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of IFRS 10, and:

(a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and

(b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

19A An investment entity that, in accordance with IFRS 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact.

19B For each unconsolidated subsidiary, an investment entity shall disclose:

(a) the subsidiary's name;

(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary; and

(c) the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.

19C If an investment entity is the parent of another investment entity, the parent shall also provide the disclosures in 19B(a)–(c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information.

19D An investment entity shall disclose:

(a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the investment entity; and

(b) any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support.

19E If, during the reporting period, an investment entity or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated subsidiary (eg purchasing assets of, or instruments issued by, the subsidiary or assisting the subsidiary in obtaining financial support), the entity shall disclose:

(a) the type and amount of support provided to each unconsolidated subsidiary; and

(b) the reasons for providing the support.

19F An investment entity shall disclose the terms of any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or to provide financial support).

19G If during the reporting period an investment entity or any of its unconsolidated subsidiaries has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated, structured entity that the investment entity did not control, and if that provision of support resulted in the investment entity controlling the structured entity, the investment entity shall disclose an explanation of the relevant factors in reaching the decision to provide that support.

20 An entity shall disclose information that enables users of its financial statements to evaluate:

(a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (paragraphs 21 and 22); and

(b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 23).

21 An entity shall disclose:

(a) for each joint arrangement and associate that is material to the reporting entity:

(i) the name of the joint arrangement or associate.

(ii) the nature of the entity's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities).

(iii) the principal place of business (and country of incorporation, if applicable and different from the principal place of business) of the joint arrangement or associate.

(iv) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).

(b) for each joint venture and associate that is material to the reporting entity:

(i) whether the investment in the joint venture or associate is measured using the equity method or at fair value.

(ii) summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13.

(iii) if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.

(c) financial information as specified in paragraph B16 about the entity's investments in joint ventures and associates that are not individually material:

(i) in aggregate for all individually immaterial joint ventures and, separately,

(ii) in aggregate for all individually immaterial associates.

21A An investment entity need not provide the disclosures required by paragraphs 21(b)–21(c) [paragraphs 88–89 of IFRS 19].

22 An entity shall disclose:

(a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence over a joint venture or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.

(b) when the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the entity:

(i) the date of the end of the reporting period of the financial statements of that joint venture or associate; and

(ii) the reason for using a different date or period.

(c) the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method.

23 An entity shall disclose:

(a) commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs B18–B20.

(b) in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.

24 An entity shall disclose information that enables users of its financial statements:

(a) to understand the nature and extent of its interests in unconsolidated structured entities (paragraphs 26–28); and

(b) to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities (paragraphs 29–31).

25 The information required by paragraph 24(b) includes information about an entity's exposure to risk from involvement that it had with unconsolidated structured entities in previous periods (eg sponsoring the structured entity), even if the entity no longer has any contractual involvement with the structured entity at the reporting date.

25A An investment entity need not provide the disclosures required by paragraph 24 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 19A–19G [paragraphs 84–87 of IFRS 19].

26 An entity shall disclose qualitative and quantitative information about its interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

27 If an entity has sponsored an unconsolidated structured entity for which it does not provide information required by paragraph 29 (eg because it does not have an interest in the entity at the reporting date), the entity shall disclose:

(a) how it has determined which structured entities it has sponsored;

(b) *income from those structured entities* during the reporting period, including a description of the types of income presented; and

(c) the carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

28 An entity shall present the information in paragraph 27(b) and (c) in tabular format, unless another format is more appropriate, and classify its sponsoring activities into relevant categories (see paragraphs B2–B6).

29 An entity shall disclose in tabular format, unless another format is more appropriate, a summary of:

(a) the carrying amounts of the assets and liabilities recognised in its financial statements relating to its interests in unconsolidated structured entities.

(b) the line items in the statement of financial position in which those assets and liabilities are recognised.

(c) the amount that best represents the entity's maximum exposure to loss from its interests in unconsolidated structured entities, including how the maximum exposure to loss is determined. If an entity cannot quantify its maximum exposure to loss from its interests in unconsolidated structured entities it shall disclose that fact and the reasons.

(d) a comparison of the carrying amounts of the assets and liabilities of the entity that relate to its interests in unconsolidated structured entities and the entity's maximum exposure to loss from those entities.

30 If during the reporting period an entity has, without having a contractual obligation to do so, provided financial or other support to an unconsolidated structured entity in which it previously had or currently has an interest (for example, purchasing assets of or instruments issued by the structured entity), the entity shall disclose:

(a) the type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support; and

(b) the reasons for providing the support.

31 An entity shall disclose any current intentions to provide financial or other support to an unconsolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

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…

B2 An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

B3 An entity may aggregate the disclosures required by this IFRS for interests in similar entities if aggregation is consistent with the disclosure objective and the requirement in paragraph B4, and does not obscure the information provided. An entity shall disclose how it has aggregated its interests in similar entities.

B4 An entity shall present information separately for interests in:

(a) subsidiaries;

(b) joint ventures;

(c) joint operations;

(d) associates; and

(e) unconsolidated structured entities.

B5 In determining whether to aggregate information, an entity shall consider quantitative and qualitative information about the different risk and return characteristics of each entity it is considering for aggregation and the significance of each such entity to the reporting entity. The entity shall present the disclosures in a manner that clearly explains to users of financial statements the nature and extent of its interests in those other entities.

B6 Examples of aggregation levels within the classes of entities set out in paragraph B4 that might be appropriate are:

(a) nature of activities (eg a research and development entity, a revolving credit card securitisation entity).

(b) industry classification.

(c) geography (eg country or region).

…

B10 For each subsidiary that has non-controlling interests that are material to the reporting entity, an entity shall disclose:

(a) dividends paid to non-controlling interests.

(b) summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary that enables users to understand the interest that non-controlling interests have in the group's activities and cash flows. That information might include but is not limited to, for example, current assets, non-current assets, current liabilities, non-current liabilities, revenue, profit or loss and total comprehensive income.

B11 The summarised financial information required by paragraph B10(b) shall be the amounts before inter-company eliminations.

B12 For each joint venture and associate that is material to the reporting entity, an entity shall disclose:

(a) dividends received from the joint venture or associate.

(b) summarised financial information for the joint venture or associate (see paragraphs B14 and B15) including, but not necessarily limited to:

(i) current assets.

(ii) non-current assets.

(iii) current liabilities.

(iv) non-current liabilities.

(v) revenue.

(vi) profit or loss from continuing operations.

(vii) post-tax profit or loss from discontinued operations.

(viii) other comprehensive income.

(ix) total comprehensive income.

B13 In addition to the summarised financial information required by paragraph B12, an entity shall disclose for each joint venture that is material to the reporting entity the amount of:

(a) cash and cash equivalents included in paragraph B12(b)(i).

(b) current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iii).

(c) non-current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iv).

(d) depreciation and amortisation.

(e) interest income.

(f) interest expense.

(g) income tax expense or income.

B14 The summarised financial information presented in accordance with paragraphs B12 and B13 shall be the amounts included in the IFRS financial statements of the joint venture or associate (and not the entity's share of those amounts). If the entity accounts for its interest in the joint venture or associate using the equity method:

(a) the amounts included in the IFRS financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

(b) the entity shall provide a reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture or associate.

B15 An entity may present the summarised financial information required by paragraphs B12 and B13 on the basis of the joint venture's or associate's financial statements if:

(a) the entity measures its interest in the joint venture or associate at fair value in accordance with IAS 28 (as amended in 2011); and

(b) the joint venture or associate does not prepare IFRS financial statements and preparation on that basis would be impracticable or cause undue cost.

In that case, the entity shall disclose the basis on which the summarised financial information has been prepared.

B16 An entity shall disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures or associates that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' or associates':

(a) profit or loss from continuing operations.

(b) post-tax profit or loss from discontinued operations.

(c) other comprehensive income.

(d) total comprehensive income.

An entity provides the disclosures separately for joint ventures and associates.

B17 When an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5, the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16.

B18 An entity shall disclose total commitments it has made but not recognised at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures. Commitments are those that may give rise to a future outflow of cash or other resources.

B19 Unrecognised commitments that may give rise to a future outflow of cash or other resources include:

(a) unrecognised commitments to contribute funding or resources as a result of, for example:

(i) the constitution or acquisition agreements of a joint venture (that, for example, require an entity to contribute funds over a specific period).

(ii) capital-intensive projects undertaken by a joint venture.

(iii) unconditional purchase obligations, comprising procurement of equipment, inventory or services that an entity is committed to purchasing from, or on behalf of, a joint venture.

(iv) unrecognised commitments to provide loans or other financial support to a joint venture.

(v) unrecognised commitments to contribute resources to a joint venture, such as assets or services.

(vi) other non-cancellable unrecognised commitments relating to a joint venture.

(b) unrecognised commitments to acquire another party's ownership interest (or a portion of that ownership interest) in a joint venture if a particular event occurs or does not occur in the future.

B20 The requirements and examples in paragraphs B18 and B19 illustrate some of the types of disclosure required by paragraph 18 of IAS 24 *Related Party Disclosures*.

...

B25 In addition to the information required by paragraphs 29–31, an entity shall disclose additional information that is necessary to meet the disclosure objective in paragraph 24(b).

B26 Examples of additional information that, depending on the circumstances, might be relevant to an assessment of the risks to which an entity is exposed when it has an interest in an unconsolidated structured entity are:

(a) the terms of an arrangement that could require the entity to provide financial support to an unconsolidated structured entity (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support), including:

(i) a description of events or circumstances that could expose the reporting entity to a loss.

(ii) whether there are any terms that would limit the obligation.

(iii) whether there are any other parties that provide financial support and, if so, how the reporting entity's obligation ranks with those of other parties.

(b) losses incurred by the entity during the reporting period relating to its interests in unconsolidated structured entities.

(c) the types of income the entity received during the reporting period from its interests in unconsolidated structured entities.

(d) whether the entity is required to absorb losses of an unconsolidated structured entity before other parties, the maximum limit of such losses for the entity, and (if relevant) the ranking and amounts of potential losses borne by parties whose interests rank lower than the entity's interest in the unconsolidated structured entity.

(e) information about any liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities.

(f) any difficulties an unconsolidated structured entity has experienced in financing its activities during the reporting period.

(g) in relation to the funding of an unconsolidated structured entity, the forms of funding (eg commercial paper or medium-term notes) and their weighted-average life. That information might include maturity analyses of the assets and funding of an unconsolidated structured entity if the structured entity has longer-term assets funded by shorter-term funding.

Appendix C—Glossary

Glossary

This glossary contains short definitions of terms used in this document.

Term	Definition
Consolidated financial statements	The financial statements of a **group** in which the assets, liabilities, equity, income, expenses and cash flows of the **parent** and its **subsidiaries** are presented as those of a single economic entity.
Consolidation package	A set of financial information that a **subsidiary** prepares and submits to its parent for the purpose of preparing consolidated financial statements of the **group**.
Eligible subsidiary	A **subsidiary** that is eligible to apply IFRS 19. A **subsidiary** is eligible if it: (a) does not have **public accountability**; and (b) has an ultimate or intermediate **parent** that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.
GAAP	Generally Accepted Accounting Principles or Generally Accepted Accounting Practices.
GPF	Global Preparers Forum.
Group	A **parent** and its **subsidiaries**.
Parent	A company that controls one or more companies.
Public accountability	A company has public accountability if: (a) 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 (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Term	Definition
Reduced disclosure requirements	A set of disclosure requirements reduced from those in IFRS Accounting Standards by applying the principles for reducing disclosure requirements.
Reporting processes	The steps and procedures a company follows to prepare and present its financial information to external and internal users.
SMEs	A company that is eligible to apply the *IFRS for SMEs* Accounting Standard.
Subsidiary	A company that is controlled by another company.

Important information

This Effects Analysis accompanies, but is not part of, IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

Other relevant documents

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*—sets out the disclosure requirements for eligible subsidiaries electing to apply this reduced-disclosure IFRS Accounting Standard.

Basis for Conclusions—summarises the IASB's considerations in developing the requirements in IFRS 19.

Project Summary and Feedback Statement—provides an overview of the project to develop IFRS 19 and summarises the feedback on the proposals that preceded IFRS 19 and the IASB's response.

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