IFRS® Accounting

Staff paper

Agenda reference: 03

SME Implementation Group

Date	**03 September 2024**
Project	**Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures***
Topic	**Overview of IFRS 19 and the forthcoming ‘Catch-up’ Exposure Draft**
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This paper has been prepared for discussion at a public meeting of the SME Implementation Group (SMEIG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

Purpose of this session

- Provide SMEIG members with an overview of IFRS 19 *Subsidiaries without Public Accountability Disclosures* issued May 2024
- Ask SMEIG members' views on proposed amendments to IFRS 19 published in July 2024

Questions for SMEIG members

- What are your views on the proposed amendments to IFRS 19?
- Do you have any other questions?

Overview of IFRS 19
Subsidiaries without Public Accountability: Disclosures

IFRS 19—at a glance

The Standard permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements

Applying IFRS 19 can simplify reporting systems and processes and thereby reduce the costs of preparing eligible subsidiaries' financial statements

The Standard is effective from 1 January 2027, early application permitted

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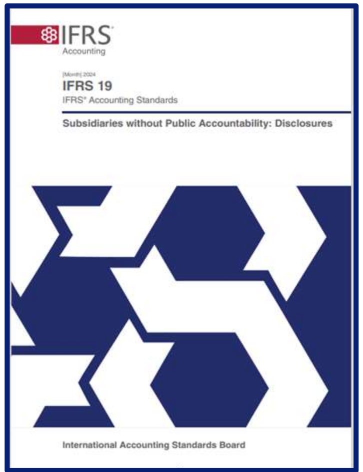
Expected benefits of IFRS 19

- Simplification of the reporting process reducing costs
- Improved knowledge and application of IFRS Accounting Standards
- Subsidiary’s financial statements focused on their users' information needs
- Systemic long-term benefits in the reporting ecosystem

Updating IFRS 19–the ‘catch-up’ Exposure Draft

Why is the IASB updating IFRS 19 already?



Disclosure requirements

Disclosure requirements for IFRS Accounting Standards as at February 2021 are reduced

+

New disclosure requirements after February 2021 are applicable in full

- *Non-current Liabilities with Covenants*
- *Supplier Finance Arrangements*
- *Lack of Exchangeability*
- *Primary Financial Statements*
- *International Tax Reform—Pillar Two Model Rules*

'Catch-up' Exposure Draft

Comments due by 27 November 2024

May 2024

July 2024

IFRS 19 includes all of the new disclosure requirements in new and amended IFRS Accounting Standards issued after 28 February 2021.

These disclosure requirements will not be reduced until the Standard is amended by the 'Catch-up' Exposure Draft.

Proposal to update IFRS 19

A. Proposals to reduce disclosure requirements in IFRS 19

Project/Amendments	Proposal in the Catch-up Exposure Draft
Lack of Exchangeability (Amendments to IAS 21)	• Remove the disclosure objective (paragraphs 221–222 of IFRS 19)
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	• Remove the reference to disclosure objective (paragraph 199 of IFRS 19)
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	• Remove the disclosure objective (paragraph 167 of IFRS 19) • Add the definition of supplier finance arrangements from paragraph 44G of IAS 7
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	• No changes proposed • The amendments to IFRS 7 *Financial Instruments: Disclosures* were issued in May 2024 after IFRS 19 was issued, and added the disclosure requirements related to changes in contractual cash flows (paragraphs 20B–20D of IFRS 7)

Proposal to update IFRS 19

A. Proposals to reduce disclosure requirements in IFRS 19 (continued)

Project/Amendments	Proposal in the Catch-up Exposure Draft
Primary Financial Statements (IFRS 18 *Presentation and Disclosure in Financial Statements*) and *Non-current Liabilities with Covenants* (Amendments to IAS 1)	• Replace the requirements relating to management-defined performance measures with a reference to those requirements in IFRS 18 (paragraphs 142–159 of IFRS 19) • Remove the disclosure objective from a disclosure requirement relating to non-current liabilities (paragraph 137 of IFRS 19)

Proposal to update IFRS 19

B. Proposals to add disclosure requirements in IFRS 19

Project/Amendments	Proposal in the Catch-up Exposure Draft
Rate-regulated activities	• The disclosure requirements in the prospective rate-regulated activities Standard would remain applicable; that is there would be no reduced disclosure requirements for subsidiaries without public accountability applying the prospective Standard. • The disclosures that would be required if the prospective Standard is issued and the reasons why those requirements are not reduced are described in the Appendix to Agenda Paper 9B *Reduced disclosures for rate-regulated entities* of the March 2024 IASB meeting

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Appendix—additional reading and resources

Who can apply IFRS 19?

Eligible subsidiaries

An eligible subsidiary is an entity:

- that does **not have public accountability**; and
- whose parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.

What is public accountability?

its equity or debt instruments are traded in a public market

or

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

How to apply IFRS 19

IFRS 19 is a disclosure-only standard

It does not include:

- recognition, measurement and presentation requirements
- guidance on applying disclosure requirements

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*'.

IFRS 19—other requirements and topics

Compliance statement	An eligible subsidiary applying IFRS 19 asserts compliance with IFRS Accounting Standards, including the Standard.
Fair presentation	Additional disclosures need to be provided when compliance with the specific requirements in IFRS 19 are insufficient to enable users to understand financial position and financial performance of the entity.
Interaction with IFRS 1	First-time application of IFRS 19 does not, in itself, result in an entity meeting the definition of a first-time adopter.
Financial statements	An eligible subsidiary is permitted to apply IFRS 19 in its consolidated, separate or individual financial statements.

Resources

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*
IFRS 19 Basis for Conclusions
IFRS 19 Effects Analysis
IFRS 19 Project Summary and Feedback Statement
Exposure Draft *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures

Launch video: Introducing IFRS 19

Implementing IFRS 19—Insights from Global Preparers and IASB members

Webcast series: IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

- Overview of the forthcoming IFRS Accounting Standard
- A regulator's perspective – with William Biese from Mexican Financial Reporting Standard Setting Board
- A preparer’s perspective – with Michael Stewart from Huawei

WSS Conference 2023 - Overview of *Subsidiaries without Public Accountability* and Panel Discussion with Standard-Setters

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Thank you

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