



# IFRS Adviser Alert

## IFRS 19 – Simplifying financial reporting for eligible subsidiaries

June 2024

### Executive summary

Following April's release of IFRS 18 *Presentation and Disclosure in Financial Statements*, the International Accounting Standards Board (IASB) has published another new standard – IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (the Standard). The new Standard creates a reduced set of disclosures that certain in-scope entities can elect to apply instead of the disclosure requirements set out in other IFRS. IFRS 19 will work alongside other IFRS, with eligible subsidiaries applying the measurement, recognition and presentation requirements set out in other IFRS and the revised disclosures outlined in IFRS 19.

The objective of the Standard is to alleviate the reporting burden for subsidiaries without public accountability.

### Background

The release of the Standard is the final stage of the *Disclosure Initiative – Targeted Standards-level Review of Disclosures* project, which came about due to subsidiaries struggling to meet the requirements for reporting information to their parent entity to be used in consolidated financial statements.

This new Standard allows subsidiaries without public accountability to elect to apply IFRS 19, which has the same recognition, measurement, and presentation principles as full IFRS, but allows for specific reduced disclosures in most topic areas.

The IASB believes IFRS 19 will provide a solution that will alleviate the reporting burden for in-scope entities.

### Scope

In order to apply IFRS 19, an entity must meet all of the following criteria at the end of its reporting period:

- is a subsidiary
- does not have public accountability, and



- has a parent that produces consolidated financial statements available for public use that comply with full application of IFRS.

For purposes of applying IFRS 19, an entity has public accountability if:

- it has debt or equity instruments that are traded on a public market or is in the process of issuing such instruments, or
- holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary business activities.

### **Disclosure requirements**

IFRS 19 includes reduced disclosures for almost all existing IFRS, the details of which are specific to each impacted standard. To apply IFRS 19, entities will first apply the recognition, measurement, and presentation requirements in each applicable IFRS. The entity will then not apply the disclosure requirements in the applicable IFRS but will instead refer to IFRS 19 for required disclosures.

#### Standards with no reduced disclosures

The IASB assessed each individual standard to determine whether to reduce disclosures and how best to do so while still meeting the fair presentation requirements and investor needs. The following standards do not have reduced disclosure requirements under IFRS 19 and the disclosures set out in each standard still apply:

- IAS 33 *Earnings per Share*
- IFRS 8 *Operating Segments*
- IFRS 17 *Insurance Contracts*

Subsidiaries that are eligible to apply IFRS 19 are not required to apply IAS 33 or IFRS 8 but may do so voluntarily. If either are applied, the full disclosures required by IAS 33 or IFRS 8 will apply.

### **Maintenance of IFRS 19**

Due to the nature of IFRS 19, it will need to be amended whenever there are any new or amended disclosure requirements in other IFRS. To ensure that IFRS 19 is always up to date, any proposed amendments to IFRS 19 will be included in an exposure draft for the corresponding new or amended IFRS.

### **Effective date of IFRS 19**

The Standard is effective from annual reporting periods beginning on or after January 1, 2027, allowing eligible reporting entities and their auditors time to assess whether electing to apply IFRS 19 would benefit them. Early adoption of the Standard is permitted. It is important to note that if an entity applies IFRS 19 in the current period but not in the period immediately preceding, comparative prior period information is required to be provided for amounts reported in the current period financial statements.



## Our thoughts

We support the release of this new Standard, which should reduce the cost of preparing financial statements for eligible subsidiaries while maintaining the usefulness of the presented information.

While the effective date is a while away, we would encourage entities to consider whether they are eligible and to assess whether applying IFRS 19 would reduce their reporting burden. We have plans to release an article later in the year that will provide a more detailed look at the requirements of this Standard.

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