IFRS 19: Towards simplified disclosures

The IASB published IFRS 19 in May 2024. This standard aims to simplify disclosures in separate financial statements of subsidiaries without public accountability. This article considers some aspects of this new standard.

The International Accounting Standards Board (IASB) published IFRS 19 *Subsidiaries Without Public Accountability: Disclosures* (**'IFRS 19'**) in May 2024. This standard provides relief for subsidiaries without public accountability whose parent companies prepare consolidated financial statements in accordance with IFRS. It aims to simplify the reporting requirements for these subsidiaries while maintaining the integrity and usefulness of their financial disclosures. This article considers some aspects of the new standard.

Reason for simplified disclosures

Stakeholder feedback from IASB consultation led to the introduction of IFRS 19. Subsidiaries expressed a need for a reporting framework aligned with IFRS without the burdensome and costly extensive disclosure requirements. These subsidiaries, many of which are eligible to use the IFRS for SMEs standard, found it challenging to meet the full IFRS disclosure requirements while providing information necessary for their parent's consolidated financial statements. IFRS 19 represents a step forward in simplifying financial reporting for subsidiaries, balancing the need for transparency with the practicalities of financial statement preparation.

Scope

IFRS 19 applies to subsidiaries without public accountability. These entities do not issue debt or equity instruments in a public market or hold assets in a fiduciary capacity for a broad group of outsiders as a primary business.

The standard allows such subsidiaries to prepare financial statements using the recognition and measurement requirements in full IFRS but with significantly reduced disclosure requirements. The reduced disclosures should lessen the reporting burden while still providing essential financial information to users of the financial statements, especially to their parent companies.

Reduced disclosure

The standard's structure aligns closely with existing IFRS standards, ensuring consistency in financial reporting across different levels of an organisation. The reduced disclosures are based on the principles used in the IFRS for SMEs standard. However, it contains necessary modifications to meet the specific needs of subsidiaries that report within an IFRS framework. Some examples of the reduced disclosure requirement include:

- Financial Instruments (IFRS 7): Subsidiaries must provide fewer disclosures related to financial instruments, particularly in areas such as risk management objectives, policies, and sensitivity analysis. For example, disclosures on the nature and extent of risks arising from financial instruments focus on the needs of the subsidiary's financial statement users.
- Revenue from Contracts with Customers (IFRS 15): Subsidiaries need not disclose the detailed revenue breakdown by product or service categories required under IFRS 15. Instead, they should summarise the most significant revenue streams, reducing the complexity and volume of information disclosed.
- Leases (IFRS 16): The standard simplifies the detailed disclosure of maturity analyses of lease liabilities. Subsidiaries should only disclose a general description of their lease obligations.

Effective date

IFRS 19 is effective for annual reporting periods beginning on or after 1 January 2025. Entities may apply this standard early. This allows subsidiaries to take advantage of the reduced disclosure requirements as soon as possible.

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