IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

EFRAG's online survey on the expected costs and benefits of IFRS 19 to preparers

Introduction

1 IFRS 19 is the response to stakeholder feedback to the IASB's 2015 Agenda Consultation, allowing some eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements – which are all listed in IFRS 19. IFRS 19 aims to simplify subsidiaries' financial reporting when the parent company applies IFRS Accounting Standards for consolidated financial statements as:

(a) Subsidiaries applying local GAAP (or the IFRS for SMEs Accounting Standards) have recognition and measurement differences between their own financial statements and the amounts reported to their parent for group consolidation purposes;

(b) Subsidiaries applying IFRS Accounting Standards do not face recognition and measurement differences, however, they consider the disclosure requirements disproportionate to users' information needs.

2 Therefore, on 9 May 2024 the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. IFRS 19 is a voluntary Standard and has an effective date of 1 January 2027, with early application permitted. More information on IFRS 19 can be found here.

Scope

3 A subsidiary is eligible to apply IFRS 19 if:

(a) it does not have public accountability; and

(b) its ultimate or any intermediate parent produces IFRS consolidated financial statements available for public use.

4 An entity 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; or

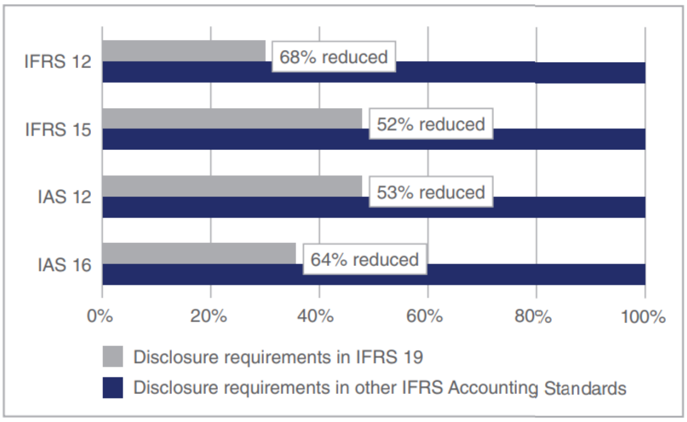
(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Reduction in disclosure requirements

5 Eligible subsidiaries are expected to benefit from reduced time, cost and effort in preparing and auditing disclosures in their financial statements, while meeting users' information needs. However, the benefits for companies will vary based on specific factors (e.g., current reporting systems and processes).

6 The IASB's [Effects Analysis] provides an overview of the expected effects for companies and users of financial statements.

7 For example, the diagram below illustrates the percentage reduction in disclosure requirements:



Source: IASB, 2024

The EU perspective

8 For European entities to be able to apply IFRS 19 on a voluntary basis, the following conditions need to be met:

(a) the EU decides to endorse IFRS 19;

(b) the entity falls within the scope of the Standard; and

(c) EU Member States permit or require the use of IFRS Accounting Standards[1]

9 Therefore, if endorsed in the EU, IFRS 19 will apply to entities located in EU Member States that permit or require the use of IFRS in the annual accounts and/or consolidated financial statements of non-publicly traded entities in regulated markets. Therefore, its application may vary among EU jurisdictions, and entities need to review the options used in their jurisdiction to assess their eligibility.

[1] in accordance with Article 5 of the EU Regulation 1606/2002.

10 If not endorsed, IFRS 19 will still affect EU parent entities with eligible subsidiaries outside the EU where IFRS Accounting Standards apply.

11 More information about the application and scope of IFRS 19 in the EU landscape can be found here: [Briefing - "AN EU PERSPECTIVE ON THE SCOPE OF IFRS 19"][2].

12 As part of its endorsement activities, EFRAG invites preparers that would be eligible to apply IFRS 19 to provide their views on the expected costs and benefits of the implementation of IFRS 19, by filling in this survey.

Purpose and content of this survey

Objective

13 The objective of this survey is to support EFRAG in performing a cost-benefit assessment of the implementation of IFRS 19. The survey results will be used and play an important role in EFRAG's cost-benefit assessment, which forms part of the EU endorsement process and the assessment of whether the Standard is 'conducive to the European public good'.

Structure

14 The survey consists of 24 questions, sorted into the following sections:

(a) Section 0 – General Information – (Questions 1-2)

(b) Section 1 – Accounting practices (Questions 3-5)

(c) Section 2 – Application of IFRS 19 (Questions 6-12)

(d) Section 3 – Cost and benefit assessment (Questions 13-23)

(e) Section 4 – Other information (Question 24)

15 The completion of this survey should take up to 20 minutes.

Deadline and relevant information

16 Please submit your answers **by 28 February 2025** by clicking on the '**Submit'** button at the end of the survey.

17 Please note that you can save the draft questionnaire and go back to it at a later time by clicking on the button **'Save and continue later'** in the right top corner of the page. EFRAG will only consider completed surveys.

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[2] If you would like to know more about the differences between the disclosure requirements between IFRS 19 and the EU Accounting Directive, please refer to this link: Briefing - "STUDY ON COMPATIBILITY OF THE EU ACCOUNTING DIRECTIVE WITH IFRS 19".

18 The collected information will remain confidential and, when used in documents, it will be presented in such a way that no individual company or person can be identified.

19 **Thank you for completing this survey!**

Section 0 – General Information

Question 1 – Respondent's profile

(a) Name

(b) Email address

(c) Position

Question 2 – Your organisation (group of companies you belong to)

(a) Name of the organisation

(b) Country of incorporation

(c) Sector of activities

Section 1 – Accounting practices

Question 3 – What is your role in reporting within your group?

(a) Ultimate parent

(b) Intermediate parent

(c) Subsidiary

Question 4 – Number of subsidiaries within your group:

Question 5 – Please fill in the table below for the accounting frameworks applied to your group entities' financial statements. If your subsidiaries apply different accounting frameworks, please fill in the table based on the majority.

	Consolidated Financial Statements	Separate/Individual Financial Statements
Ultimate parent	-- Please Select --	-- Please Select --
Intermediate parent	-- Please Select --	-- Please Select --
Subsidiary	-- Please Select --	-- Please Select --

Section 2 – Application of IFRS 19

Question 6 – Do you expect to be eligible[3] to apply IFRS 19? *Only applicable to entities that answered (b) and (c) in Question 3*

(a) Yes ***Go to Question 10***

(b) No ***Go to Question 8***

Question 7 – What is the % of your subsidiaries that would be eligible[4] to apply IFRS 19? *Only applicable to entities that answered (a) and (b) in Question 3*

(a) None ***Go to Question 8, 9***

(b) <10% ***Go to Question 10***

(c) 10-30% ***Go to Question 10***

(d) 30-50% ***Go to Question 10***

(e) 50-70% ***Go to Question 10***

(f) 70-90% ***Go to Question 10***

(g) >90% ***Go to Question 10***

Question 8 – Why are you/your subsidiaries not eligible to apply IFRS 19?

(a) My entity/subsidiaries fall(s) outside the scope of the 'subsidiaries without public accountability'[5] definition as per IFRS 19.

(b) My entity/subsidiaries is/are within the scope of IFRS 19, but the jurisdiction in which they are located does not allow the application of IFRS Accounting Standards for separate financial statements.

(c) Other. *Please explain.*

Question 9 Would any subsidiaries in your group that are not eligible to apply IFRS 19 be interested in applying it?

(a) Yes. ***Go to Question 11***

(b) No. ***Go to Question 12 and then END SURVEY***

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[3] Please refer to the definition presented in the 'Scope' section of the Introduction Page.

[4] Please refer to the definition presented in the 'Scope' section of the Introduction Page.

[5] Please refer to the definition presented in the 'Scope' section of the Introduction Page.

Question 10 – Will your entity/subsidiaries elect to apply IFRS 19, if eligible?

(a) Yes, earlier than application date ***Go to Question 11***

(b) Yes, on application date ***Go to Question 11***

(c) No. ***Go to Question 12 and then END SURVEY***

Question 11 – Do you consider switching to IFRS Accounting Standards because of the issuance of IFRS 19?

(a) Yes

(b) No

Question 12 – What is/are the main reason(s) for electing to apply IFRS 19? *[Please select all options that apply]*

(a) Cost and time savings from preparing IFRS financial statements with less disclosures;

(b) The financial statements in accordance with IFRS 19 are expected to better meet users' information needs;

(c) Cost and time savings from removing the need for dual accounting records;

(d) It is requested by the group accounting department (e.g., to centralise accounting information system);

(e) Other. *Please explain*.

Question 13 – If you/your subsidiaries decide not to apply IFRS 19, what is/are the main reason(s)? *[Please select all options that apply]*

(a) Users of financial statements would lose important information due to reduced disclosures

(b) No interest to adopt IFRS Accounting Standards.

(c) Other. *Please explain*.

Section 3 – Cost and benefit assessment of IFRS 19

Question 14 – Can you quantify the costs to prepare your most recent set of annual financial statements for your entity?

(a) Yes, costs are readily available

(b) Yes, costs are an estimation

(a) No. ***SKIP COST-BENEFIT ANALYSIS***

Benefits

Question 15 – Do you expect any benefits from the application of IFRS 19 (incl. overall cost savings for the group of the subsidiary as a whole)? *[Please select all options that apply]*

(a) Yes, improved relevance of subsidiaries' financial information

(b) Yes, improved comparability of subsidiaries' financial information

(c) Yes, easier access to financing from capital providers

(d) Yes, other benefits are expected. *Please explain.*

(e) No additional benefits are expected

Question 16 – Do you expect any cost savings from the implementation of IFRS 19 (incl. overall cost savings for the group or the subsidiary as a whole)?

(a) Yes. ***Go to Question 17***

(b) No. *Please explain why.*

(c) Difficult to assess at this stage.

Question 17 – Please estimate the reduction in costs for each of the categories listed below, due to the implementation of IFRS 19.

Cost savings	**Nil**	**<1%**	**1% - 5%**	**5% - 10%**	**>10%**
Employee and training (e.g., less time spent in preparing disclosures)	○	○	○	○	○
No need to maintain dual accounting records	○	○	○	○	○
Reduction in audit costs (e.g., because fewer disclosures need to be audited)	○	○	○	○	○

Reduction in financing costs or cost of capital	○	○	○	○	○
Other cost-savings (Please describe)	○	○	○	○	○

Costs

Question 18 – Do you expect any disadvantages due to the implementation of IFRS 19? *[Please select all options that apply]*

(a) Yes, reduced relevance of subsidiaries' financial information

(b) Yes, reduced comparability of subsidiaries' financial information

(c) Yes, more difficult access to financing from capital providers

(d) Yes, other disadvantages are expected. *Please explain.*

(e) No disadvantages are expected

One-off Costs

Question 19 – Do you expect incremental one-off costs in the first year of application of IFRS 19?

(a) Yes. ***Go to Question 20***

(b) No.

(c) Difficult to assess at this stage.

Question 20 – Please estimate the increase in incremental one-off costs for each of the categories listed below in the first year of application of IFRS 19.

One-off costs	**Nil**	**<1%**	**1% - 5%**	**5% - 10%**	**>10%**
Employee and training	○	○	○	○	○
Changes to information systems	○	○	○	○	○
Audit costs	○	○	○	○	○
Legal costs	○	○	○	○	○
Other (Please explain)	○	○	○	○	○

Recurring costs

Question 21 – Do you expect incremental recurring costs due to the implementation of IFRS 19?

(a) Yes. ***Go to Question 22***

(b) No.

(c) Difficult to assess at this stage.

Question 22 – Please estimate the increase in incremental <u>recurring</u> costs for each of the categories listed below due to the implementation of IFRS 19.

Recurring costs	Nil	<1%	1% - 5%	5% - 10%	>10%
Accounting system maintenance	○	○	○	○	○
Employee and training	○	○	○	○	○
Audit costs	○	○	○	○	○
Legal costs	○	○	○	○	○
Other (Please explain)	○	○	○	○	○

Cost-benefit assessment

Question 23 – Do you consider that IFRS 19 achieves a fair balance between the costs for preparers and the information needs of users?

(a) Yes. *Please explain why*

(b) No. *Please explain why*

(c) Cannot assess at this stage

Section 4 – Other information

Question 24 – Would you be available for a follow-up discussion with the EFRAG project team (if needed)?

(a) Yes

(b) No

[SUBMIT SURVEY]