EFRAG Secretariat: Kathrin Schöne (PD), G. Borisova, A. Sivash, I. Michailidi, A. Ganzi

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

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

Objective

1 The objective of this session is to discuss with EFRAG FR TEG the draft of EFRAG's survey to preparers of financial statements that will support the cost-benefit assessment, accompanying the endorsement advice to the European Commission. The survey aims to provide insights about the potential costs and benefits for preparers, as well as the extent to which IFRS 19 will be applied by respondents.

EFRAG's survey on the expected costs and benefits from IFRS 19

Introduction

2 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.

3 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

4 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.

5 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

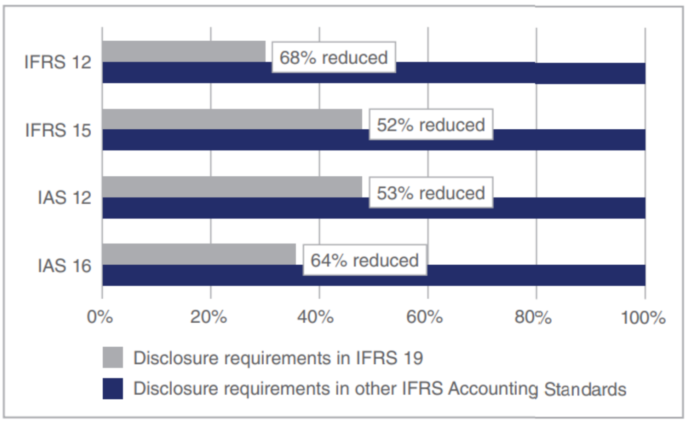
(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Reduction in disclosure requirements

6 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).

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

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



Source: IASB, 2024

The EU perspective

9 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]

10 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.

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

12 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].

13 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

14 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

15 The survey consists of 21 questions, sorted into the following sections:

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

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

[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".

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

(c) Section 2 – Application of IFRS 19 (Questions 6-10)

(d) Section 3 – Cost and benefit assessment (Questions 11-20)

(e) Section 4 – Other information (Question 21)

16 The completion of this survey should take approximately 40 minutes.

Deadline and relevant information

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

18 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.

19 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.

20 **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

(a) Name

(b) Country of incorporation

(c) Sector of activities

Section 1 – Accounting practices

Question 3 – Is your organisation a parent or a subsidiary?

(d) Ultimate parent

(e) Intermediate parent (consolidating subsidiary)

(f) Non-consolidating subsidiary

Question 4 – Number of subsidiaries: *Only applicable to entities that answered (a) and (b) in Question 3*

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 (consolidating subsidiary)	-- Please Select --	-- Please Select --
Non-consolidating 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 (c) in Question 3*

(a) Yes ***Go to Question 9***

(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***

(b) <10% ***Go to Question 9***

(c) 10-30% ***Go to Question 9***

(d) 30-50% ***Go to Question 9***

(e) 50-70% ***Go to Question 9***

(f) 70-90% ***Go to Question 9***

(g) >90% ***Go to Question 9***

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

---

[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.

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

(b) My jurisdiction does not allow the application of IFRS Accounting Standards for separate financial statements.

(c) Other. *Please explain.*

Question 9 – Will your entity/subsidiaries elect to apply IFRS 19, if eligible?

(a) Yes, earlier than application date ***Go to Question 10***

(b) Yes, on application date ***Go to Question 10***

(c) No. *Please explain why*

Question 10 – 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) Cost and time savings from not having to prepare local GAAP financial statements. Only one set of financial statements has to be prepared;

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

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

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

(f) Other. *Please explain*.

Section 3 – Cost and benefit assessment of IFRS 19

Question 11 – 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*

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

(b) No. *Please explain why*

(c) Cannot assess at this stage

Question 12 –Can you quantify the costs to prepare your most recent set of annual financial statements?

(a) Yes, costs are readily available ***Go to Question 13***

(b) Yes, costs are an estimation ***Go to Question 13***

(c) No

Question 13 – Please provide an estimation of the costs to prepare your most recent set of annual financial statements (in € thousands). *This is the baseline cost to be used for relevant questions in this survey.*

Question 14 – Do you expect incremental one-off costs in the first year of application of IFRS 19?

(a) Yes. ***Go to Question 15***

(b) No. *Please explain why.*

(c) Difficult to assess at this stage.

Question 15 – Please provide an estimation of your expected incremental one-off costs in the first year of application of IFRS 19 *(expressed as a % of your baseline cost)*

One-off costs	**Nil**	**<1% of baseline cost**	**1% - 5% of baseline cost**	**5% - 10% of baseline cost**	**>10% of baseline cost**
Employee and training	○	○	○	○	○
Changes to information systems	○	○	○	○	○
Audit costs	○	○	○	○	○
Legal costs	○	○	○	○	○

Other (Please explain)	○	○	○	○	○

Question 16 – Do you expect incremental <u>recurring</u> costs from the implementation of IFRS 19?

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

(b) No. *Please explain why.*

(c) Difficult to assess at this stage.

Question 17 – Please provide an estimation of your expected incremental <u>recurring</u> costs from the implementation of IFRS 19 *(expressed as a % of your baseline cost)*

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

Question 18 – Do you expect any cost savings from the implementation of IFRS 19 (incl. overall cost savings for the group of the subsidiary as a whole)?

(d) Yes. ***Go to Question 19***

(e) No. *Please explain why.*

(f) Difficult to assess at this stage.

Question 19 – Please provide an estimation of your expected cost savings from the implementation of IFRS 19 *(expressed as a % of your baseline cost)*

Cost savings	**Nil**	**<1% of baseline cost**	**1% - 5% of baseline cost**	**5% - 10% of baseline cost**	**>10% of baseline cost**

Employee and training (e.g., less time spent in preparing disclosures)	○	○	○	○	○
No need to maintain local GAAP records	○	○	○	○	○
Reduction in audit costs (e.g., because fewer disclosures need to be audited)	○	○	○	○	○
Reduction in financing costs or cost of capital, if switched to IFRS	○	○	○	○	○
Other cost-savings (Please describe)	○	○	○	○	○

Question 20 – Do you expect any additional benefits from the application of IFRS 19, beyond the cost savings (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 as users/investors prefer financial statements under IFRS

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

(e) No additional benefits are expected

Section 4 – Other information

Question 21 – Would you be available for a follow-up discussion with the EFRAG project team (if needed)?

(a) Yes

(b) No

[SUBMIT SURVEY]