

Snapshot

by Capital Markets & Accounting Advisory Services

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MFRS 19: Simplifying disclosure requirements for certain subsidiary financial statements



What's the issue?

MFRS 19 'Subsidiaries without Public Accountability: Disclosures' is an optional standard which was developed in response to feedback from stakeholders, to allow eligible subsidiaries to provide reduced disclosures in their financial statements.



Key provisions of MFRS 19

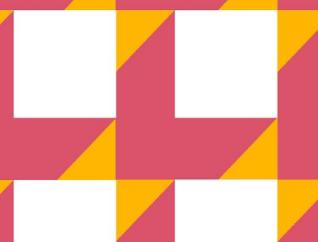
1) Eligible subsidiaries

MFRS 19 applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements.

Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS® Accounting Standards.

An entity has public accountability if:

- its equity or debt instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).



Key provisions of MFRS 19 (continued)

2) Applying MFRS 19

An eligible subsidiary that elects to apply MFRS 19 in its financial statements will continue to apply the recognition, measurement and presentation requirements in other MFRS Accounting Standards, but it can replace the disclosure requirements in those standards with reduced disclosure requirements in MFRS 19.

3) Electing or revoking an election to apply MFRS 19

Application of MFRS 19 is voluntary, i.e. an eligible subsidiary that elects to apply MFRS 19 in one reporting period may:

- revoke the election at a subsequent reporting period; and
- may elect to apply MFRS 19 more than once.

As an illustrative example, an eligible subsidiary may:

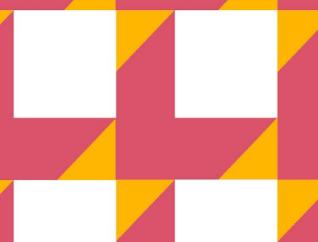
- first apply MFRS 19 in financial year ending 31 December 2024;
- subsequently, elect to revoke the application of MFRS 19 in financial year ending 31 December 2025; and
- re-elect to apply MFRS 19 in financial year ending 31 December 2026

The requirements for changes in accounting policies in MFRS 108 do not apply when a preparer elects or revokes an election to apply MFRS 19.

When there is a change in application of MFRS 19, the comparative information is always provided for all amounts reported in the current period's financial statements.

4) Disclosure of statement of compliance

Eligible subsidiaries that elect to apply MFRS 19 shall make an explicit and unreserved statement of compliance with MFRS Accounting Standards and IFRS Accounting Standards, and the application of MFRS and IFRS 19 in the financial statements.



Why should entities consider applying MFRS 19?

MFRS 19 is likely to bring both operational relief and cost savings to preparers, when preparing MFRS financial statements at the subsidiary level.

This is expected to be significantly beneficial to groups that are currently applying MFRS Accounting Standards at both the consolidated and the subsidiary reporting level, especially where there are a considerable number of subsidiaries within the group.



Effective date and transition

Eligible entities may elect to apply the new standard for reporting periods beginning on or after 1 January 2027. Unless permitted or exempted, comparative information needs to be prepared under MFRS 19.

Early application is also permitted; specific requirements apply if MFRS 19 is applied earlier than MFRS 18 *Presentation and Disclosure in Financial Statements*.

<p>Do you need further information on this topic?</p>	<p>Contact: Capital Market & Accounting Advisory Services (CMAAS) team Email: my_cmaas@pwc.com</p>
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