DIGITAL CFO SOLUTIONS • IFRS SERIES

STATUS: WITHDRAWN • SEE PART VI

INTERNATIONAL FINANCIAL REPORTING STANDARDS

# IAS 1 — Presentation of Financial Statements

*Superseded by IFRS 18 Presentation and Disclosure in Financial Statements, effective for periods beginning 1 January 2027*

BD

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PART I — PURPOSE & SCOPE

# Purpose of Financial Statements

What financial statements exist to do, and the information they must contain to help users make sound economic decisions.

PURPOSE & SCOPE

# The Objective of Financial Statements

*To provide useful information about an entity's financial position, financial performance and cash flows — information that is useful to a wide range of users in making economic decisions.*

1

### Financial Position

Resources, obligations and equity at a point in time

2

### Performance

Income and expenses generated over a period

3

### Cash Flows

How cash is generated and used across activities

4

### Stewardship & Decisions

Assessing management's stewardship and informing economic decisions

# Information Financial Statements Must Provide

1. Assets
2. Liabilities
3. Equity
4. Income & expenses (including gains and losses)
5. Contributions by, and distributions to, owners in their capacity as owners
6. Cash flows

These assist users in predicting the entity's future cash flows — their timing and certainty.

PART II — FAIR PRESENTATION & COMPLIANCE

# Fair Presentation & Compliance

Financial statements must present fairly, and comply fully, with IFRS Accounting Standards — with disclosure required wherever either cannot be achieved.

# Fair Presentation

*“The financial statements must present fairly the financial position, financial performance and cash flows of an entity.” — IAS 1.15*

**Fair presentation requires faithful representation of the effects of:**

1. Transactions
2. Other events
3. Conditions

...in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework. Applying IFRS Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

# Compliance with IFRS

1

### Explicit & Unreserved Statement

Financial statements cannot be described as IFRS-compliant unless they comply with every requirement of IFRS Accounting Standards, including interpretations.

*IAS 1.16*

2

### Rare Departure

If compliance would be so misleading as to conflict with the objective of financial statements, detailed disclosure of the nature, reasons and impact of the departure is required.

*IAS 1.19–20*

3

### Going Concern Assumption

Financial statements are prepared assuming the entity is a going concern. Significant doubt triggers a series of required disclosures.

*IAS 1.25*

# Achieving Fair Presentation — Three Steps

**1**

### Select & Apply Accounting Policies

Choose and apply policies consistent with IFRS Accounting Standards

→

**2**

### Present Quality Information

Ensure information is relevant, reliable, comparable and understandable

→

**3**

### Add Disclosures Where Required

Supplement with additional disclosures wherever necessary

# Going Concern Assessment

Financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.

1. **History of profitable operations**
2. **Ready access to financial resources**
3. **Current & expected profitability**
4. **Debt repayment schedules & potential sources of replacement finance**

*If the going concern assumption is not followed, disclose: (1) the basis on which the financial statements have been prepared, and (2) the reasons why the entity is not considered a going concern.*

# Accrual Accounting

**An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.**

Under accrual accounting, items are recognised as assets, liabilities, equity, income and expenses — the elements of financial statements — when they satisfy the definitions and recognition criteria set out in the Conceptual Framework.

PART III — COMPONENTS OF FINANCIAL STATEMENTS

# Components of Financial Statements

A complete set of financial statements comprises five components, each telling a different part of the entity's financial story.

COMPONENTS

# The Five Components

**1**

### Statement of Financial Position

At the beginning and end of the reporting period; discloses short and long-term solvency

**2**

### Statement of Profit & Loss and OCI

Reflects the net financial results of the entity for the period

**3**

### Statement of Changes in Equity

Reflects changes in equity, including owners' contributions to and from the entity

**4**

### Statement of Cash Flows

Shows the sources from which cash has been acquired; helps predict future cash flows

**5**

### Notes

Accounting policies, explanations and assumptions forming an integral part of the accounts

# What It Must Include

## Assets

- Property, plant & equipment (IAS 16)
- Investment property (IAS 40)
- Intangible assets (IAS 38)
- Financial assets (IFRS 9)
- Investments — equity method (IAS 28)
- Biological assets (IAS 41)
- Inventories (IAS 2)
- Trade & other receivables
- Cash & cash equivalents
- Assets held for sale (IFRS 5)

## Liabilities & Equity

- Trade & other payables
- Provisions (IAS 37)
- Financial liabilities (IFRS 9)
- Current & deferred tax (IAS 12)
- Liabilities held for sale (IFRS 5)
- Non-controlling interests — within equity
- Issued capital & reserves attributable to owners of the parent

# Current vs Non-Current Classification

## An Asset Is Current When It...

1. Expects to realise, or intends to sell or consume, in its normal operating cycle
2. Holds primarily for the purpose of trading
3. Expects to realise within twelve months of the reporting period
4. Is cash or a cash equivalent, unless restricted for at least twelve months

## A Liability Is Current When It...

1. Expects to settle in its normal operating cycle
2. Holds primarily for the purpose of trading
3. Is due to be settled within twelve months of the reporting period
4. Has no unconditional right to defer settlement for at least twelve months

*All other assets and liabilities are classified as non-current.*

# The Operating Cycle

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to be 12 months.

**Raw Materials Held**

≈ 4 months

→

**Production Cycle**

≈ ⅓ month

→

**Finished Goods Held**

≈ 3 months

→

**Receivables Collected**

≈ 3 months

**Illustrative Operating Cycle = 4 + ⅓ + 3 + 3 = 10⅓ months**

PART IV — STATEMENT OF PROFIT OR LOSS

# Statement of Profit or Loss

How financial performance is structured, classified and attributed for the reporting period.

# Structure & Attribution

## What Is Presented

1. Profit or loss
2. Total other comprehensive income
3. Comprehensive income for the period (the total of the two)

## How It's Attributed

Both profit or loss, and comprehensive income, for the period are allocated between:

1. Non-controlling interests
2. Owners of the parent

# Required Line Items (Key Categories)

1. Revenue — with interest revenue disclosed separately
2. Gains/losses on derecognition of financial assets at amortised cost
3. Insurance service result — for contracts within scope of IFRS 17
4. Finance costs
5. Impairment losses or gains (IFRS 9)
6. Share of profit or loss of associates & joint ventures (equity method)
7. Reclassification gains/losses on financial assets (IFRS 9)
8. Tax expense
9. A single amount for discontinued operations (IFRS 5)

# Expense Classification — Function vs Nature

## Function of Expense Method

- Cost of sales
- Distribution costs
- Administrative expenses
- Other operating expenses

## Nature of Expense Method

- Raw materials & consumables used
- Employee benefits expense
- Depreciation & amortisation expense
- Other expenses, by type

*An entity presents whichever method provides information that is reliable and more relevant.*

# Statement of Other Comprehensive Income

OCI presents line items classified by nature (including the entity's share of OCI of associates and joint ventures under the equity method), grouped into two categories:

## 1 Will NOT Be Reclassified

Items that will not be reclassified subsequently to profit or loss — e.g. revaluation gains on PP&E, remeasurements of defined benefit plans

## 2 Will Be Reclassified

Items that will be reclassified subsequently to profit or loss when specific conditions are met — e.g. foreign currency translation, certain cash flow hedges

PART V — EQUITY & NOTES

# Statement of Changes in Equity & Notes

Reconciling equity movements for the period, and the disclosures that give the statements their full context.

# What the Statement Shows

**The statement of changes in equity reconciles opening to closing amounts for each component of equity.**

It includes reserves and surplus, and items of other comprehensive income. Conditions or restrictions on distribution attached to statutory reserves must be separately disclosed in the notes, as stipulated by the relevant statute.

# Required Disclosures

1. Total comprehensive income for the period, split between owners of the parent and non-controlling interests
2. Effects of retrospective application or restatement, for each equity component (IAS 8)
3. Reconciliation of opening to closing carrying amount for each component — showing profit or loss, OCI, and transactions with owners separately
4. Analysis of other comprehensive income by item (in the statement or notes)
5. Dividends recognised as distributions to owners, and dividends per share (in the statement or notes)

# Purpose & Contents

### 1 Basis of Preparation

Present the basis of preparation and specific accounting policies used

### 2 Required Disclosures

Disclose information required by IFRS not presented elsewhere in the statements

### 3 Additional Context

Provide additional information relevant to understanding the financial statements

## Typical Contents

- Statement of compliance with IFRS
- Measurement bases used in preparing the financial statements
- Other disclosures — contingent liabilities, financial risk management, judgements, estimation uncertainty
- Summary of significant accounting policies applied
- Supporting information for each statement, in the order presented

PART VI — TRANSITION TO IFRS 18

# IAS 1 Has Been Withdrawn

Here's what changes, and when, as IFRS 18 Presentation and Disclosure in Financial Statements takes its place.

TRANSITION TO IFRS 18

# IAS 1 → IFRS 18 — What's Changing

*"IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements." — IASB, April 2024*

1

**Issued**

April 2024, by the IASB

2

**Effective From**

Annual periods beginning on or after 1 January 2027; early application permitted

3

**Transition Method**

Applied retrospectively; comparative periods restated to the new format

4

**Scope of Change**

Focused mainly on the statement of profit or loss; some IAS 1 paragraphs moved to IAS 8 and IFRS 7

# Key New Requirements Under IFRS 18

### 1 Three Defined Categories

Income and expenses in the statement of profit or loss are classified into operating, investing and financing categories

### 2 Two New Required Subtotals

Entities must present "operating profit" and "profit before financing and income taxes"

### 3 Management-Defined Performance Measures

Non-IFRS subtotals used by management must be defined, reconciled to the nearest IFRS subtotal, and explained in a single note

### 4 Aggregation & Disaggregation

Enhanced principles for grouping and disclosing items so material information isn't obscured

# THANK YOU

*IAS 1 — Presentation of Financial Statements • Transitioning to IFRS 18*

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# A Career Built on Making IFRS Understandable

B D Chatterjee is a Chartered Accountant and financial thought leader with over 35 years of global experience spanning corporate finance, accounting standards, financial reporting, business valuation and financial due diligence. As a seasoned CFO, he has led finance functions across major corporations and now heads Digital CFO Solutions, a platform delivering institutional-grade IFRS, US GAAP and valuation workbooks alongside fractional CFO services.

- ✓ Published author of the Pocketbook of IFRS series
- ✓ Teacher and Mentor to finance professionals worldwide
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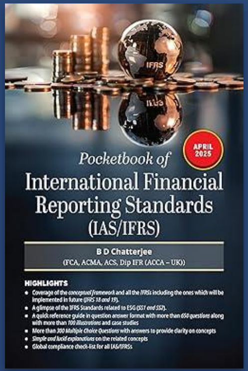


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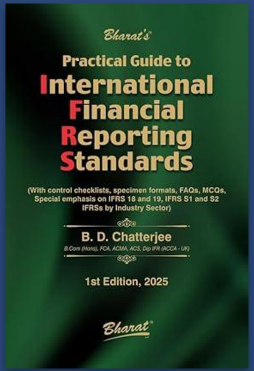


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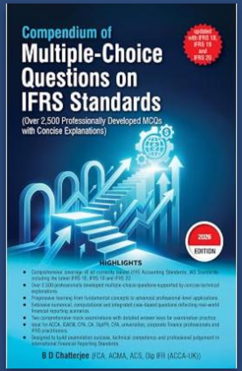


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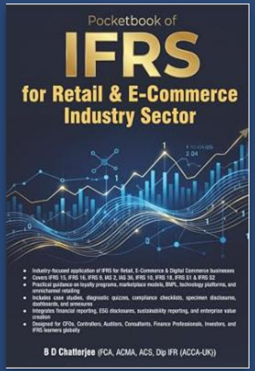


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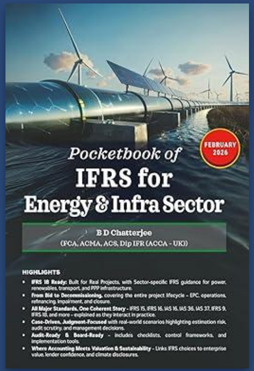


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