IAS 1

Presentation of Financial Statements

In April 2001 the International Accounting Standards Board (Board) adopted IAS 1 *Presentation of Financial Statements*, which had originally been issued by the International Accounting Standards Committee in September 1997. IAS 1 *Presentation of Financial Statements* replaced IAS 1 *Disclosure of Accounting Policies* (issued in 1975), IAS 5 *Information to be Disclosed in Financial Statements* (originally approved in 1977) and IAS 13 *Presentation of Current Assets and Current Liabilities* (approved in 1979).

In December 2003 the Board issued a revised IAS 1 as part of its initial agenda of technical projects. The Board issued an amended IAS 1 in September 2007, which included an amendment to the presentation of owner changes in equity and comprehensive income and a change in terminology in the titles of financial statements. In June 2011 the Board amended IAS 1 to improve how items of other income comprehensive income should be presented.

In December 2014 IAS 1 was amended by *Disclosure Initiative* (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. In addition, the amendments clarified the requirements in paragraph 82A of IAS 1.

Other Standards have made minor consequential amendments to IAS 1. They include *Improvement to IFRSs* (issued April 2009), *Improvement to IFRSs* (issued May 2010), IFRS 10 *Consolidated Financial Statements* (issued May 2011), IFRS 12 *Disclosures of Interests in Other Entities* (issued May 2011), IFRS 13 *Fair Value Measurement* (issued May 2011), IAS 19 *Employee Benefits* (issued June 2011), *Annual Improvements to IFRSs 2009–2011 Cycle* (issued May 2012), IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (issued November 2013), IFRS 15 *Revenue from Contracts with Customers* (issued May 2014), *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) (issued June 2014), IFRS 9 *Financial Instruments* (issued July 2014), IFRS 16 *Leases* (issued January 2016), *Disclosure Initiative* (Amendments to IAS 7) (issued January 2016) and IFRS 17 *Insurance Contracts* (issued May 2017).

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DISSENTING OPINIONS

International Accounting Standard 1 *Presentation of Financial Statements* (IAS 1) is set out in paragraphs 1–140 and the Appendix. All the paragraphs have equal authority. IAS 1 should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance. **[Refer: IAS 8 paragraphs 10–12]**

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International Accounting Standard 1
Presentation of Financial Statements

Objective

1 This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both **[Refer: *Conceptual Framework* paragraphs QC20–QC25]** with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Scope

2 An entity shall apply this Standard in preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards (IFRSs).

3 Other IFRSs set out the recognition, measurement and disclosure requirements for specific transactions and other events.

4 This Standard does not apply to the structure and content of condensed interim financial statements **[Refer: IAS 34 paragraph 4]** prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs 15–35 apply to such financial statements. This Standard applies equally to all entities, including those that present consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements* **[Refer: IFRS 10 Appendix A (definition of consolidated financial statements)]** and those that present separate financial statements in accordance with IAS 27 *Separate Financial Statements* **[Refer: IAS 27 paragraph 4 (definition of separate financial statements)]**.

5 This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.

6 Similarly, entities that do not have equity **[Refer: IAS 32 paragraph 16]** as defined in IAS 32 *Financial Instruments: Presentation* (eg some mutual funds) and entities whose share capital is not equity (eg some co-operative entities) may need to adapt the financial statement presentation of members' or unitholders' interests.

Definitions

7 The following terms are used in this Standard with the meanings specified:

General purpose financial statements **(referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.**
[Refer:
Basis for Conclusions paragraphs BC11–BC13
paragraphs 10–11 for a complete set of financial statements]

Impracticable **Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.**

International Financial Reporting Standards (IFRSs) **are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:**

(a) International Financial Reporting Standards;

(b) International Accounting Standards;

(c) IFRIC Interpretations; and

(d) SIC Interpretations.[1]

Material **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**
[Refer:
paragraphs 29 and 30
Conceptual Framework **paragraph QC11]**
[Note: IFRS Practice Statement 2 ***Making Materiality Judgements*** **(Practice Statement) provides reporting entities with guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Standards. The Practice Statement is non-mandatory guidance developed by the International Accounting Standards Board (Board). It is not a Standard. Therefore, its application is not required to state compliance with IFRS Standards]**

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25[2] that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

1 Definition of IFRSs amended after the name changes introduced by the revised Constitution of the IFRS Foundation in 2010.
2 In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*. Paragraph 25 was superseded by Chapter 3 of the *Conceptual Framework*.

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Notes **[Refer: paragraphs 112–138] contain information in addition to that presented in the statement of financial position [Refer: paragraphs 54–80A], statement(s) of profit or loss and other comprehensive income [Refer: paragraphs 81–105], statement of changes in equity [Refer: paragraphs 106–110] and statement of cash flows [Refer: paragraph 111]. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.**

Other comprehensive income **comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. [Refer: paragraphs 90–96]**

The components of other comprehensive income include:

(a) changes in revaluation surplus (see IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*); **[Refer: IAS 16 paragraphs 39–42]**

(b) remeasurements of defined benefit plans (see IAS 19 *Employee Benefits*);

(c) gains and losses arising from translating the financial statements of a foreign operation (see IAS 21 *The Effects of Changes in Foreign Exchange Rates*); **[Refer: IAS 21 paragraphs 32, 37 and 38–49]**

(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9 *Financial Instruments*;

(da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9.

(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9 (see Chapter 6 of IFRS 9);

(f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of IFRS 9);

(g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of IFRS 9); **[Refer: IFRS 9 paragraph 6.2.4(a)]**

(h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of IFRS 9); **[Refer: IFRS 9 paragraph 6.2.4(b)]**

(i) insurance finance income and expenses from contracts issued within the scope of IFRS 17 *Insurance Contracts* excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of IFRS 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of IFRS 17; and

(j) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of IFRS 17.

***Owners* are holders of instruments classified as equity.**

***Profit or loss* is the total of income less expenses, excluding the components of other comprehensive income.**

***Reclassification adjustments* are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.**

***Total comprehensive income* is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.**

Total comprehensive income comprises all components of 'profit or loss' and of 'other comprehensive income'.

8 Although this Standard uses the terms 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term 'net income' to describe profit or loss.

8A The following terms are described in IAS 32 *Financial Instruments: Presentation* and are used in this Standard with the meaning specified in IAS 32:

(a) puttable financial instrument classified as an equity instrument (described in paragraphs 16A and 16B of IAS 32)

(b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument (described in paragraphs 16C and 16D of IAS 32).

Financial statements

Purpose of financial statements

9 Financial statements are a structured representation of the financial position **[Refer: *Conceptual Framework* paragraphs OB13–OB16 and 4.4–4.7]** and financial performance **[Refer: *Conceptual Framework* paragraphs OB17–OB20 and 4.24–4.28]** of an entity. The objective **[Refer: *Conceptual Framework* paragraphs OB2–OB11]** of financial statements is to provide information about the financial position, financial performance and cash flows **[Refer: IAS 7 paragraph 6]** of an entity that is useful **[Refer: *Conceptual Framework* paragraphs QC1–QC39]** to a wide range of users

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[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32] in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it. **[Refer: *Conceptual Framework* Basis for Conclusions paragraphs BC1.24–BC1.28]** To meet this objective, financial statements provide information about an entity's:

(a) assets; **[Refer: *Conceptual Framework* paragraphs 4.8–4.14]**

(b) liabilities; **[Refer: *Conceptual Framework* paragraphs 4.15–4.19]**

(c) equity;
[Refer:
IAS 32 paragraph 16
***Conceptual Framework* paragraphs 4.20–4.23]**

(d) income and expenses, including gains and losses; **[Refer: *Conceptual Framework* paragraphs 4.24–4.35]**

(e) contributions by and distributions to owners in their capacity as owners; **[Refer: *Conceptual Framework* paragraph OB21]** and

(f) cash flows. **[Refer: *Conceptual Framework* paragraph OB20]**

This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

Complete set of financial statements[E1]

E1 [IFRIC *Update*—May 2014: IAS 1 *Presentation of Financial Statements—issues related to the application of IAS 1* The Interpretations Committee received a request to clarify the application of some of the presentation requirements in IAS 1. The submitter expressed a concern that the absence of definitions in IAS 1 and the lack of implementation guidance give significant flexibility that may impair the comparability and understandability of financial statements. The submitter provided examples in the following areas: (a) presentation of expenses by function; (b) presentation of additional lines, headings and subtotals; (c) presentation of additional statements or columns in the primary statements; and (d) application of the materiality and aggregation requirements. The Interpretations Committee observed that a complete set of financial statements is comprised of items recognised and measured in accordance with IFRS. The Interpretations Committee noted that IAS 1 addresses the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. It also noted that while IAS 1 does permit flexibility in presentation, it also includes various principles for the presentation and content of financial statements as well as more detailed requirements. These principles and more detailed requirements are intended to limit the flexibility such that financial statements present information that is relevant, reliable, comparable and understandable. The Interpretations Committee observed that securities regulators, as well as some members of the Interpretations Committee, were concerned about the presentation of information in the financial statements that is not determined in accordance with IFRS. They were particularly concerned when such information is presented on the face of the primary statements. The Interpretations Committee noted that it would be beneficial if the IASB's Disclosure Initiative considered what guidance should be given for the presentation of information beyond what is required in accordance with IFRS. Consequently, the Interpretations Committee determined that it should not propose an Interpretation nor an amendment to a Standard and consequently decided not to add this issue to its agenda.]

10 A complete set of financial statements comprises:

(a) a statement of financial position as at the end of the period;
[Refer: paragraphs 54–80A]

(b) a statement of profit or loss and other comprehensive income for the period;
[Refer: paragraphs 81A–105]

(c) a statement of changes in equity for the period;
[Refer: paragraphs 106–110]

(d) a statement of cash flows for the period;
[Refer:
paragraph 111
IAS 7]

(e) notes, comprising significant accounting policies and other explanatory information;
[Refer: paragraphs 112–138]

(ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and

(f) a statement of financial position [Refer: paragraphs 54–80A] as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.
[Refer: Basis for Conclusions paragraphs BC14–BC21]

10A An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.
[Refer: Basis for Conclusions paragraphs BC54A–BC54G and BC54I]

11 An entity shall present with equal prominence [Refer: Basis for Conclusions paragraph BC22] all of the financial statements in a complete set of financial statements [Refer: paragraph 10].

12 [Deleted]

13 Many entities present, outside the financial statements, **[Refer: paragraph 10]** a financial review by management that describes and explains the main features of the entity's financial performance **[Refer: *Conceptual Framework* paragraphs 4.24–4.28]** and financial position, **[Refer: *Conceptual Framework* paragraphs 4.8–4.14]** and the principal uncertainties it faces. Such a report may include a review of:

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(a) the main factors and influences determining financial performance, including changes in the environment in which the entity operates, the entity's response to those changes and their effect, and the entity's policy for investment to maintain and enhance financial performance, including its dividend policy;

(b) the entity's sources of funding and its targeted ratio of liabilities **[Refer: *Conceptual Framework* paragraphs 4.15–4.19]** to equity; **[Refer: *Conceptual Framework* paragraphs 4.20–4.23]** and

(c) the entity's resources not recognised in the statement of financial position in accordance with IFRSs.

[IFRS Practice Statement *Management Commentary* provides a broad, non-binding framework for the presentation of management commentary that relates to financial statements that have been prepared in accordance with IFRSs.]

14 Many entities also present, outside the financial statements **[Refer: paragraph 10]**, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside financial statements are outside the scope of IFRSs.

General features

Fair presentation and compliance with IFRSs

15 Financial statements shall present fairly the financial position, [Refer: *Conceptual Framework* paragraphs OB13–OB16 and 4.4–4.7] financial performance [Refer: *Conceptual Framework* paragraphs OB17–OB20 and 4.24–4.28] and cash flows [Refer: *Conceptual Framework* paragraph OB20 and IAS 7 paragraph 6] of an entity. Fair presentation requires the faithful representation [Refer: *Conceptual Framework* paragraphs QC12–QC16] of the effects of transactions, other events and conditions in accordance with the definitions [Refer: *Conceptual Framework* paragraphs 4.4 and 4.25] and recognition criteria [Refer: *Conceptual Framework* paragraphs 4.37–4.39] for assets, liabilities, income and expenses set out in the *Framework*.[3] The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs. [Link to IAS 34 paragraph 2]

17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable IFRSs. A fair presentation also requires an entity:

3 Paragraphs 15–24 contain references to the objective of financial statements set out in the *Framework [for the Preparation and Presentation of Financial Statements]*. In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*, which replaced the objective of financial statements with the objective of general purpose financial reporting: see Chapter 1 of the *Conceptual Framework*.

(a) to select and apply accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* **[Refer: IAS 8 paragraphs 7–12]**. IAS 8 sets out a hierarchy of authoritative guidance **[Refer: IAS 8 paragraphs 10–12]** that management considers in the absence of an IFRS that specifically applies to an item.

(b) to present information, including accounting policies, in a manner that provides relevant, **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** reliable,[E2] comparable **[Refer: *Conceptual Framework* paragraphs QC20–QC25]** and understandable **[Refer: *Conceptual Framework* paragraphs QC30–QC32]** information.

(c) to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position **[Refer: *Conceptual Framework* paragraphs 4.8–4.23]** and financial performance. **[Refer: *Conceptual Framework* paragraphs 4.24–4.35]**

E2 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

18 An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

19 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, [Refer: *Conceptual Framework* paragraph OB2] the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

20 When an entity departs from a requirement of an IFRS in accordance with paragraph 19, it shall disclose:

(a) that management has concluded that the financial statements present fairly the entity's financial position, [Refer: *Conceptual Framework* paragraphs 4.8–4.23] financial performance [Refer: *Conceptual Framework* paragraphs 4.24–4.35] and cash flows;

(b) that it has complied with applicable IFRSs, except that it has departed from a particular requirement to achieve a fair presentation;

(c) the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Framework*, [Refer: *Conceptual Framework* paragraph OB2] and the treatment adopted; and

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(d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

21 When an entity has departed from a requirement of an IFRS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 20(c) and (d).

22 Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an IFRS for the measurement of assets or liabilities **[Refer: *Conceptual Framework* paragraphs 4.54–4.56]** and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.

23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, [Refer: *Conceptual Framework* paragraph OB2] but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

(a) the title of the IFRS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Framework*; and

(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements **[Refer: *Conceptual Framework* paragraph OB2]** when it does not represent faithfully **[Refer: *Conceptual Framework* paragraphs QC12–QC16]** the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** When assessing whether complying with a specific requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.

Going concern

25 **When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. [Refer: *Conceptual Framework* paragraph 4.1] An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.[E3,E4] When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.**

E3 [IFRIC *Update*—July 2010: *Going concern disclosure* The Committee received a request for guidance on the disclosure requirements in IAS 1 on uncertainties related to an entity's ability to continue as a going concern. How an entity applies the disclosure requirements in paragraph 25 of IAS 1 requires the exercise of professional judgement. The Committee noted that paragraph 25 requires that an entity shall disclose 'material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern'. The Committee also noted that for this disclosure to be useful it must identify that the disclosed uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Committee noted that IAS 1 provides sufficient guidance on the disclosure requirements on uncertainties related to an entity's ability to continue as a going concern and that it does not expect diversity in practice. Therefore, the Committee decided not to add the issue to its agenda.]

E4 [IFRIC *Update*—July 2014: IAS 1 *Presentation of Financial Statements—disclosure requirements relating to assessment of going concern* The Interpretations Committee received a submission requesting clarification about the disclosures required in relation to material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Interpretations Committee proposed to the IASB that it should make a narrow-scope amendment to change the disclosure requirements in IAS 1 in response to this issue. At its meeting in November 2013 the IASB discussed the issue and considered amendments proposed by the staff, but decided not to proceed with these amendments and removed this topic from its agenda. Consequently, the Interpretations Committee removed the topic from its agenda. The staff reported the results of the IASB's discussion to the Interpretations Committee. When considering this feedback about the IASB's decision, the Interpretations Committee discussed a situation in which management of an entity has considered events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any planned mitigation, management concluded that there are no material uncertainties that require disclosure in accordance with paragraph 25 of IAS 1. However, reaching the conclusion that there was no material uncertainty involved significant judgement. The Interpretations Committee observed that paragraph 122 of IAS 1 requires disclosure of the judgements made in applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The Interpretations Committee also observed that in the circumstance discussed, the disclosure requirements of paragraph 122 of IAS 1 would apply to the judgements made in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.]

26 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. **[Refer: IAS 10 paragraphs 14–16]** The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases,

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management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual basis of accounting

27 **An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. [Refer: *Conceptual Framework* paragraphs OB17–OB19]**

28 When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions **[Refer: *Conceptual Framework* paragraphs 4.4 and 4.25]** and recognition criteria **[Refer: *Conceptual Framework* paragraphs 4.37–4.53]** for those elements in the *Framework*.[4]

Materiality and aggregation

[Refer: Basis for Conclusions paragraphs BC30A–BC30E and BC30J]

29 **An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.**
[Refer: *Conceptual Framework* paragraph QC11]

30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.

30A When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
[Refer: Basis for Conclusions paragraphs BC30F and BC30G]

31 Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial

4 replaced by the *Conceptual Framework* in September 2010

statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. **[Refer: Basis for Conclusions paragraphs BC30H and BC30I]**

Offsetting

32 **An entity shall not offset assets and liabilities or income and expenses, unless required [For example, link to IAS 32 paragraph 42] or permitted by an IFRS.**

33 An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of profit or loss and other comprehensive income or financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.

34 IFRS 15 *Revenue from Contracts with Customers* requires an entity to measure revenue from contracts with customers at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. **[Refer: IFRS 15 paragraph 47]** For example, the amount of revenue recognised reflects any trade discounts and volume rebates the entity allows. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance **[Refer: *Conceptual Framework* paragraph 4.6]** of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

(a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and

(b) an entity may net expenditure related to a provision that is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement. **[Refer: IAS 37 paragraph 54]**

35 In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material. **[Refer: paragraphs 29–31]**

Frequency of reporting

36 **An entity shall present a complete set of financial statements [Refer: paragraph 10] (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial**

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statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

(a) the reason for using a longer or shorter period, and

(b) the fact that amounts presented in the financial statements are not entirely comparable.

37 Normally, an entity consistently prepares financial statements for a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice.

Comparative information

Minimum comparative information

38 Except when IFRSs permit or require otherwise, [Refer: IFRS 1 paragraph 21] an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant [Refer: *Conceptual Framework* paragraphs QC6–QC11] to understanding the current period's financial statements.[E5]
[Refer: Basis for Conclusions paragraphs BC32B and BC105E]

E5 [IFRIC *Update*—June 2005: *Comparatives for prospectuses* The IFRIC considered whether to amend requirements in paragraph 36 (now paragraph 38) of IAS 1 relating to comparative information, because of perceived practical problems in complying with EU requirements for prospectuses. The IFRIC decided not to add the item to its agenda because it believed that the issue involved a difference of approach between IAS 1 and certain regulatory requirements that were not capable of being resolved merely by issuing an interpretation of IAS 1.]

38A An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

38B In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

38C An entity may present comparative information in addition to the minimum comparative financial statements required by IFRSs, as long as that information is prepared in accordance with IFRSs. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a

complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.

[Refer:
Basis for Conclusions paragraphs BC32E and BC32F
IFRS 1 Basis for Conclusions paragraph BC89C]

38D For example, an entity may present a third statement of profit or loss and other comprehensive income (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third statement of cash flows or a third statement of changes in equity (ie an additional financial statement comparative). The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of profit or loss and other comprehensive income.

39–40 [Deleted]

Change in accounting policy, retrospective restatement or reclassification

40A An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

[Refer: Basis for Conclusions paragraph BC32D]

40B In the circumstances described in paragraph 40A, an entity shall present three statements of financial position as at:

(a) the end of the current period;

(b) the end of the preceding period; and

(c) the beginning of the preceding period.

40C When an entity is required to present an additional statement of financial position in accordance with paragraph 40A, it must disclose the information required by paragraphs 41–44 and IAS 8. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

[Refer: Basis for Conclusions paragraph BC32C]

40D The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).

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41 **If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):**

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

[Refer: Basis for Conclusions paragraphs BC34–BC36]

42 **When it is impracticable to reclassify comparative amounts, an entity shall disclose:**

(a) the reason for not reclassifying the amounts, and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

[Refer: Basis for Conclusions paragraphs BC34–BC36]

43 Enhancing the inter-period comparability of information assists users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability with the current period. For example, an entity may not have collected data in the prior period(s) in a way that allows reclassification, and it may be impracticable to recreate the information.

[Refer: Basis for Conclusions paragraphs BC34–BC36]

44 IAS 8 sets out the adjustments to comparative information required when an entity changes an accounting policy **[Refer: IAS 8 paragraphs 14–31 and 50–53]** or corrects an error. **[Refer: IAS 8 paragraphs 41–53]**

Consistency of presentation

45 **An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:**

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; [Refer: IAS 8 paragraphs 7–13] or

(b) an IFRS requires a change in presentation.

[Refer: Basis for Conclusions paragraph BC76D]

46 For example, a significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable[E6] and more relevant **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** to users **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** of the financial statements and the revised structure is likely to continue, so that comparability

[Refer: *Conceptual Framework* paragraphs QC20–QC25] is not impaired. When making such changes in presentation, an entity reclassifies its comparative information **[Refer: paragraphs 38–41]** in accordance with paragraphs 41 and 42.

E6 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

Structure and content[E7]

E7 [IFRIC *Update*—May 2014: IAS 1 *Presentation of Financial Statements—issues related to the application of IAS 1* The Interpretations Committee received a request to clarify the application of some of the presentation requirements in IAS 1. The submitter expressed a concern that the absence of definitions in IAS 1 and the lack of implementation guidance give significant flexibility that may impair the comparability and understandability of financial statements. The submitter provided examples in the following areas: (a) presentation of expenses by function; (b) presentation of additional lines, headings and subtotals; (c) presentation of additional statements or columns in the primary statements; and (d) application of the materiality and aggregation requirements. The Interpretations Committee observed that a complete set of financial statements is comprised of items recognised and measured in accordance with IFRS. The Interpretations Committee noted that IAS 1 addresses the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. It also noted that while IAS 1 does permit flexibility in presentation, it also includes various principles for the presentation and content of financial statements as well as more detailed requirements. These principles and more detailed requirements are intended to limit the flexibility such that financial statements present information that is relevant, reliable, comparable and understandable. The Interpretations Committee observed that securities regulators, as well as some members of the Interpretations Committee, were concerned about the presentation of information in the financial statements that is not determined in accordance with IFRS. They were particularly concerned when such information is presented on the face of the primary statements. The Interpretations Committee noted that it would be beneficial if the IASB's Disclosure Initiative considered what guidance should be given for the presentation of information beyond what is required in accordance with IFRS. Consequently, the Interpretations Committee determined that it should not propose an Interpretation nor an amendment to a Standard and consequently decided not to add this issue to its agenda.]

Introduction

47 This Standard requires particular disclosures in the statement of financial position or the statement(s) of profit or loss and other comprehensive income, or in the statement of changes in equity and requires disclosure of other line items either in those statements or in the notes. IAS 7 *Statement of Cash Flows* sets out requirements for the presentation of cash flow information.

48 This Standard sometimes uses the term 'disclosure' in a broad sense, encompassing items presented in the financial statements. Disclosures are also required by other IFRSs. Unless specified to the contrary elsewhere in this Standard **[For example, link to paragraphs 54 and 82]** or in another IFRS, **[For example, link to IAS 33 paragraph 66]** such disclosures may be made in the financial statements.

Identification of the financial statements

49 An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.

50 IFRSs apply only to financial statements, and not necessarily to other information presented in an annual report, a regulatory filing, or another

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document. Therefore, it is important that users can distinguish information that is prepared using IFRSs from other information that may be useful to users but is not the subject of those requirements.

51 **An entity shall clearly identify each financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:**

(a) **the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;**

(b) **whether the financial statements are of an individual entity or a group of entities;**

(c) **the date of the end of the reporting period or the period covered by the set of financial statements or notes;**

(d) **the presentation currency, as defined in IAS 21; and**

(e) **the level of rounding [Refer: paragraph 53] used in presenting amounts in the financial statements.**

52 An entity meets the requirements in paragraph 51 by presenting appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of presenting such information. For example, when an entity presents the financial statements electronically, separate pages are not always used; an entity then presents the above items to ensure that the information included in the financial statements can be understood.

53 An entity often makes financial statements more understandable **[Refer: *Conceptual Framework* paragraphs QC30–QC32]** by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the entity discloses the level of rounding and does not omit material information.

Statement of financial position

Information to be presented in the statement of financial position

54 **The statement of financial position shall include line items that present the following amounts:**

(a) **property, plant and equipment;**

(b) **investment property;**

(c) **intangible assets;**

(d) **financial assets (excluding amounts shown under (e), (h) and (i));**

(da) **groups of contracts within the scope of IFRS 17 that are assets, disaggregated as required by paragraph 78 of IFRS 17;**

(e) **investments accounted for using the equity method;**

(f) **biological assets within the scope of IAS 41 *Agriculture*;**

(g) inventories;

(h) trade and other receivables;

(i) cash and cash equivalents;

(j) the total of assets classified as held for sale [Refer: IFRS 5 paragraphs 6–14] and assets included in disposal groups classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;

(k) trade and other payables;

(l) provisions;

(m) financial liabilities (excluding amounts shown under (k) and (l));

(ma) groups of contracts within the scope of IFRS 17 that are liabilities, disaggregated as required by paragraph 78 of IFRS 17;

(n) liabilities and assets for current tax, as defined in IAS 12 *Income Taxes*;

(o) deferred tax liabilities and deferred tax assets, as defined in IAS 12;

(p) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5;

(q) non-controlling interests, presented within equity; and

(r) issued capital and reserves attributable to owners of the parent.

[Refer: Basis for Conclusions paragraphs BC38A–BC38E and BC30A–BC30D]

55 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant [Refer: *Conceptual Framework* paragraphs QC6–QC11] to an understanding of the entity's financial position.

[Refer:
paragraphs 77 and 78
Basis for Conclusions paragraphs BC38A–BC38C]

55A When an entity presents subtotals in accordance with paragraph 55, those subtotals shall:

(a) be comprised of line items made up of amounts recognised and measured in accordance with IFRS;

(b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

(c) be consistent from period to period, in accordance with paragraph 45; and

(d) not be displayed with more prominence than the subtotals and totals required in IFRS for the statement of financial position.

[Refer: Basis for Conclusions paragraphs BC38F and BC38G]

56 When an entity presents current and non-current assets, [Refer: paragraphs 60–68] and current and non-current liabilities, [Refer: paragraphs

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69–76] as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

57 This Standard does not prescribe the order or format in which an entity presents items. Paragraph 54 simply lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; **[Refer: *Conceptual Framework* paragraphs OB13–OB16 and 4.4–4.7]** and

(b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. For example, a financial institution may amend the above descriptions to provide information that is relevant to the operations of a financial institution.

58 An entity makes the judgement about whether to present additional items separately on the basis of an assessment of:

(a) the nature and liquidity of assets;

(b) the function of assets within the entity; and

(c) the amounts, nature and timing of liabilities.

59 The use of different measurement bases **[Refer: *Conceptual Framework* paragraphs 4.54–4.56]** for different classes of assets suggests that their nature or function differs and, therefore, that an entity presents them as separate line items. For example, different classes of property, plant and equipment **[Refer: IAS 16 paragraph 37]** can be carried at cost **[Refer: IAS 16 paragraph 30]** or at revalued amounts **[Refer: IAS 16 paragraph 31]** in accordance with IAS 16.

Current/non-current distinction

60 An entity shall present current and non-current assets, [Refer: paragraph 66] and current and non-current liabilities, [Refer: paragraph 69] as separate classifications in its statement of financial position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable[E8] and more relevant. [Refer: *Conceptual Framework* paragraphs QC6–QC11] When that exception applies, an entity shall present all assets and liabilities in order of liquidity.

E8 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

61 Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

(a) no more than twelve months after the reporting period, and

(b) more than twelve months after the reporting period.

62 When an entity supplies goods or services within a clearly identifiable operating cycle, **[Refer: paragraph 68]** separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets that are expected to be realised within the current operating cycle, and liabilities that are due for settlement within the same period.

63 For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable[E9] and more relevant **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle **[Refer: paragraph 68]**.

E9 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

64 In applying paragraph 60, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable[E10] and more relevant. **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** The need for a mixed basis of presentation might arise when an entity has diverse operations.

E10 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

65 Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. IFRS 7 *Financial Instruments: Disclosures* requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery of non-monetary assets such as inventories and expected date of settlement for liabilities such as provisions is also useful, whether assets and liabilities are classified as current or as non-current. For example, an entity discloses the amount of inventories that are expected to be recovered more than twelve months after the reporting period.

Current assets

66 An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;[E11]
[Refer: paragraph 68]

(b) it holds the asset primarily for the purpose of trading;
[Refer: paragraph 68]

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(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

E11 [IFRIC *Update*—June 2005: *IAS 1 Normal operating cycle* The IFRIC considered an issue regarding the classification of current and non–current assets by reference to an entity's normal operating cycle. It was asked whether the guidance in paragraph 57(a) (now paragraph 66(a)) of IAS 1 was applicable only if an entity had a predominant operating cycle. This is particularly relevant to the inventories of conglomerates which, on a narrow reading of the wording, might always have to refer to the twelve–month criterion in paragraph 57(c) (now paragraph 66(c)) of IAS 1, rather than the operating cycle criterion. The IFRIC decided not to consider the question further because, in its view, it was clear that the wording should be read in both the singular and the plural and that it was the nature of inventories in relation to the operating cycle that was relevant to classification. Furthermore, if inventories of different cycles were held, and it was material to readers' understanding of an entity's financial position, then the general requirement in paragraph 71 (now paragraph 57) of IAS 1 already required disclosure of further information.]

67 This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.

68 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in IFRS 9) and the current portion of non-current financial assets.

[Refer: Basis for Conclusions paragraphs BC38H–BC38K]

Current liabilities

[Refer: Basis for Conclusions paragraphs BC39–BC48]

69 An entity shall classify a liability as current when:

(a) it expects to settle the liability in its normal operating cycle;
[Refer: paragraph 70]

(b) it holds the liability primarily for the purpose of trading;
[Refer: paragraph 71]

(c) the liability is due to be settled within twelve months after the reporting period; or
[Refer: paragraphs 71–76]

(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
[Refer:
paragraphs 74–76
Basis for Conclusions paragraph BC38P]

An entity shall classify all other liabilities as non-current.[E12]

E12 [IFRIC *Update*—November 2010: *Current/non-current classification of a callable term loan* The Committee received a request on the classification of a liability as current or non-current when the liability is not scheduled for repayment within twelve months after the reporting period, but may be callable by the lender at any time without cause. The Committee notes that paragraph 69(d) of IAS 1 requires that a liability must be classified as a current liability if the entity does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the reporting period. The Committee noted that IAS 1 provides sufficient guidance on the presentation of liabilities as current or non-current and that it does not expect diversity in practice. Consequently, the Committee decided not to add the issue to its agenda.]

70 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than twelve months after the reporting period. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

71 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in IFRS 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs 74 and 75.
[Refer: Basis for Conclusions paragraphs BC38H–BC38K]

72 An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if:

(a) the original term was for a period longer than twelve months, and

(b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.
[Refer: IAS 10 paragraphs 3–7]

73 If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current.

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74 When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, **[Refer: IAS 10 paragraphs 3–7]** not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.

75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

76 In respect of loans classified as current liabilities, if the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, **[Refer: IAS 10 paragraphs 3–7]** those events are disclosed as non-adjusting events in accordance with IAS 10 *Events after the Reporting Period*:

(a) refinancing on a long-term basis;

(b) rectification of a breach of a long-term loan arrangement; and

(c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement ending at least twelve months after the reporting period.

Information to be presented either in the statement of financial position or in the notes

77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.

78 The detail provided in subclassifications depends on the requirements of IFRSs and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) items of property, plant and equipment are disaggregated into classes in accordance with IAS 16;
[Refer: IAS 16 paragraph 37]

(b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;

(c) inventories are disaggregated, in accordance with IAS 2 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods; **[Refer: IAS 2 paragraph 37]**

(d) provisions are disaggregated into provisions for employee benefits and other items; and

(e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

79 **An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:**

(a) **for each class of share capital:**

(i) **the number of shares authorised;**

(ii) **the number of shares issued and fully paid, and issued but not fully paid;**

(iii) **par value per share, or that the shares have no par value;**

(iv) **a reconciliation of the number of shares outstanding at the beginning and at the end of the period;**

(v) **the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;**

(vi) **shares in the entity held by the entity or by its subsidiaries or associates; and**

(vii) **shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and**

(b) **a description of the nature and purpose of each reserve within equity.**

80 **An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.**

80A **If an entity has reclassified**

(a) **a puttable financial instrument classified as an equity instrument, or**

(b) **an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument**

between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.

[Refer:
IAS 32 paragraphs 16E and 16F
Basis for Conclusions paragraphs BC6A and BC100A]

Statement of profit or loss and other comprehensive income

81 [Deleted]

81A **The statement of profit or loss and other comprehensive income (statement of comprehensive income) shall present, in addition to the profit or loss and other comprehensive income sections:**

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(a) profit or loss;

(b) total other comprehensive income;

(c) comprehensive income for the period, being the total of profit or loss and other comprehensive income.

If an entity presents a separate statement of profit or loss it does not present the profit or loss section in the statement presenting comprehensive income.

81B An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period:

(a) profit or loss for the period attributable to:

(i) non-controlling interests, and

(ii) owners of the parent.

(b) comprehensive income for the period attributable to:

(i) non-controlling interests, and

(ii) owners of the parent.

If an entity presents profit or loss in a separate statement it shall present (a) in that statement.

Information to be presented in the profit or loss section or the statement of profit or loss

82 In addition to items required by other IFRSs, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:

(a) revenue, presenting separately:

(i) interest revenue calculated using the effective interest method; and

(ii) insurance revenue (see IFRS 17);

(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(ab) insurance service expenses from contracts issued within the scope of IFRS 17 (see IFRS 17);

(ac) income or expenses from reinsurance contracts held (see IFRS 17);

(b) finance costs;

(ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;

(bb) insurance finance income or expenses from contracts issued within the scope of IFRS 17 (see IFRS 17);

(bc) **finance income or expenses from reinsurance contracts held (see IFRS 17);**

(c) **share of the profit or loss of associates and joint ventures accounted for using the equity method;**

(ca) **if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in IFRS 9);**

(cb) **if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;**

(d) **tax expense;**[E13]

(e) [deleted]

(ea) **a single amount for the total of discontinued operations (see IFRS 5). [Refer: IFRS 5 paragraph 33]**

(f)–(i) [deleted]

E13 [IFRIC *Update*—July 2012: IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes—Presentation of payments on non-income taxes* The IFRS Interpretations Committee received a request seeking clarification of whether production-based royalty payments payable to one taxation authority that are claimed as an allowance against taxable profit for the computation of income tax payable to another taxation authority should be presented as an operating expense or a tax expense in the statement of comprehensive income. As the basis for this request, the submitter assumed that the production-based royalty payments are, in themselves, outside the scope of IAS 12 *Income Taxes* while the income tax payable to the other taxation authority is within the scope of IAS 12. On the basis of this assumption, the submitter asks the Committee to clarify whether the production-based royalty payments can be viewed as prepayment of the income tax payable. The Committee used the same assumption when discussing the issue. The Committee observed that the line item of 'tax expense' that is required by paragraph 82(d) of IAS 1 *Presentation of Financial Statements* is intended to require an entity to present taxes that meet the definition of income taxes under IAS 12. The Committee also noted that it is the basis of calculation determined by the relevant tax rules that determines whether a tax meets the definition of an income tax. Neither the manner of settlement of a tax liability nor the factors relating to recipients of the tax is a determinant of whether an item meets that definition. The Committee further noted that the production-based royalty payments should not be treated differently from other expenses that are outside the scope of IAS 12, all of which may reduce income tax payable. Accordingly, the Committee observed that it is inappropriate to consider the royalty payments to be prepayment of the income tax payables. Because the production-based royalties are not income taxes, the royalty payments should not be presented as an income tax expense in the statement of comprehensive income. The Committee considered that, in the light of its analysis of the existing requirements of IAS 1 and IAS 12, an interpretation was not necessary and consequently decided not to add this issue to its agenda.]

Information to be presented in the other comprehensive income section

82A **The other comprehensive income section shall present line items for the amounts for the period of:**

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(a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other IFRSs:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

[Refer: Basis for Conclusions paragraphs BC54A–BC54H]

(b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other IFRSs:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

[Refer: Basis for Conclusions paragraphs BC54K and BC54L]

83–84 [Deleted]

85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant [Refer: *Conceptual Framework* paragraphs QC6–QC11] to an understanding of the entity's financial performance.

[Refer:
paragraphs 97 and 98
Basis for Conclusions paragraph BC38D and, for background, paragraphs BC38A–BC38C]

85A When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

(a) be comprised of line items made up of amounts recognised and measured in accordance with IFRS;

(b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

(c) be consistent from period to period, in accordance with paragraph 45; and

(d) not be displayed with more prominence than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.

[Refer: Basis for Conclusions paragraphs BC58A and BC38A–BC38G]

85B An entity shall present the line items in the statement(s) presenting profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraph 85 with the subtotals or totals required in IFRS for such statement(s).

[Refer: Basis for Conclusions paragraph BC58B]

86 Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the

components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. An entity includes additional line items in the statement(s) presenting profit or loss and other comprehensive income and it amends the descriptions used and the ordering of items when this is necessary to explain the elements of financial performance. An entity considers factors including materiality **[Refer: *Conceptual Framework* paragraph QC11]** and the nature and function of the items of income **[Refer: *Conceptual Framework* paragraphs 4.29–4.32]** and expense. **[Refer: *Conceptual Framework* paragraphs 4.33–4.35]** For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity does not offset income and expense items unless the criteria in paragraph 32 are met.

87 **An entity shall not present any items of income [Refer: *Conceptual Framework* paragraphs 4.29–4.32] or expense [Refer: *Conceptual Framework* paragraphs 4.33–4.35] as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income or in the notes.**
[Refer: Basis for Conclusions paragraphs BC60–BC64]

Profit or loss for the period

88 **An entity shall recognise all items of income and expense in a period in profit or loss unless an IFRS requires or permits otherwise.**

89 Some IFRSs specify circumstances when an entity recognises particular items outside profit or loss in the current period. IAS 8 specifies two such circumstances: the correction of errors **[Refer: IAS 8 paragraphs 41–48]** and the effect of changes in accounting policies. **[Refer: IAS 8 paragraphs 14–31]** Other IFRSs require or permit components of other comprehensive income that meet the *Framework*'s[5] definition of income or expense to be excluded from profit or loss (see paragraph 7).

Other comprehensive income for the period
[Refer: Basis for Conclusions paragraphs BC65–BC68 and BC69–BC73]

90 **An entity shall disclose the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments, either in the statement of profit or loss and other comprehensive income [Refer: paragraphs 81–105] or in the notes. [Refer: paragraphs 112–138]**

91 An entity may present items of other comprehensive income either:

(a) net of related tax effects, or

(b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those items.

If an entity elects alternative (b), it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.
[Refer: Basis for Conclusions paragraphs BC68A and BC54L]

5 In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

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92 **An entity shall disclose reclassification adjustments relating to components of other comprehensive income.**

93 Other IFRSs specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

94 An entity may present reclassification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. **[Refer: paragraphs 112–138]** An entity presenting reclassification adjustments in the notes presents the items of other comprehensive income after any related reclassification adjustments.

95 Reclassification adjustments arise, for example, on disposal of a foreign operation (see IAS 21) and when some hedged forecast cash flows affect profit or loss (see paragraph 6.5.11(d) of IFRS 9 in relation to cash flow hedges).

96 Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with IAS 16 or IAS 38 or on remeasurements of defined benefit plans recognised in accordance with IAS 19. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus **[Refer: IAS 16 paragraphs 39–42]** may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised (see IAS 16 and IAS 38). In accordance with IFRS 9, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) result in amounts that are removed from the cash flow hedge reserve or a separate component of equity, respectively, and included directly in the initial cost or other carrying amount of an asset or a liability. These amounts are directly transferred to assets or liabilities. **[Refer: IFRS 9 paragraph 6.5.11(d)(i)]**

Information to be presented in the statement(s) of profit or loss and other comprehensive income or in the notes

97 **When items of income [Refer: *Conceptual Framework* paragraphs 4.29–4.32, 4.47 and 4.48] or expense are [Refer: *Conceptual Framework* paragraphs 4.33–4.35 and 4.49–4.53] material, an entity shall disclose their nature and amount separately.**

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

99 **An entity shall present an analysis of expenses [Refer: *Conceptual Framework* paragraphs 4.33–4.35 and 4.49–4.53] recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable[E14] and more relevant. [Refer: *Conceptual Framework* paragraphs QC6–QC11]**

E14 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

100 Entities are encouraged to present the analysis in paragraph 99 in the statement(s) presenting profit or loss and other comprehensive income.

101 Expenses are subclassified to highlight components of financial performance **[Refer: *Conceptual Framework* paragraphs 4.24–4.28]** that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms.

102 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	
Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

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103 The second form of analysis is the 'function of expense' or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other income	X
Distribution costs	(X)
Administrative expenses	(X)
Other expenses	(X)
Profit before tax	X

104 An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

105 The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable[E15] and more relevant. **[Refer: *Conceptual Framework* paragraphs QC6–QC11]** However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, 'employee benefits' has the same meaning as in IAS 19.

E15 [The term 'faithful representation' in the *Conceptual Framework* encompasses the main characteristics that the previous *Framework* called 'reliability' (refer *Conceptual Framework* paragraphs QC12–QC16 and Basis for Conclusions paragraphs BC3.20–BC3.25).]

Statement of changes in equity

Information to be presented in the statement of changes in equity
[Refer: Basis for Conclusions paragraphs BC37 and BC38]

106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) **for each component of equity, the effects of retrospective application [Refer: IAS 8 paragraphs 14–27 and 50–53] or retrospective restatement [Refer: IAS 8 paragraphs 41–48 and 50–53] recognised in accordance with IAS 8; [Refer: Basis for Conclusions paragraph BC74] and**

(c) [deleted]

(d) **for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:**

(i) **profit or loss;**

(ii) **other comprehensive income; and**

(iii) **transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.**
[Refer also: IFRS 10 paragraphs B97–B99]

Information to be presented in the statement of changes in equity or in the notes

106A **For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).**
[Refer: Basis for Conclusions paragraph BC74A]

107 **An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.**
[Refer: Basis for Conclusions paragraph BC75]

108 In paragraph 106, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.

109 Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expense, including gains and losses, generated by the entity's activities during that period.

110 IAS 8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another IFRS require otherwise. **[Refer: IAS 8 paragraphs 19–27 and 50–53]** IAS 8 also requires restatements to correct errors to be made retrospectively, **[Refer: IAS 8 paragraphs 43–48 and 50–53]** to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an IFRS requires retrospective adjustment of another component of equity.

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Paragraph 106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

Statement of cash flows

111 Cash flow information provides users **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. IAS 7 sets out requirements for the presentation and disclosure of cash flow information.
[Refer: Basis for Conclusions paragraph BC76]

Notes

Structure

112 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124;

(b) disclose the information required by IFRSs that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

113 An entity shall, as far as practicable, present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.
[Refer: Basis for Conclusions paragraphs BC76D and BC76E]

114 Examples of systematic ordering or grouping of the notes include:

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;

(b) grouping together information about items measured similarly such as assets measured at fair value; or

(c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

(i) statement of compliance with IFRSs (see paragraph 16);

(ii) significant accounting policies applied (see paragraph 117);

(iii) supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and

(iv) other disclosures, including:

(1) contingent liabilities (see IAS 37) **[Refer: IAS 37 paragraphs 86–92]** and unrecognised contractual commitments; and

(2) non-financial disclosures, eg the entity's financial risk management objectives and policies (see IFRS 7). **[Refer: IFRS 7 paragraphs 31–42]**

[Refer: Basis for Conclusions paragraphs BC76A–BC76C]

115 [Deleted]

116 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies **[Refer: paragraph 117]** as a separate section of the financial statements.

Disclosure of accounting policies

117 An entity shall disclose its significant accounting policies comprising:

(a) the measurement basis (or bases) used in preparing the financial statements; and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

118 It is important for an entity to inform users of the measurement basis or bases **[Refer: *Conceptual Framework* paragraphs 4.54–4.56]** used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, **[For example, link to IAS 16 paragraph 31]** it is sufficient to provide an indication of the categories of assets **[For example, link to IAS 16 paragraph 37]** and liabilities to which each measurement basis is applied.

119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance **[Refer: *Conceptual Framework* paragraphs 4.24–4.35]** and financial position. **[Refer: *Conceptual Framework* paragraphs 4.4–4.23]** Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRSs. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see IAS 40 *Investment Property*). **[Refer: IAS 40 paragraph 30]** Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16

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requires disclosure of the measurement bases used for classes of property, plant and equipment **[Refer: IAS 16 paragraph 73(a)]**.

120 [Deleted] **[Refer: Basis for Conclusions paragraphs BC76F and BC76G]**

121 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs but the entity selects and applies in accordance with IAS 8. **[Refer: IAS 8 paragraph 7–12]**

122 An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.[E16]
[Refer: Basis for Conclusions paragraphs BC77 and BC78]

E16 [IFRIC *Update*—November 2013: IAS 19 *Employee Benefit—Actuarial assumptions: discount rate* The Interpretations Committee discussed a request for guidance on the determination of the rate used to discount post-employment benefit obligations. The submitter stated that:
a. according to paragraph 83 of IAS 19 *Employee Benefits* (2011) the discount rate should be determined by reference to market yields at the end of the reporting period on "high quality corporate bonds" (HQCB);
b. IAS 19 does not specify which corporate bonds qualify to be HQCB;
c. according to prevailing past practice, listed corporate bonds have usually been considered to be HQCB if they receive one of the two highest ratings given by a recognised rating agency (eg 'AAA' and 'AA'); and
d. because of the financial crisis, the number of corporate bonds rated 'AAA' or 'AA' has decreased in proportions that the submitter considers significant.
In the light of the points above, the submitter asked the Interpretations Committee whether corporate bonds with a rating lower than 'AA' can be considered to be HQCB. The Interpretations Committee observed that IAS 19 does not specify how to determine the market yields on HQCB, and in particular what grade of bonds should be designated as high quality. The Interpretations Committee considers that an entity should take into account the guidance in paragraphs 84 and 85 of IAS 19 (2011) in determining what corporate bonds can be considered to be HQCB. Paragraphs 84 and 85 of IAS 19 (2011) state that the discount rate:
a. reflects the time value of money but not the actuarial or investment risk;
b. does not reflect the entity-specific credit risk;
c. does not reflect the risk that future experience may differ from actuarial assumptions; and
d. reflects the currency and the estimated timing of benefit payments.
The Interpretations Committee further noted that 'high quality' as used in paragraph 83 of IAS 19 reflects an absolute concept of credit quality and not a concept of credit quality that is relative to a given population of corporate bonds, which would be the case, for example, if the paragraph used the term 'the highest quality'. Consequently, the Interpretations Committee observed that the concept of high quality should not change over time. Accordingly, a reduction in the number of HQCB should not result in a change to the concept of high quality. The Interpretations Committee does not expect that an entity's methods and techniques used for determining the discount rate so as to reflect the yields on HQCB will change significantly from period to period. Paragraphs 83 and 86 of IAS 19, respectively, contain requirements if the market in HQCB is no longer deep or if the market remains deep overall, but there is an insufficient number of HQCB beyond a certain maturity. The Interpretations Committee also noted that:
a. paragraphs 144 and 145 of IAS 19 (2011) require an entity to disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation and a sensitivity analysis for each significant actuarial assumption;
b. the discount rate is typically a significant actuarial assumption; and
c. an entity shall disclose the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements in accordance with paragraph 122 of IAS 1 *Presentation of Financial Statements*; typically the identification of the HQCB population used as a basis to determine the discount rate requires the use of judgement, which may often have a significant effect on the entity's financial statements.
The Interpretations Committee discussed this issue in several meetings and noted that issuing additional guidance on, or changing the requirements for, the determination of the discount rate would be too broad for it to address in an efficient manner. The Interpretations Committee therefore recommends that this issue should be addressed in the IASB's research project on discount rates. Consequently, the Interpretations Committee decided not to add this issue to its agenda.]

123 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

(a) [deleted]

(b) when substantially all the significant risks and rewards of ownership of financial assets and, for lessors, assets subject to leases **[Refer: IFRS 16 Appendix A (definition of lease)]** are transferred to other entities; **[Refer: paragraph 139Q for effective date]**

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and

(d) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

124 Some of the disclosures made in accordance with paragraph 122 are required by other IFRSs. For example, IFRS 12 *Disclosure of Interests in Other Entities* requires an entity to disclose the judgements it has made in determining whether it controls another entity. IAS 40 *Investment Property* requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult **[Refer: IAS 40 paragraph 75(c)]**.

Sources of estimation uncertainty

[Refer: Basis for Conclusions paragraphs BC79–BC84]

125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature, and

(b) their carrying amount as at the end of the reporting period.

126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

127 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number

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of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.

128 The disclosures in paragraph 125 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on a quoted price in an active market **[Refer: IFRS 13 Appendix A (definition of an active market)]** for an identical asset or liability. **[Refer: IFRS 13 paragraph 76]** Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

129 An entity presents the disclosures in paragraph 125 in a manner that helps users **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:

(a) the nature of the assumption or other estimation uncertainty;

(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and

(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

130 This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 125.

131 Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.

133 Other IFRSs require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 125. For example, IAS 37 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. **[Refer: IAS 37**

paragraph 85(b)] IFRS 13 *Fair Value Measurement* requires disclosure of significant assumptions (including the valuation technique(s) **[Refer: IFRS 13 paragraphs 61 and 62]** and inputs **[Refer: IFRS 13 paragraph 67]**) the entity uses when measuring the fair values of assets and liabilities that are carried at fair value. **[For example, link to IFRS 7 paragraph 27]**

Capital

134 **An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.**
[Refer:
Basis for Conclusions paragraphs BC85–BC97
Implementation Guidance paragraph IG10]

135 To comply with paragraph 134, the entity discloses the following:

(a) qualitative information about its objectives, policies and processes for managing capital, including:

  (i) a description of what it manages as capital; **[Refer: Basis for Conclusions paragraph BC91]**

  (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and

  (iii) how it is meeting its objectives for managing capital.

(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities **[Refer: IAS 32 paragraph 11 (definition of a financial liability)]** (eg some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity **[Refer: *Conceptual Framework* paragraph 4.4(c) and IAS 32 paragraph 11 (definition of an equity instrument)]** (eg components arising from cash flow hedges).

(c) any changes in (a) and (b) from the previous period.

(d) whether during the period it complied with any externally imposed capital requirements to which it is subject.
[Refer: Basis for Conclusions paragraph BC96]

(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
[Refer:
Basis for Conclusions paragraph BC96
Implementation Guidance paragraph IG11]

The entity bases these disclosures on the information provided internally to key management personnel.

136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those

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entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user' **[Refer: *Conceptual Framework* paragraphs OB2–OB10 and QC32]** understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Puttable financial instruments classified as equity

136A **For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere):**

(a) **summary quantitative data about the amount classified as equity;**

(b) **its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;**

(c) **the expected cash outflow on redemption or repurchase of that class of financial instruments; and**

(d) **information about how the expected cash outflow on redemption or repurchase was determined.**
[Refer: Basis for Conclusions paragraphs BC6A and BC100B]

Other disclosures

137 **An entity shall disclose in the notes:**

(a) **the amount of dividends proposed or declared before the financial statements were authorised for issue [Refer: IAS 10 paragraphs 3–7] but not recognised as a distribution to owners during the period, and the related amount per share; and**

(b) **the amount of any cumulative preference dividends not recognised.**

138 **An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:**

(a) **the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);**

(b) **a description of the nature of the entity's operations and its principal activities;**

(c) **the name of the parent and the ultimate parent of the group; and**

(d) **if it is a limited life entity, information regarding the length of its life.**
[Refer: Basis for Conclusions paragraph BC100B]

Transition and effective date

139 An entity shall apply this Standard for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity adopts this Standard for an earlier period, it shall disclose that fact.

139A IAS 27 (as amended in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

139B *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amendments to IAS 32 and IAS 1), issued in February 2008, amended paragraph 138 and inserted paragraphs 8A, 80A and 136A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact and apply the related amendments to IAS 32, IAS 39, IFRS 7 and IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments* at the same time.

[Refer: IAS 32 Basis for Conclusions paragraph BC74]

139C Paragraphs 68 and 71 were amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

139D Paragraph 69 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

139E [Deleted]

139F Paragraphs 106 and 107 were amended and paragraph 106A was added by *Improvements to IFRSs* issued in May 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted.

139G [Deleted]

139H IFRS 10 and IFRS 12, issued in May 2011, amended paragraphs 4, 119, 123 and 124. An entity shall apply those amendments when it applies IFRS 10 and IFRS 12.

139I IFRS 13, issued in May 2011, amended paragraphs 128 and 133. An entity shall apply those amendments when it applies IFRS 13.

139J *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1), issued in June 2011, amended paragraphs 7, 10, 82, 85–87, 90, 91, 94, 100 and 115, added paragraphs 10A, 81A, 81B and 82A, and deleted paragraphs 12, 81, 83 and 84. An entity shall apply those amendments for annual periods beginning on or after 1 July 2012. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

[Refer: Basis for Conclusions paragraphs BC105A and BC105B]

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139K IAS 19 *Employee Benefits* (as amended in June 2011) amended the definition of 'other comprehensive income' in paragraph 7 and paragraph 96. An entity shall apply those amendments when it applies IAS 19 (as amended in June 2011).

139L *Annual Improvements 2009–2011 Cycle*, issued in May 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39–40 and added paragraphs 38A–38D and 40A–40D. An entity shall apply that amendment retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

139M [Deleted]

139N IFRS 15 *Revenue from Contracts with Customers*, issued in May 2014, amended paragraph 34. An entity shall apply that amendment when it applies IFRS 15.

139O IFRS 9, as issued in July 2014, amended paragraphs 7, 68, 71, 82, 93, 95, 96, 106 and 123 and deleted paragraphs 139E, 139G and 139M. An entity shall apply those amendments when it applies IFRS 9.

139P *Disclosure Initiative* (Amendments to IAS 1), issued in December 2014, amended paragraphs 10, 31, 54–55, 82A, 85, 113–114, 117, 119 and 122, added paragraphs 30A, 55A and 85A–85B and deleted paragraphs 115 and 120. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. **[Refer: Basis for Conclusions paragraph BC105C]** Entities are not required to disclose the information required by paragraphs 28–30 of IAS 8 in relation to these amendments. **[Refer: Basis for Conclusions paragraphs BC105D–BC105F]**

139Q IFRS 16 *Leases*, issued in January 2016, amended paragraph 123. An entity shall apply that amendment when it applies IFRS 16.

139R IFRS 17, issued in May 2017, amended paragraphs 7, 54 and 82. An entity shall apply those amendments when it applies IFRS 17.

Withdrawal of IAS 1 (revised 2003)

140 This Standard supersedes IAS 1 *Presentation of Financial Statements* revised in 2003, as amended in 2005.

Appendix
Amendments to other pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2009. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period. In the amended paragraphs, new text is underlined and deleted text is struck through.

* * * * *

The amendments contained in this appendix when this Standard was revised in 2007 have been incorporated into the relevant pronouncements published in this volume.

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Approval by the Board of IAS 1 issued in September 2007

International Accounting Standard 1 *Presentation of Financial Statements* (as revised in 2007) was approved for issue by ten of the fourteen members of the International Accounting Standards Board. Professor Barth and Messrs Cope, Garnett and Leisenring dissented. Their dissenting opinions are set out after the Basis for Conclusions.

Sir David Tweedie	Chairman
Thomas E Jones	Vice-Chairman
Mary E Barth	
Hans-Georg Bruns	
Anthony T Cope	
Philippe Danjou	
Jan Engström	
Robert P Garnett	
Gilbert Gélard	
James J Leisenring	
Warren J McGregor	
Patricia L O'Malley	
John T Smith	
Tatsumi Yamada	

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Approval by the Board of *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amendments to IAS 32 and IAS 1) issued in February 2008

Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*) was approved for issue by eleven of the thirteen members of the International Accounting Standards Board. Professor Barth and Mr Garnett dissented. Their dissenting opinions are set out after the Basis for Conclusions on IAS 32.

Sir David Tweedie	Chairman
Thomas E Jones	Vice-Chairman
Mary E Barth	
Stephen Cooper	
Philippe Danjou	
Jan Engström	
Robert P Garnett	
Gilbert Gélard	
James J Leisenring	
Warren J McGregor	
John T Smith	
Tatsumi Yamada	
Wei-Guo Zhang	

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Approval by the Board of *Presentation of Items of Other Comprehensive Income* issued in June 2011

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) was approved for issue by fourteen of the fifteen members of the International Accounting Standards Board. Mr Pacter dissented from the issue of the amendments. His dissenting opinion is set out after the Basis for Conclusions.

Sir David Tweedie — Chairman

Stephen Cooper

Philippe Danjou

Jan Engström

Patrick Finnegan

Amaro Luiz de Oliveira Gomes

Prabhakar Kalavacherla

Elke König

Patricia McConnell

Warren J McGregor

Paul Pacter

Darrel Scott

John T Smith

Tatsumi Yamada

Wei-Guo Zhang

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Approval by the Board of the *Disclosure Initiative* (Amendments to IAS 1) issued in December 2014

Disclosure Initiative (Amendments to IAS 1) was approved for publication by fourteen members of the International Accounting Standards Board.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Amaro Luiz De Oliveira Gomes	
Martin Edelmann	
Patrick Finnegan	
Gary Kabureck	
Suzanne Lloyd	
Takatsugu Ochi	
Darrel Scott	
Chungwoo Suh	
Mary Tokar	
Wei-Guo Zhang	

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IASB documents published to accompany

IAS 1

Presentation of Financial Statements

The text of the unaccompanied standard, IAS 1, is contained in Part A of this edition. Its effective date when issued was 1 January 2009. The text of the Basis for Conclusions on IAS 1 is contained in Part C of this edition. This part presents the following documents:

IMPLEMENTATION GUIDANCE

APPENDIX
Amendments to guidance on other IFRSs

TABLE OF CONCORDANCE

Guidance on implementing IAS 1 *Presentation of Financial Statements*

This guidance accompanies, but is not part of, IAS 1.

Illustrative financial statement structure

IG1 IAS 1 sets out the components of financial statements and minimum requirements for disclosure in the statements of financial position, profit or loss and other comprehensive income and changes in equity. It also describes further items that may be presented either in the relevant financial statement or in the notes. This guidance provides simple examples of ways in which the requirements of IAS 1 for the presentation of the statements of financial position, profit or loss and other comprehensive income and changes in equity might be met. An entity should change the order of presentation, the titles of the statements and the descriptions used for line items when necessary to suit its particular circumstances.

IG2 The guidance is in two sections. Paragraphs IG3–IG6 provide examples of the presentation of financial statements. Paragraphs IG7–IG9 have been deleted. Paragraphs IG10 and IG11 provide examples of capital disclosures.

IG3 The illustrative statement of financial position shows one way in which an entity may present a statement of financial position distinguishing between current and non-current items. Other formats may be equally appropriate, provided the distinction is clear.

IG4 The illustrations use the term 'comprehensive income' to label the total of all items of profit or loss and other comprehensive income. The illustrations use the term 'other comprehensive income' to label income and expenses that are included in comprehensive income but excluded from profit or loss. IAS 1 does not require an entity to use those terms in its financial statements.

IG5 Two statements of profit or loss and other comprehensive income are provided, to illustrate the alternative presentations of income and expenses in a single statement or in two statements. The statement of profit or loss and other comprehensive income illustrates the classification of income and expenses within profit or loss by function. The separate statement (in this example, 'the statement or profit or loss') illustrates the classification of income and expenses within profit by nature.

IG5A Two sets of examples of statements of profit or loss and other comprehensive income are shown. One shows the presentation while IAS 39 *Financial Instruments: Recognition and Measurement* remains effective and is applied; the other shows presentation when IFRS 9 *Financial Instruments* is applied.

IG6 The examples are not intended to illustrate all aspects of IFRSs, nor do they constitute a complete set of financial statements, which would also include a statement of cash flows, disclosures about significant accounting policies and other explanatory information.

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Part I: Illustrative presentation of financial statements

XYZ Group – Statement of financial position as at 31 December 20X7
(in thousands of currency units)

	31 Dec 20X7	31 Dec 20X6
ASSETS		
Non-current assets		
Property, plant and equipment	350,700	360,020
Goodwill	80,800	91,200
Other intangible assets	227,470	227,470
Investments in associates	100,150	110,770
Investments in equity instruments	142,500	156,000
	901,620	945,460
Current assets		
Inventories	135,230	132,500
Trade receivables	91,600	110,800
Other current assets	25,650	12,540
Cash and cash equivalents	312,400	322,900
	564,880	578,740
Total assets	1,466,500	1,524,200

XYZ Group – Statement of financial position as at 31 December 20X7
(in thousands of currency units)

	31 Dec 20X7	31 Dec 20X6
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	650,000	600,000
Retained earnings	243,500	161,700
Other components of equity	10,200	21,200
	903,700	782,900
Non-controlling interests	70,050	48,600
Total equity	973,750	831,500
Non-current liabilities		
Long-term borrowings	120,000	160,000
Deferred tax	28,800	26,040
Long-term provisions	28,850	52,240
Total non-current liabilities	177,650	238,280

continued...

...continued

XYZ Group – Statement of financial position as at 31 December 20X7
(in thousands of currency units)

	31 Dec 20X7	31 Dec 20X6
Current liabilities		
Trade and other payables	115,100	187,620
Short-term borrowings	150,000	200,000
Current portion of long-term borrowings	10,000	20,000
Current tax payable	35,000	42,000
Short-term provisions	5,000	4,800
Total current liabilities	315,100	454,420
Total liabilities	492,750	692,700
Total equity and liabilities	1,466,500	1,524,200

Examples of statement of profit or loss and other comprehensive income when IAS 39 *Financial Instruments: Recognition and Measurement* is applied
XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)
(in thousands of currency units)

	20X7	20X6
Revenue	390,000	355,000
Cost of sales	(245,000)	(230,000)
Gross profit	145,000	125,000
Other income	20,667	11,300
Distribution costs	(9,000)	(8,700)
Administrative expenses	(20,000)	(21,000)
Other expenses	(2,100)	(1,200)
Finance costs	(8,000)	(7,500)
Share of profit of associates[(a)]	35,100	30,100
Profit before tax	161,667	128,000
Income tax expense	(40,417)	(32,000)
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	–	(30,500)
PROFIT FOR THE YEAR	121,250	65,500

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...continued

Examples of statement of profit or loss and other comprehensive income when IAS 39 *Financial Instruments: Recognition and Measurement* is applied
XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)
(in thousands of currency units)

	20X7	20X6
Other comprehensive income:		
Items that will not be reclassified to profit or loss [Refer: paragraph 82A(a)(i)]:		
Gains on property revaluation	933	3,367
Remeasurements of defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates[(b)]	400	(700)
Income tax relating to items that will not be reclassified[(c)]	(166)	(1,000)
	500	3,000
Items that may be reclassified subsequently to profit or loss [Refer: paragraph 82A(a)(ii)]:		
Exchange differences on translating foreign operations[(d)]	5,334	10,667
Available-for-sale financial assets[(d)]	(24,000)	26,667
Cash flow hedges[(d)]	(667)	(4,000)
Income tax relating to items that may be reclassified[(c)]	4,833	(8,334)
	(14,500)	25,000
Other comprehensive income for the year, net of tax	(14,000)	28,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,250	93,500
Profit attributable to:		
Owners of the parent	97,000	52,400
Non-controlling interests	24,250	13,100
	121,250	65,500
Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Non-controlling interests	21,450	18,700
	107,250	93,500
Earnings per share (in currency units):		
Basic and diluted	0.46	0.30

continued...

...continued

Examples of statement of profit or loss and other comprehensive income when IAS 39 *Financial Instruments: Recognition and Measurement* is applied
XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)
(in thousands of currency units)

	20X7	**20X6**
Alternatively, items of other comprehensive income could be presented in the statement of profit or loss and other comprehensive income net of tax.		
Other comprehensive income for the year, after tax:	**20X7**	**20X6**
Items that will not be reclassified to profit or loss:		
Gains on property revaluation	600	2,700
Remeasurements of defined benefit pension plans	(500)	1,000
Share of other comprehensive income of associates	400	(700)
	500	3,000
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	4,000	8,000
Investments in equity instruments	(18,000)	20,000
Cash flow hedges	(500)	(3,000)
	(14,500)	25,000
Other comprehensive income for the year, net of tax[(c)]	(14,000)	28,000

(a) This means the share of associates' profit attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates.
(b) This means the share of associates' other comprehensive income attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates. In this example, the other comprehensive income of associates consists only of items that will not be subsequently reclassified to profit or loss. **[Refer: paragraph 82A(b)(i)]** Entities whose associates' other comprehensive income includes items that may be subsequently reclassified to profit or loss are required by paragraph 82A(b) to present that amount in a separate line.
(c) The income tax relating to each item of other comprehensive income is disclosed in the notes.
(d) This illustrates the aggregated presentation, with disclosure of the current year gain or loss and reclassification adjustment presented in the notes. Alternatively, a gross presentation can be used.

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XYZ Group – Statement of profit or loss for the year ended 31 December 20X7 (illustrating the presentation of profit or loss and other comprehensive income in two statements and the classification of expenses within profit or loss by nature) (in thousands of currency units)

	20X7	20X6
Revenue	390,000	355,000
Other income	20,667	11,300
Changes in inventories of finished goods and work in progress	(115,100)	(107,900)
Work performed by the entity and capitalised	16,000	15,000
Raw material and consumables used	(96,000)	(92,000)
Employee benefits expense	(45,000)	(43,000)
Depreciation and amortisation expense	(19,000)	(17,000)
Impairment of property, plant and equipment	(4,000)	–
Other expenses	(6,000)	(5,500)
Finance costs	(15,000)	(18,000)
Share of profit of associates[(a)]	35,100	30,100
Profit before tax	161,667	128,000
Income tax expense	(40,417)	(32,000)
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	–	(30,500)
PROFIT FOR THE YEAR	121,250	65,500
Profit attributable to:		
Owners of the parent	97,000	52,400
Non-controlling interests	24,250	13,100
	121,250	65,500
Earnings per share (in currency units):		
Basic and diluted	0.46	0.30

(a) This means the share of associates' profit attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates.

XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in two statements)
(in thousands of currency units)

	20X7	20X6
Profit for the year	121,250	65,500
Other comprehensive income:		
Items that will not be reclassified to profit or loss [Refer: paragraph 82A(a)(i)]:		
Gains on property revaluation	933	3,367
Remeasurements of defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates[(a)]	400	(700)
Income tax relating to items that will not be reclassified[(b)]	(166)	(1,000)
	500	3,000
Items that may be reclassified subsequently to profit or loss [Refer: paragraph 82A(a)(ii)]:		
Exchange differences on translating foreign operations	5,334	10,667
Investments in equity instruments	(24,000)	26,667
Cash flow hedges	(667)	(4,000)
Income tax relating to items that may be reclassified[(b)]	4,833	(8,334)
	(14,500)	25,000
Other comprehensive income for the year, net of tax	(14,000)	28,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,250	93,500
Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Non-controlling interests	21,450	18,700
	107,250	93,500

Alternatively, items of other comprehensive income could be presented, net of tax. Refer to the statement of profit or loss and other comprehensive income illustrating the presentation of income and expenses in one statement.

(a) This means the share of associates' other comprehensive income attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates. In this example, the other comprehensive income of associates consists only of items that will not be subsequently reclassified to profit or loss. **[Refer: paragraph 82A(b)(i)]** Entities whose associates' other comprehensive income includes items that may be subsequently reclassified to profit or loss are required by paragraph 82A(b) to present that amount in a separate line.
(b) The income tax relating to each item of other comprehensive income is disclosed in the notes.

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Examples of statement of profit or loss and other comprehensive income when IFRS 9 *Financial Instruments* is applied

XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7

(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)

(in thousands of currency units)

	20X7	**20X6**
Revenue	390,000	355,000
Cost of sales	(245,000)	(230,000)
Gross profit	145,000	125,000
Other income	20,667	11,300
Distribution costs	(9,000)	(8,700)
Administrative expenses	(20,000)	(21,000)
Other expenses	(2,100)	(1,200)
Finance costs	(8,000)	(7,500)
Share of profit of associates[(a)]	35,100	30,100
Profit before tax	161,667	128,000
Income tax expense	(40,417)	(32,000)
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	–	(30,500)
PROFIT FOR THE YEAR	121,250	65,500
Other comprehensive income:		
Items that will not be reclassified to profit or loss [Refer: paragraph 82A(a)(i)]:		
Gains on property revaluation	933	3,367
Investments in equity instruments	(24,000)	26,667
Remeasurements of defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates[(b)]	400	(700)
Income tax relating to items that will not be reclassified[(c)]	5,834	(7,667)
	(17,500)	23,000
Items that may be reclassified subsequently to profit or loss [Refer: paragraph 82A(a)(ii)]:		
Exchange differences on translating foreign operations[(d)]	5,334	10,667
Cash flow hedges[(d)]	(667)	(4,000)
Income tax relating to items that may be reclassified[(c)]	(1,167)	(1,667)
	3,500	5,000
Other comprehensive income for the year, net of tax	(14,000)	28,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,250	93,500

continued...

...continued

Examples of statement of profit or loss and other comprehensive income when IFRS 9 *Financial Instruments* is applied
XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)
(in thousands of currency units)

	20X7	**20X6**
Profit attributable to:		
Owners of the parent	97,000	52,400
Non-controlling interests	24,250	13,100
	121,250	65,500
Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Non-controlling interests	21,450	18,700
	107,250	93,500
Earnings per share (in currency units):		
Basic and diluted	0.46	0.30

Alternatively, items of other comprehensive income could be presented in the statement of profit or loss and other comprehensive income net of tax.

Other comprehensive income for the year, after tax:		
Items that will not be reclassified to profit or loss:		
Gains on property revaluation	600	2,700
Investments in equity instruments	(18,000)	20,000
Remeasurements of defined benefit pension plans	(500)	1,000
Share of other comprehensive income of associates	400	(700)
	(17,500)	23,000

continued...

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...continued

Examples of statement of profit or loss and other comprehensive income when IFRS 9 *Financial Instruments* is applied

XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7

(illustrating the presentation of profit or loss and other comprehensive income in one statement and the classification of expenses within profit or loss by function)

(in thousands of currency units)

	20X7	20X6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	4,000	8,000
Cash flow hedges	(500)	(3,000)
	3,500	5,000
Other comprehensive income for the year, net of tax[(c)]	(14,000)	28,000

(a) This means the share of associates' profit attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates.

(b) This means the share of associates' other comprehensive income attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates. In this example, the other comprehensive income of associates consists only of items that will not be subsequently reclassified to profit or loss. **[Refer: paragraph 82A(b)(i)]** Entities whose associates' other comprehensive income includes items that may be subsequently reclassified to profit or loss are required by paragraph 82A(b) to present that amount in a separate line.

(c) The income tax relating to each item of other comprehensive income is disclosed in the notes.

(d) This illustrates the aggregated presentation, with disclosure of the current year gain or loss and reclassification adjustment presented in the notes. Alternatively, a gross presentation can be used.

XYZ Group – Statement of profit or loss for the year ended 31 December 20X7 (illustrating the presentation of profit or loss and other comprehensive income in two statements and the classification of expenses within profit or loss by nature) (in thousands of currency units)

	20X7	20X6
Revenue	390,000	355,000
Other income	20,667	11,300
Changes in inventories of finished goods and work in progress	(115,100)	(107,900)
Work performed by the entity and capitalised	16,000	15,000
Raw material and consumables used	(96,000)	(92,000)
Employee benefits expense	(45,000)	(43,000)
Depreciation and amortisation expense	(19,000)	(17,000)
Impairment of property, plant and equipment	(4,000)	–
Other expenses	(6,000)	(5,500)
Finance costs	(15,000)	(18,000)
Share of profit of associates[(a)]	35,100	30,100
Profit before tax	161,667	128,000
Income tax expense	(40,417)	(32,000)
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	–	(30,500)
PROFIT FOR THE YEAR	121,250	65,500
Profit attributable to:		
Owners of the parent	97,000	52,400
Non-controlling interests	24,250	13,100
	121,250	65,500
Earnings per share (in currency units):		
Basic and diluted	0.46	0.30

(a) This means the share of associates' profit attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates.

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XYZ Group – Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the presentation of profit or loss and other comprehensive income in two statements)
(in thousands of currency units)

	20X7	20X6
Profit for the year	121,250	65,500
Other comprehensive income:		
Items that will not be reclassified to profit or loss [Refer: paragraph 82A(a)(i)]:		
Gains on property revaluation	933	3,367
Investments in equity instruments	(24,000)	26,667
Remeasurements of defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates[(a)]	400	(700)
Income tax relating to items that will not be reclassified[(b)]	5,834	(7,667)
	(17,500)	23,000
Items that may be reclassified subsequently to profit or loss [Refer: paragraph 82A(a)(ii)]:		
Exchange differences on translating foreign operations	5,334	10,667
Cash flow hedges	(667)	(4,000)
Income tax relating to items that may be reclassified[(b)]	(1,167)	(1,667)
	3,500	5,000
Other comprehensive income for the year, net of tax	(14,000)	28,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,250	93,500
Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Non-controlling interests	21,450	18,700
	107,250	93,500

Alternatively, items of other comprehensive income could be presented, net of tax. Refer to the statement of profit or loss and other comprehensive income illustrating the presentation of income and expenses in one statement.

(a) This means the share of associates' other comprehensive income attributable to owners of the associates, ie it is after tax and non-controlling interests in the associates. In this example, the other comprehensive income of associates consists only of items that will not be subsequently reclassified to profit or loss. **[Refer: paragraph 82A(b)(i)]** Entities whose associates' other comprehensive income includes items that may be subsequently reclassified to profit or loss are required by paragraph 82A(b) to present that amount in a separate line.
(b) The income tax relating to each item of other comprehensive income is disclosed in the notes.

XYZ Group
Disclosure of components of other comprehensive income[a]
Notes
Year ended 31 December 20X7
(in thousands of currency units)

		20X7		**20X6**
Other comprehensive income:				
Exchange differences on translating foreign operations[b]		5,334		10,667
Investments in equity instruments		(24,000)		26,667
Cash flow hedges:				
Gains (losses) arising during the year	(4,667)		(4,000)	
Less: Reclassification adjustments for gains (losses) included in profit or loss	4,000	(667)	–	(4,000)
Gains on property revaluation		933		3,367
Remeasurements of defined benefit pension plans		(667)		1,333
Share of other comprehensive income of associates		400		(700)
Other comprehensive income		(18,667)		37,334
Income tax relating to components of other comprehensive income[c]		4,667		(9,334)
Other comprehensive income for the year		**(14,000)**		**28,000**

(a) When an entity chooses an aggregated presentation in the statement of comprehensive income, the amounts for reclassification adjustments and current year gain or loss are presented in the notes.
(b) There was no disposal of a foreign operation. Therefore, there is no reclassification adjustment for the years presented.
(c) The income tax relating to each component of other comprehensive income is disclosed in the notes.

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XYZ Group
Disclosure of tax effects relating to each component of other comprehensive income
Notes
Year ended 31 December 20X7
(in thousands of currency units)

	20X7			20X6		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Exchange differences on translating foreign operations	5,334	(1,334)	4,000	10,667	(2,667)	8,000
Investments in equity instruments	(24,000)	6,000	(18,000)	26,667	(6,667)	20,000
Cash flow hedges	(667)	167	(500)	(4,000)	1,000	(3,000)
Gains on property revaluation	933	(333)	600	3,367	(667)	2,700
Remeasurements of defined benefit pension plans	(667)	167	(500)	1,333	(333)	1,000
Share of other comprehensive income of associates	400	–	400	(700)	–	(700)
Other comprehensive income	(18,667)	4,667	(14,000)	37,334	(9,334)	28,000

XYZ Group – Statement of changes in equity for the year ended 31 December 20X7
(in thousands of currency units)

	Share capital	Retained earnings	Translation of foreign operations	Investments in equity instruments	Cash flow hedges	Revaluation surplus	Total	Non-controlling interests	Total equity
Balance at 1 January 20X6	600,000	118,100	(4,000)	1,600	2,000	–	717,700	29,800	747,500
Changes in accounting policy	–	400	–	–	–	–	400	100	500
Restated balance	600,000	118,500	(4,000)	1,600	2,000	–	718,100	29,900	748,000
Changes in equity for 20X6									
Dividends	–	(10,000)	–	–	–	–	(10,000)	–	(10,000)
Total comprehensive income for the year[(a)]	–	53,200	6,400	16,000	(2,400)	1,600	74,800	18,700	93,500
Balance at 31 December 20X6	600,000	161,700	2,400	17,600	(400)	1,600	782,900	48,600	831,500

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...continued

XYZ Group – Statement of changes in equity for the year ended 31 December 20X7
(in thousands of currency units)

Changes in equity for 20X7									
Issue of share capital	50,000	–	–	–	–	–	50,000	–	50,000
Dividends	–	(15,000)	–	–	–	–	(15,000)	–	(15,000)
Total comprehensive income for the year[(b)]	–	96,600	3,200	(14,400)	(400)	800	85,800	21,450	107,250
Transfer to retained earnings	–	200	–	–	–	(200)	–	–	–
Balance at 31 December 20X7	650,000	243,500	5,600	3,200	(800)	2,200	903,700	70,050	973,750

(a) The amount included in retained earnings for 20X6 of 53,200 represents profit attributable to owners of the parent of 52,400 plus remeasurements of defined benefit pension plans of 800 (1,333, less tax 333, less non-controlling interests 200).
The amount included in the translation, investments in equity instruments and cash flow hedge reserves represent other comprehensive income for each component, net of tax and non-controlling interests, eg other comprehensive income related to investments in equity instruments for 20X6 of 16,000 is 26,667, less tax 6,667, less non-controlling interests 4,000.
The amount included in the revaluation surplus of 1,600 represents the share of other comprehensive income of associates of (700) plus gains on property revaluation of 2,300 (3,367, less tax 667, less non-controlling interests 400). Other comprehensive income of associates relates solely to gains or losses on property revaluation.

(b) The amount included in retained earnings for 20X7 of 96,600 represents profit attributable to owners of the parent of 97,000 plus remeasurements of defined benefit pension plans of 400 (667, less tax 167, less non-controlling interests 100).
The amount included in the translation, investments in equity instruments and cash flow hedge reserves represents other comprehensive income for each component, net of tax and non-controlling interests, eg other comprehensive income related to the translation of foreign operations for 20X7 of 3,200 is 5,334, less tax 1,334, less non-controlling interests 800.
The amount included in the revaluation surplus of 800 represents the share of other comprehensive income of associates of 400 plus gains on property revaluation of 400 (933, less tax 333, less non-controlling interests 200). Other comprehensive income of associates relates solely to gains or losses on property revaluation.

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IG7–IG9 [Deleted]

Part III: Illustrative examples of capital disclosures (paragraphs 134–136)

An entity that is not a regulated financial institution

IG10 The following example illustrates the application of paragraphs 134 and 135 for an entity that is not a financial institution and is not subject to an externally imposed capital requirement. In this example, the entity monitors capital using a debt-to-adjusted capital ratio. Other entities may use different methods to monitor capital. The example is also relatively simple. An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of paragraphs 134 and 135. In determining the form and content of the disclosure to satisfy those requirements, an entity also considers the disclosure requirements set out in paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*.

Facts

Group A manufactures and sells cars. Group A includes a finance subsidiary that provides finance to customers, primarily in the form of leases. Group A is not subject to any externally imposed capital requirements.

Example disclosure

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (ie share capital, share premium, non-controlling interests, retained earnings, and revaluation surplus) other than amounts accumulated in equity relating to cash flow hedges, and includes some forms of subordinated debt.

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...continued

During 20X4, the Group's strategy, which was unchanged from 20X3, was to maintain the debt-to-adjusted capital ratio at the lower end of the range 6:1 to 7:1, in order to secure access to finance at a reasonable cost by maintaining a BB credit rating. The debt-to-adjusted capital ratios at 31 December 20X4 and at 31 December 20X3 were as follows:

	31 Dec 20X4 CU million	**31 Dec 20X3 CU million**
Total debt	1,000	1,100
Less: cash and cash equivalents	(90)	(150)
Net debt	910	950
Total equity	110	105
Add: subordinated debt instruments	38	38
Less: amounts accumulated in equity relating to cash flow hedges	(10)	(5)
Adjusted capital	138	138
Debt-to-adjusted capital ratio	6.6	6.9

The decrease in the debt-to-adjusted capital ratio during 20X4 resulted primarily from the reduction in net debt that occurred on the sale of subsidiary Z. As a result of this reduction in net debt, improved profitability and lower levels of managed receivables, the dividend payment was increased to CU2.8 million for 20X4 (from CU2.5 million for 20X3).

An entity that has not complied with externally imposed capital requirements

IG11 The following example illustrates the application of paragraph 135(e) when an entity has not complied with externally imposed capital requirements during the period. Other disclosures would be provided to comply with the other requirements of paragraphs 134 and 135.

Facts

Entity A provides financial services to its customers and is subject to capital requirements imposed by Regulator B. During the year ended 31 December 20X7, Entity A did not comply with the capital requirements imposed by Regulator B. In its financial statements for the year ended 31 December 20X7, Entity A provides the following disclosure relating to its non-compliance.

continued...

...continued

Example disclosure

Entity A filed its quarterly regulatory capital return for 30 September 20X7 on 20 October 20X7. At that date, Entity A's regulatory capital was below the capital requirement imposed by Regulator B by CU1 million. As a result, Entity A was required to submit a plan to the regulator indicating how it would increase its regulatory capital to the amount required. Entity A submitted a plan that entailed selling part of its unquoted equities portfolio with a carrying amount of CU11.5 million in the fourth quarter of 20X7. In the fourth quarter of 20X7, Entity A sold its fixed interest investment portfolio for CU12.6 million and met its regulatory capital requirement.

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Appendix
Amendments to guidance on other IFRSs

The following amendments to guidance on other IFRSs are necessary in order to ensure consistency with the revised IAS 1. In the amended paragraphs, new text is underlined and deleted text is struck through.

* * * * *

The amendments contained in this appendix when IAS 1 was revised in 2007 have been incorporated into the guidance on the relevant IFRSs, published in this volume.

Table of Concordance

This table shows how the contents of IAS 1 (revised 2003 and amended in 2005) and IAS 1 (as revised in 2007) correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the guidance may differ.

Superseded IAS 1 paragraph	IAS 1 (revised 2007) paragraph
1	1, 3
2	2
3	4, 7
4	None
5	5
6	6
7	9
8	10
9, 10	13, 14
11	7
12	7
None	8
None	11, 12
13–22	15–24
23, 24	25, 26
25, 26	27, 28
27, 28	45, 46
29–31	29–31
32–35	32–35
36	38
None	39
37–41	40–44
42, 43	47, 48
44–48	49–53
49, 50	36, 37
51–67	60–76
68	54

continued...

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...continued

Superseded IAS 1 paragraph	IAS 1 (revised 2007) paragraph
68A	54
69–73	55–59
74–77	77–80
None	81
78	88
79	89
80	89
81	82
82	83
None	84
83–85	85–87
None	90–96
86–94	97–105
95	107
None	108
96, 97	106, 107
98	109
101	None
102	111
103–107	112–116
108–115	117–124
116–124	125–133
124A–124C	134–136
125, 126	137, 138
127	139
127A	None
127B	None
128	140
IG1	IG1
None	IG2

continued...

...continued

Superseded IAS 1 paragraph	IAS 1 (revised 2007) paragraph
IG2	IG3
None	IG4
IG3, IG4	IG5, IG6
None	IG7
None	IG8
None	IG9
IG5, IG6	IG10, IG11

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IASB documents published to accompany

IAS 1

Presentation of Financial Statements

The text of the unaccompanied standard, IAS 1, is contained in Part A of this edition. Its effective date when issued was 1 January 2009. The text of the Accompanying Guidance on IAS 1 is contained in Part B of this edition. This part presents the following documents:

BASIS FOR CONCLUSIONS

APPENDIX TO THE BASIS FOR CONCLUSIONS
Amendments to the Basis for Conclusions on other IFRSs

DISSENTING OPINIONS

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Amendments to IAS 32 and IAS 1—*Puttable Financial Instruments and Obligations Arising on Liquidation* (2008)	**BC6A**
***Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)**	**BC6B**
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Comparative information	**BC31**
Reporting owner and non-owner changes in equity	**BC37**
STATEMENT OF FINANCIAL POSITION	**BC38A**
Information to be presented in the statement of financial position (paragraphs 54–55A)	**BC38A**
Current assets and current liabilities (paragraphs 68 and 71)	**BC38H**
Classification of the liability component of a convertible instrument (paragraph 69)	**BC38L**
Effect of events after the reporting period on the classification of liabilities (paragraphs 69–76)	**BC39**
STATEMENT OF COMPREHENSIVE INCOME	**BC49**
Reporting comprehensive income (paragraph 81)	**BC49**
Results of operating activities	**BC55**
Subtotal for profit or loss (paragraph 82)	**BC57**
Information to be presented in the profit or loss section or the statement of profit or loss (paragraphs 85–85B)	**BC58A**
Minority interest (paragraph 83)	**BC59**
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Other comprehensive income—related tax effects (paragraphs 90 and 91)	**BC65**
Reclassification adjustments (paragraphs 92–96)	**BC69**
STATEMENT OF CHANGES IN EQUITY	**BC74**
Effects of retrospective application or retrospective restatement (paragraph 106(b))	**BC74**

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Reconciliation for each component of other comprehensive income (paragraphs 106(d)(ii) and 106A) **BC74A**

Presentation of dividends (paragraph 107) **BC75**

STATEMENT OF CASH FLOWS **BC76**

IAS 7 *Cash Flow Statements* (paragraph 111) **BC76**

NOTES **BC76A**

Structure (paragraphs 112–116) **BC76A**

Disclosure of accounting policies (paragraphs 117–121) **BC76F**

Disclosure of the judgements that management has made in the process of applying the entity's accounting policies (paragraphs 122–124) **BC77**

Disclosure of major sources of estimation uncertainty (paragraphs 125–133) **BC79**

Disclosures about capital (paragraphs 134 and 135) **BC85**

Objectives, policies and processes for managing capital (paragraph 136) **BC90**

Externally imposed capital requirements (paragraph 136) **BC92**

Internal capital targets **BC98**

Puttable financial instruments and obligations arising on liquidation **BC100A**

Presentation of measures per share **BC101**

TRANSITION AND EFFECTIVE DATE **BC105**

***Disclosure Initiative* (Amendments to IAS 1)** **BC105C**

DIFFERENCES FROM SFAS 130 **BC106**

APPENDIX
Amendments to the Basis for Conclusions on other IFRSs

DISSENTING OPINIONS

Basis for Conclusions on IAS 1 *Presentation of Financial Statements*

This Basis for Conclusions accompanies, but is not part of, IAS 1.

The International Accounting Standards Board revised IAS 1 Presentation of Financial Statements *in 2007 as part of its project on financial statement presentation. It was not the Board's intention to reconsider as part of that project all the requirements in IAS 1.*

For convenience, the Board has incorporated into this Basis for Conclusions relevant material from the Basis for Conclusions on the revision of IAS 1 in 2003 and its amendment in 2005. Paragraphs have been renumbered and reorganised as necessary to reflect the new structure of the Standard.

Introduction

BC1 The International Accounting Standards Committee (IASC) issued the first version of IAS 1 *Disclosure of Accounting Policies* in 1975. It was reformatted in 1994 and superseded in 1997 by IAS 1 *Presentation of Financial Statements*.[1] In 2003 the International Accounting Standards Board revised IAS 1 as part of the Improvements project and in 2005 the Board amended it as a consequence of issuing IFRS 7 *Financial Instruments: Disclosures*. In 2007 the Board revised IAS 1 again as part of its project on financial statement presentation. This Basis for Conclusions summarises the Board's considerations in reaching its conclusions on revising IAS 1 in 2003, on amending it in 2005 and revising it in 2007. It includes reasons for accepting some approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

The Improvements project—revision of IAS 1 (2003)

BC2 In July 2001 the Board announced that, as part of its initial agenda of technical projects, it would undertake a project to improve a number of standards, including IAS 1. The project was undertaken in the light of queries and criticisms raised in relation to the standards by securities regulators, professional accountants and other interested parties. The objectives of the Improvements project were to reduce or eliminate alternatives, redundancies and conflicts within standards, to deal with some convergence issues and to make other improvements. The Board's intention was not to reconsider the fundamental approach to the presentation of financial statements established by IAS 1 in 1997.

BC3 In May 2002 the Board published an exposure draft of proposed *Improvements to International Accounting Standards*, which contained proposals to revise IAS 1. The Board received more than 160 comment letters. After considering the responses the Board issued in 2003 a revised version of IAS 1. In its revision the Board's main objectives were:

(a) to provide a framework within which an entity assesses how to present fairly the effects of transactions and other events, and assesses whether the result of complying with a requirement in an IFRS would be so misleading that it would not give a fair presentation;

1 IASC did not publish a Basis for Conclusions.

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(b) to base the criteria for classifying liabilities as current or non-current solely on the conditions existing at the balance sheet date;

(c) to prohibit the presentation of items of income and expense as 'extraordinary items';

(d) to specify disclosures about the judgements that management has made in the process of applying the entity's accounting policies, apart from those involving estimations, and that have the most significant effect on the amounts recognised in the financial statements; and

(e) to specify disclosures about sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

BC4 The following sections summarise the Board's considerations in reaching its conclusions as part of its Improvements project in 2003:

(a) departures from IFRSs (paragraphs BC23–BC30)

(b) criterion for exemption from requirements (paragraphs BC34–BC36)

(c) effect of events after the reporting period on the classification of liabilities (paragraphs BC39–BC48)

(d) results of operating activities (paragraphs BC55 and BC56)

(e) minority interest (paragraph BC59)[2]

(f) extraordinary items (paragraphs BC60–BC64)

(g) disclosure of the judgements management has made in the process of applying the entity's accounting policies (paragraphs BC77 and BC78)

(h) disclosure of major sources of estimation uncertainty (paragraphs BC79–BC84).

Amendment to IAS 1—*Capital Disclosures* (2005)

BC5 In August 2005 the Board issued an Amendment to IAS 1—*Capital Disclosures*. The amendment added to IAS 1 requirements for disclosure of:

(a) the entity's objectives, policies and processes for managing capital.

(b) quantitative data about what the entity regards as capital.

(c) whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance.

BC6 The following sections summarise the Board's considerations in reaching its conclusions as part of its amendment to IAS 1 in 2005:

(a) disclosures about capital (paragraphs BC85–BC89)

2 In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

(b) objectives, policies and processes for managing capital (paragraphs BC90 and BC91)

(c) externally imposed capital requirements (paragraphs BC92–BC97)

(d) internal capital targets (paragraphs BC98–BC100).

Amendments to IAS 32 and IAS 1—*Puttable Financial Instruments and Obligations Arising on Liquidation* (2008)

BC6A In July 2006 the Board published an exposure draft of proposed amendments to IAS 32 and IAS 1 relating to the classification of puttable instruments and instruments with obligations arising only on liquidation. The Board subsequently confirmed the proposals and in February 2008 issued an amendment that now forms part of IAS 1.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

BC6B In May 2010 the Board published an exposure draft of proposed amendments to IAS 1 relating to the presentation of items of other comprehensive income (OCI). The Board subsequently modified and confirmed the proposals and in June 2011 issued *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1). The amendments were developed in a joint project with the US national standard-setter, the Financial Accounting Standards Board (FASB), with the aim of aligning the presentation of OCI so that information in financial statements prepared by entities using IFRSs and entities using US generally accepted accounting principles (GAAP) can be more easily compared.

Financial statement presentation—Joint project

BC7 In September 2001 the Board added to its agenda the performance reporting project (in March 2006 renamed the 'financial statement presentation project'). The objective of the project was to enhance the usefulness of information presented in the income statement. The Board developed a possible new model for reporting income and expenses and conducted preliminary testing. Similarly, in the United States, the Financial Accounting Standards Board (FASB) added a project on performance reporting to its agenda in October 2001, developed its model and conducted preliminary testing. Constituents raised concerns about both models and about the fact that they were different.

BC8 In April 2004 the Board and the FASB decided to work on financial statement presentation as a joint project. They agreed that the project should address presentation and display not only in the income statement, but also in the other statements that, together with the income statement, would constitute a complete set of financial statements—the balance sheet, the statement of changes in equity, and the cash flow statement. The Board decided to approach the project in two phases. Phase A would address the statements that constitute a complete set of financial statements and the periods for which they are required to be presented. Phase B would be undertaken jointly with the FASB and would address more fundamental issues relating to presentation and display of information in the financial statements, including:

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(a) consistent principles for aggregating information in each financial statement.

(b) the totals and subtotals that should be reported in each financial statement.

(c) whether components of other comprehensive income should be reclassified to profit or loss and, if so, the characteristics of the transactions and events that should be reclassified and when reclassification should be made.

(d) whether the direct or the indirect method of presenting operating cash flows provides more useful information.

BC9 In March 2006, as a result of its work in phase A, the Board published an exposure draft of proposed amendments to IAS 1—*A Revised Presentation*. The Board received more than 130 comment letters. The exposure draft proposed amendments that affected the presentation of owner changes in equity and the presentation of comprehensive income, but did not propose to change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. It also proposed to bring IAS 1 largely into line with the US standard—SFAS 130 *Reporting Comprehensive Income*. After considering the responses to the exposure draft the Board issued a revised version of IAS 1. The FASB decided to consider phases A and B issues together, and therefore did not publish an exposure draft on phase A.
[For differences from SFAS 130 refer to paragraph BC106 of the Basis for Conclusions]

BC10 The following sections summarise the Board's considerations in reaching its conclusions as part of its revision in 2007:

(a) general purpose financial statements (paragraphs BC11–BC13)

(b) titles of financial statements (paragraphs BC14–BC21)

(c) equal prominence (paragraph BC22)

(d) a statement of financial position as at the beginning of the earliest comparative period (paragraphs BC31 and BC32)

(e) IAS 34 *Interim Financial Reporting* (paragraph BC33)

(f) reporting owner and non-owner changes in equity (paragraphs BC37 and BC38)

(g) reporting comprehensive income (paragraphs BC49–BC54)

(h) subtotal for profit or loss (paragraphs BC57 and BC58)

(i) other comprehensive income-related tax effects (paragraphs BC65–BC68)

(j) reclassification adjustments (paragraphs BC69–BC73)

(k) effects of retrospective application or retrospective restatement (paragraph BC74)

(l) presentation of dividends (paragraph BC75)

(m) IAS 7 *Cash Flow Statements* (paragraph BC76)

(n) presentation of measures per share (paragraphs BC101–BC104)

(o) effective date and transition (paragraph BC105)

(p) differences from SFAS 130 (paragraph BC106).

Definitions

General purpose financial statements (paragraph 7)

BC11 The exposure draft of 2006 proposed a change to the explanatory paragraph of what 'general purpose financial statements' include, in order to produce a more generic definition of a set of financial statements. Paragraph 7 of the exposure draft stated:

> General purpose financial statements include those that are presented separately or within other *public* documents such as a *regulatory filing* or report to shareholders. [emphasis added]

BC12 Respondents expressed concern about the proposed change. They argued that it could be understood as defining as general purpose financial statements any financial statement or set of financial statements filed with a regulator and could capture documents other than annual reports and prospectuses. They saw this change as expanding the scope of IAS 1 to documents that previously would not have contained all of the disclosures required by IAS 1. Respondents pointed out that the change would particularly affect some entities (such as small private companies and subsidiaries of public companies with no external users of financial reports) that are required by law to place their financial statements on a public file.

BC13 The Board acknowledged that in some countries the law requires entities, whether public or private, to report to regulatory authorities and include information in those reports that could be beyond the scope of IAS 1. Because the Board did not intend to extend the definition of general purpose financial statements, it decided to eliminate the explanatory paragraph of what 'general purpose financial statements' include, while retaining the definition of 'general purpose financial statements'.

Financial statements

Complete set of financial statements

Titles of financial statements (paragraph 10)

BC14 The exposure draft of 2006 proposed changes to the titles of some of the financial statements—from 'balance sheet' to 'statement of financial position', from 'income statement' to 'statement of profit or loss' and from 'cash flow statement' to 'statement of cash flows'. In addition, the exposure draft proposed a 'statement of recognised income and expense' and that all owner changes in equity should be included in a 'statement of changes in equity'. The Board did not propose to make any of these changes of nomenclature mandatory.

BC15 Many respondents opposed the proposed changes, pointing out that the existing titles had a long tradition and were well understood. However, the Board

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reaffirmed its view that the proposed new titles better reflect the function of each financial statement, and pointed out that an entity could choose to use other titles in its financial report.

BC16 The Board reaffirmed its conclusion that the title 'statement of financial position' not only better reflects the function of the statement but is consistent with the *Framework for the Preparation and Presentation of Financial Statements*, which contains several references to 'financial position'. Paragraph 12 of the *Framework*[3] states that the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity; paragraph 19 of the *Framework* states that information about financial position is primarily provided in a balance sheet. In the Board's view, the title 'balance sheet' simply reflects that double entry bookkeeping requires debits to equal credits. It does not identify the content or purpose of the statement. The Board also noted that 'financial position' is a well-known and accepted term, as it has been used in auditors' opinions internationally for more than 20 years to describe what the 'balance sheet' presents. The Board decided that aligning the statement's title with its content and the opinion rendered by the auditor would help the users of financial statements.

BC17 As to the other statements, respondents suggested that renaming the balance sheet the 'statement of financial position' implied that the 'cash flow statement' and the 'statement of recognised income and expense' do not also reflect an entity's financial position. The Board observed that although the latter statements reflect changes in an entity's financial position, neither can be called a 'statement of changes in financial position', as this would not depict their true function and objective (ie to present cash flows and performance, respectively). The Board acknowledged that the titles 'income statement' and 'statement of profit or loss' are similar in meaning and could be used interchangeably, and decided to retain the title 'income statement' as this is more commonly used.

BC18 The title of the proposed new statement, the 'statement of recognised income and expense', reflects a broader content than the former 'income statement'. The statement encompasses both income and expenses recognised in profit or loss and income and expenses recognised outside profit or loss.

BC19 Many respondents opposed the title 'statement of recognised income and expense', objecting particularly to the use of the term 'recognised'. The Board acknowledged that the term 'recognised' could also be used to describe the content of other primary statements as 'recognition', explained in paragraph 82 of the *Framework*, is 'the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition set out in paragraph 83.' Many respondents suggested the term 'statement of comprehensive income' instead.

BC20 In response to respondents' concerns and to converge with SFAS 130, the Board decided to rename the new statement a 'statement of comprehensive income'. The term 'comprehensive income' is not defined in the *Framework* but is used in

3 References to the *Framework* are to IASC's *Framework for the Preparation and Presentation of Financial Statements*, adopted by the IASB in 2001. In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

IAS 1 to describe the change in equity of an entity during a period from transactions, events and circumstances other than those resulting from transactions with owners in their capacity as owners. Although the term 'comprehensive income' is used to describe the aggregate of all components of comprehensive income, including profit or loss, the term 'other comprehensive income' refers to income and expenses that under IFRSs are included in comprehensive income but excluded from profit or loss.

BC20A In May 2010 the Board published the exposure draft *Presentation of Items of Other Comprehensive Income* (proposed amendments to IAS 1) relating to the presentation of items of other comprehensive income (OCI). One of the proposals in the exposure draft related to the title of the statement containing profit or loss and other comprehensive income. The Board proposed this change so that it would be clear that the statement had two components: profit or loss and other comprehensive income. A majority of the respondents to the exposure draft supported the change and therefore the Board confirmed the proposal in June 2011. IAS 1 allows preparers to use other titles for the statement that reflect the nature of their activities.

[Refer: paragraphs 10 and 10A]

BC20B Several other IFRSs refer to the 'statement of comprehensive income'. The Board considered whether it should change all such references to 'statement of profit or loss and other comprehensive income'. The Board noted that the terminology used in IAS 1 is not mandatory and that 'statement of comprehensive income' is one of the examples used in the standard. The Board decided that there was little benefit in replacing the title 'statement of comprehensive income' in other IFRSs or 'income statement' with the 'statement of profit or loss'. However, the Board did change the terminology when an IFRS made reference to the two-statement option.

BC21 In finalising its revision, the Board confirmed that the titles of financial statements used in this Standard would not be mandatory. The titles will be used in future IFRSs but are not required to be used by entities in their financial statements. Some respondents to the exposure draft expressed concern that non-mandatory titles will result in confusion. However, the Board believes that making use of the titles non-mandatory will allow time for entities to implement changes gradually as the new titles become more familiar.

Equal prominence (paragraphs 11 and 12)

BC22 The Board noted that the financial performance of an entity is not assessed by reference to a single financial statement or a single measure within a financial statement. The Board believes that the financial performance of an entity can be assessed only after all aspects of the financial statements are taken into account and understood in their entirety. Accordingly, the Board decided that in order to help users of the financial statements to understand the financial performance of an entity comprehensively, all financial statements within the complete set of financial statements should be presented with equal prominence.

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Departures from IFRSs (paragraphs 19–24)

BC23 IAS 1 (as issued in 1997) permitted an entity to depart from a requirement in a Standard 'in the extremely rare circumstances when management concludes that compliance with a requirement in a Standard would be misleading, and therefore that departure from a requirement is necessary to achieve a fair presentation' (paragraph 17, now paragraph 19). When such a departure occurred, paragraph 18 (now paragraph 20) required extensive disclosure of the facts and circumstances surrounding the departure and the treatment adopted.

BC24 The Board decided to clarify in paragraph 15 of the Standard that for financial statements to present fairly the financial position, financial performance and cash flows of an entity, they must represent faithfully the effects of transactions and other events in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Framework*.

BC25 The Board decided to limit the occasions on which an entity should depart from a requirement in an IFRS to the extremely rare circumstances in which management concludes that compliance with the requirement would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*. Guidance on this criterion states that an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events or conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements.

BC26 These amendments provide a framework within which an entity assesses how to present fairly the effects of transactions, other events and conditions, and whether the result of complying with a requirement in an IFRS would be so misleading that it would not give a fair presentation.

BC27 The Board considered whether IAS 1 should be silent on departures from IFRSs. The Board decided against making that change, because it would remove the Board's capability to specify the criteria under which departures from IFRSs should occur.

BC28 Departing from a requirement in an IFRS when considered necessary to achieve a fair presentation would conflict with the regulatory framework in some jurisdictions. The revised IAS 1 takes into account the existence of different regulatory requirements. It requires that when an entity's circumstances satisfy the criterion described in paragraph BC25 for departure from a requirement in an IFRS, the entity should proceed as follows:

(a) When the relevant regulatory framework requires—or otherwise does not prohibit—a departure from the requirement, the entity should make that departure and the disclosures set out in paragraph 20.

(b) When the relevant regulatory framework prohibits departure from the requirement, the entity should, to the maximum extent possible, reduce the perceived misleading aspects of compliance by making the disclosures set out in paragraph 23.

This amendment enables entities to comply with the requirements of IAS 1 when the relevant regulatory framework prohibits departures from accounting standards, while retaining the principle that entities should, to the maximum extent possible, ensure that financial statements provide a fair presentation.

BC29 After considering the comments received on the exposure draft of 2002, the Board added to IAS 1 a requirement in paragraph 21 to disclose the effect of a departure from a requirement of an IFRS in a prior period on the current period's financial statements. Without this disclosure, users of the entity's financial statements could be unaware of the continuing effects of prior period departures.

BC30 In view of the strict criteria for departure from a requirement in an IFRS, IAS 1 includes a rebuttable presumption that if other entities in similar circumstances comply with the requirement, the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.

Materiality and aggregation (paragraphs 29–31)

BC30A The Board was informed at the Discussion Forum *Financial Reporting Disclosure* in January 2013, in its related survey and by other sources, that there are difficulties applying the concept of materiality in practice. Some are of the view that these difficulties contribute to a disclosure problem, namely, that there is both too much irrelevant information and not enough relevant information in financial statements. A number of factors have been identified for why materiality may not be applied well in practice. One of these is that the guidance on materiality in IFRS is not clear.

BC30B Some think that the statement in IAS 1 that an entity need not provide a specific disclosure if the information is not material means that an entity does not need to present an item in the statement(s) of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity, but must instead disclose it in the notes. However, the Board noted that the concept of materiality is applicable to financial statements, which include the notes, and not only to those statements.

BC30C Some are of the view that when IFRS states that a specific disclosure is required, the concept of materiality does not apply to those disclosure requirements, ie disclosures specifically identified in IFRS are required irrespective of whether they result in material information. In addition, some people think that when a line item is presented, or a material item is otherwise recognised, in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, all the disclosures in IFRS specified for that item must be disclosed. The Board observed that paragraph 31 of IAS 1 is clear that the concept of materiality applies to specific disclosures required by an IFRS and therefore an entity does not have to disclose information required by an IFRS if that information would not be material.

BC30D The Board understands that these misconceptions may have arisen because of the wording that is used when specifying presentation or disclosure requirements in IFRS; for example, the use of the words 'as a minimum'. For this reason, the Board removed the phrase 'as a minimum' in paragraph 54 of

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IAS 1, which lists line items for presentation in the statement of financial position. This also makes the requirement broadly consistent with the corresponding requirement in paragraph 82 of IAS 1 for the profit or loss section of the statement of comprehensive income or the statement of profit or loss.

BC30E On the basis of its observations and conclusions set out in paragraphs BC30A–BC30D, the Board added a new paragraph, paragraph 30A, and amended paragraph 31 of IAS 1.

BC30F Paragraph 30A was added to IAS 1 to highlight that when an entity decides how it aggregates information in the financial statements, it should take into consideration all relevant facts and circumstances. Paragraph 30A emphasises that an entity should not reduce the understandability of its financial statements by providing immaterial information that obscures the material information in financial statements or by aggregating material items that have different natures or functions. Obscuring material information with immaterial information in financial statements makes the material information less visible and therefore makes the financial statements less understandable. The amendments do not actually prohibit entities from disclosing immaterial information, because the Board thinks that such a requirement would not be operational; however, the amendments emphasise that disclosure should not result in material information being obscured.

BC30G The Exposure Draft *Disclosure Initiative* (Proposed amendments to IAS 1) (the 'March 2014 Exposure Draft'), which was published in March 2014, also proposed that an entity should not 'disaggregate' information in a manner that obscures useful information. Disaggregation is often used to describe the process of expanding totals, subtotals and line items into further items that themselves may reflect the aggregated results of transactions or other events. Because the process of expanding totals, subtotals and line items is more likely to increase the transparency of information rather than obscuring it, the Board decided not to include the term disaggregation in paragraph 30A of IAS 1. In addition, the Board was of the view that items resulting from the process of disaggregation that themselves reflect the aggregated results of transactions would be covered by paragraphs 29–31 of IAS 1.

BC30H The Board amended paragraph 31 of IAS 1 to highlight that materiality also applies to disclosures specifically required by IFRS. In addition, to highlight that materiality not only involves decisions about excluding information from the financial statements, the Board amended paragraph 31 to reiterate the notion already stated in paragraph 17(c) of IAS 1 that materiality also involves decisions about whether to include additional information in the financial statements. Consequently, an entity should make additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

BC30I The Board noted that the definition of 'material' in paragraph 7 of IAS 1 discusses omissions or misstatements of items being material if they could individually or collectively influence economic decisions. The Board considered making amendments to paragraph 31 of IAS 1 to say that an entity need not provide a specific disclosure if the information provided by that disclosure is not

material, either individually or collectively. However, the Board decided not to make that change since the definition of material already incorporates the notions of individual and collective assessment and, therefore, reference to the term material in paragraph 31 is sufficient to incorporate this concept.

BC30J In the March 2014 Exposure Draft the Board proposed to use the term 'present' to refer to line items, subtotals and totals on the statement(s) of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity, and the term 'disclose' to mean information in the notes. However, respondents to the March 2014 Exposure Draft did not support the distinction between present and disclose because they considered that the terminology has not been used consistently throughout IAS 1 and that any changes in how these terms are used should be done as part of a comprehensive review of IAS 1. Because of this, and because making such comprehensive changes to IAS 1 would be outside the scope of these amendments, the Board did not finalise the proposed changes regarding use of the terms present and disclose.

Comparative information

A statement of financial position as at the beginning of the earliest comparative period (paragraph 39)

BC31 The exposure draft of 2006 proposed that a statement of financial position as at the beginning of the earliest comparative period should be presented as part of a complete set of financial statements. This statement would provide a basis for investors and creditors to evaluate information about the entity's performance during the period. However, many respondents expressed concern that the requirement would unnecessarily increase disclosures in financial statements, or would be impracticable, excessive and costly.

BC32 By adding a statement of financial position as at the beginning of the earliest comparative period, the exposure draft proposed that an entity should present three statements of financial position and two of each of the other statements. Considering that financial statements from prior years are readily available for financial analysis, the Board decided to require only two statements of financial position, except when the financial statements have been affected by retrospective application or retrospective restatement, as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, or when a reclassification has been made. In those circumstances three statements of financial position are required.

Clarification of requirements for comparative information

BC32A In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the requirements for providing comparative information for:

(a) the comparative requirements for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and

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(b) the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements.

Opening statement of financial position

BC32B In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the appropriate date for the opening statement of financial position. The Board decided to amend the current requirements in IAS 1 that relate to the presentation of a statement of financial position for the beginning of the earliest comparative period presented in cases of changes in accounting policies, retrospective restatements or reclassifications to clarify that the appropriate date for the opening statement of financial position is the beginning of the preceding period.
[Refer: paragraph 38]

BC32C The Board also decided to change the previous requirements so that related notes to this opening statement of financial position are no longer required to be presented. The Board's decision to give this relief was based on the fact that circumstances in which an entity changes an accounting policy, or makes a retrospective restatement or a reclassification in accordance with IAS 8, are considered narrow, specific and limited. However, the circumstances in which an entity chooses to provide additional financial statements (ie on a voluntary basis) can be viewed as more generic and may arise for different reasons. Accordingly, this relief is not available when additional financial statements are provided on a voluntary basis.
[Refer: paragraph 40C]

BC32D The Board added the guidance in paragraph 40A(a) to clarify when an opening statement of financial position provides useful information and, should therefore be required. Paragraph 40A(b) is a reminder that the concept of materiality should be considered in applying the guidance in paragraph 40A(a). The Board noted that the entity would still be required to disclose the information required by IAS 8 for changes in accounting policies and retrospective restatements.
[Refer: paragraph 40A]

Comparative information beyond minimum requirements

BC32E In *Annual Improvements 2009–2011 Cycle* (issued in May 2012) the Board addressed a request to clarify the requirements for providing comparative information. Specifically, the Board was asked to consider whether an entity should be required to present a complete set of financial statements when it provides financial statements beyond the minimum comparative information requirements (ie additional comparative information). In response to this request, the Board decided to clarify that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements. The Board also noted that additional comparative information might include:

(a) information that is presented voluntarily, beyond the information that is included within a complete set of financial statements; or

(b) comparative information that is required by law or other regulations but that is not required by IFRSs.

[Refer: paragraph 38C]

BC32F The Board also decided to amend paragraphs 38–41 of IAS 1 to clarify that, when additional comparative information (that is not required by IFRSs) is provided by an entity, this information should be presented in accordance with IFRSs and the entity should present comparative information in the related notes for that additional information. The Board determined that requiring full notes for additional information in accordance with paragraph 38C is necessary to ensure that the additional information that the entity provides is balanced and results in financial statements that achieve a fair presentation.

[Refer: paragraph 38C]

BC32G In the light of the concerns raised by interested parties, the Board decided that the amendments should be introduced through the Annual Improvements process instead of through the Financial Statement Presentation project, so that the changes could be made more quickly.

IAS 34 *Interim Financial Reporting*

BC33 The Board decided not to reflect in paragraph 8 of IAS 34 (ie the minimum components of an interim financial report) its decision to require the inclusion of a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements. IAS 34 has a year-to-date approach to interim reporting and does not replicate the requirements of IAS 1 in terms of comparative information.

Criterion for exemption from requirements (paragraphs 41–44)

BC34 IAS 1 as issued in 1997 specified that when the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified unless it is impracticable to do so. Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

BC35 The exposure draft of 2002 proposed a different criterion for exemption from particular requirements. For the reclassification of comparative amounts, and its proposed new requirement to disclose key assumptions and other sources of estimation uncertainty at the end of the reporting period (discussed in paragraphs BC79–BC84), the exposure draft proposed that the criterion for exemption should be that applying the requirements would require undue cost or effort.

BC36 In the light of respondents' comments on the exposure draft, the Board decided that an exemption based on management's assessment of undue cost or effort was too subjective to be applied consistently by different entities. Moreover, balancing costs and benefits was a task for the Board when it sets accounting requirements rather than for entities when they apply them. Therefore, the Board retained the 'impracticability' criterion for exemption. This affects the exemptions now set out in paragraphs 41–43 and 131 of IAS 1. Impracticability

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is the only basis on which IFRSs allow specific exemptions from applying particular requirements when the effect of applying them is material.[4]

Reporting owner and non-owner changes in equity

BC37 The exposure draft of 2006 proposed to separate changes in equity of an entity during a period arising from transactions with owners in their capacity as owners (ie all owner changes in equity) from other changes in equity (ie non-owner changes in equity). All owner changes in equity would be presented in the statement of changes in equity, separately from non-owner changes in equity.

BC38 Most respondents welcomed this proposal and saw this change as an improvement of financial reporting, by increasing the transparency of those items recognised in equity that are not reported as part of profit or loss. However, some respondents pointed out that the terms 'owner' and 'non-owner' were not defined in the exposure draft, the *Framework* or elsewhere in IFRSs, although they are extensively used in national accounting standards. They also noted that the terms 'owner' and 'equity holder' were used interchangeably in the exposure draft. The Board decided to adopt the term 'owner' and use it throughout IAS 1 to converge with SFAS 130, which uses the term in the definition of 'comprehensive income'.

Statement of financial position

Information to be presented in the statement of financial position (paragraphs 54–55A)

BC38A Paragraph 54 of IAS 1 lists line items that are required to be presented in the statement of financial position. The Board has been informed that some have interpreted that list as prescriptive and that those line items cannot be disaggregated. There is also a perception by some that IFRS prevents them from presenting subtotals in addition to those specifically required by IFRS.

BC38B Paragraph 55 of IAS 1 requires an entity to present additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position. This highlights that the line items listed for presentation in paragraph 54 of IAS 1 should be disaggregated and that subtotals should be presented, when relevant. Paragraphs 78 and 98 of IAS 1 give examples of potential disaggregations of line items in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

BC38C Consequently, the Board:

(a) removed the wording 'as a minimum' from paragraph 54 of IAS 1 (see paragraph BC30D) to address the possible misconception that this wording prevents entities from aggregating the line items specified in paragraph 54 if those specified line items are immaterial; and

4 In 2006 the IASB issued IFRS 8 *Operating Segments*. As explained in paragraphs BC46 and BC47 of the Basis for Conclusions on IFRS 8, that IFRS includes an exemption from some requirements if the necessary information is not available and the cost to develop it would be excessive.

(b) clarified that the presentation requirements in paragraphs 54–55 may be fulfilled by disaggregating a specified line item.

BC38D The Board noted that there are similar presentation requirements in paragraph 85 of IAS 1 for the statement(s) of profit or loss and other comprehensive income. The Board therefore amended those requirements to make them consistent.

BC38E Some respondents to the proposals suggested that the Board should make clear that the line items listed in paragraph 54 of IAS 1 are required 'when material'. The Board decided not to state that the line items are only required when material, because materiality is generally not referenced specifically in disclosure requirements in IFRS and so including a specific reference in this case could make it less clear that materiality applies to other disclosure requirements.

BC38F The Board understands that some are concerned about the presentation of subtotals, in addition to those specified in IFRS, in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. Those with this concern think that some subtotals can be misleading, for example, because they are given undue prominence. The Board noted that paragraphs 55 and 85 of IAS 1 require the presentation of subtotals when such presentation is relevant to an understanding of the entity's financial position or financial performance.

BC38G The Board therefore included additional requirements in IAS 1 to help entities apply paragraphs 55 and 85. These additional requirements supplement the existing guidance on fair presentation in paragraphs 15 and 17 of IAS 1. They are designed to clarify the factors that should be considered when fairly presenting subtotals in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. Specifically, the subtotal should:

(a) be comprised of line items made up of amounts recognised and measured in accordance with IFRS.

(b) be understandable. It should be clear what line items are included in the subtotal by the way that the subtotal is presented and labelled. For example, if an entity presents a commonly reported subtotal, but excludes items that would normally be considered as part of that subtotal, the label should reflect what has been excluded.

(c) be consistent from period to period. The subtotal should be consistently presented and calculated from period to period (in accordance with paragraph 45 of IAS 1), subject to possible changes in accounting policy or estimates assessed in accordance with IAS 8.

(d) not be displayed with more prominence than those subtotals and totals required in IFRS for either the statement(s) of profit or loss and other comprehensive income or the statement of financial position.

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Current assets and current liabilities (paragraphs 68 and 71)

BC38H As part of its improvements project in 2007, the Board identified inconsistent guidance regarding the current/non-current classification of derivatives. Some might read the guidance included in paragraph 71 as implying that financial liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*[5] are always required to be presented as current.

BC38I The Board expects the criteria set out in paragraph 69 to be used to assess whether a financial liability should be presented as current or non-current. The 'held for trading' category in paragraph 9 of IAS 39[6] is for measurement purposes and includes financial assets and liabilities that may not be held primarily for trading purposes.

BC38J The Board reaffirmed that if a financial liability is held primarily for trading purposes it should be presented as current regardless of its maturity date. However, a financial liability that is not held for trading purposes, such as a derivative that is not a financial guarantee contract or a designated hedging instrument, should be presented as current or non-current on the basis of its settlement date. For example, derivatives that have a maturity of more than twelve months and are expected to be held for more than twelve months after the reporting period should be presented as non-current assets or liabilities.

BC38K Therefore, the Board decided to remove the identified inconsistency by amending the examples of current liabilities in paragraph 71. The Board also amended paragraph 68 in respect of current assets to remove a similar inconsistency.

Classification of the liability component of a convertible instrument (paragraph 69)

BC38L As part of its improvements project in 2007, the Board considered the classification of the liability component of a convertible instrument as current or non-current. Paragraph 69(d) of IAS 1 states that when an entity does not have an unconditional right to defer settlement of a liability for at least twelve months after the reporting period, the liability should be classified as current. According to the *Framework*, conversion of a liability into equity is a form of settlement.

[Refer: *Conceptual Framework* paragraph 4.17(e)]

BC38M The application of these requirements means that if the conversion option can be exercised by the holder at any time, the liability component would be classified as current. This classification would be required even if the entity would not be required to settle unconverted instruments with cash or other assets for more than twelve months after the reporting period.

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5 IFRS 9 *Financial Instruments* replaced IAS 39. IFRS 9 applies to all items that were previously within the scope of IAS 39. This paragraph refers to matters relevant when IAS 1 was issued.

6 IFRS 9 *Financial Instruments* replaced IAS 39. IFRS 9 applies to all items that were previously within the scope of IAS 39. This paragraph refers to matters relevant when IAS 1 was issued.

BC38N IAS 1 and the *Framework* state that information about the liquidity and solvency positions of an entity is useful to users. The terms 'liquidity' and 'solvency' are associated with the availability of cash to an entity. Issuing equity does not result in an outflow of cash or other assets of the entity.
[Refer: paragraph 65]

BC38O The Board concluded that classifying the liability on the basis of the requirements to transfer cash or other assets rather than on settlement better reflects the liquidity and solvency position of an entity, and therefore it decided to amend IAS 1 accordingly.

BC38P The Board discussed the comments received in response to its exposure draft of proposed *Improvements to IFRSs* published in 2007 and noted that some respondents were concerned that the proposal in the exposure draft would apply to all liabilities, not just those that are components of convertible instruments as originally contemplated in the exposure draft. Consequently, in *Improvements to IFRSs* issued in April 2009, the Board amended the proposed wording to clarify that the amendment applies only to the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.
[Refer: paragraph 69(d)]

Effect of events after the reporting period on the classification of liabilities (paragraphs 69–76)

BC39 Paragraph 63 of IAS 1 (as issued in 1997) included the following:

> An enterprise should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within twelve months of the balance sheet date if:
>
> (a) the original term was for a period of more than twelve months;
>
> (b) the enterprise intends to refinance the obligation on a long-term basis; and
>
> (c) that intention is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are authorised for issue.

BC40 Paragraph 65 stated:

> Some borrowing agreements incorporate undertakings by the borrower (covenants) which have the effect that the liability becomes payable on demand if certain conditions related to the borrower's financial position are breached. In these circumstances, the liability is classified as non-current only when:
>
> (a) the lender has agreed, prior to the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach; and
>
> (b) it is not probable that further breaches will occur within twelve months of the balance sheet date.

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BC41 The Board considered these requirements and concluded that refinancing, or the receipt of a waiver of the lender's right to demand payment, that occurs after the reporting period should not be taken into account in the classification of a liability.

BC42 Therefore, the exposure draft of 2002 proposed:

(a) to amend paragraph 63 to specify that a long-term financial liability due to be settled within twelve months of the balance sheet date should not be classified as a non-current liability because an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. This amendment would not affect the classification of a liability as non-current when the entity has, under the terms of an existing loan facility, the discretion to refinance or roll over its obligations for at least twelve months after the balance sheet date.

(b) to amend paragraph 65 to specify that a long-term financial liability that is payable on demand because the entity breached a condition of its loan agreement should be classified as current at the balance sheet date even if the lender has agreed after the balance sheet date, and before the financial statements are authorised for issue, not to demand payment as a consequence of the breach. However, if the lender has agreed by the balance sheet date to provide a period of grace within which the entity can rectify the breach and during which the lender cannot demand immediate repayment, the liability is classified as non-current if it is due for settlement, without that breach of the loan agreement, at least twelve months after the balance sheet date and:

(i) the entity rectifies the breach within the period of grace; or

(ii) when the financial statements are authorised for issue, the period of grace is incomplete and it is probable that the breach will be rectified.

BC43 Some respondents disagreed with these proposals. They advocated classifying a liability as current or non-current according to whether it is expected to use current assets of the entity, rather than strictly on the basis of its date of maturity and whether it is callable at the end of the reporting period. In their view, this would provide more relevant information about the liability's future effect on the timing of the entity's resource flows.

BC44 However, the Board decided that the following arguments for changing paragraphs 63 and 65 were more persuasive:

(a) refinancing a liability after the balance sheet date does not affect the entity's liquidity and solvency *at the balance sheet date*, the reporting of which should reflect contractual arrangements in force on that date. Therefore, it is a non-adjusting event in accordance with IAS 10 *Events after the Balance Sheet Date* and should not affect the presentation of the entity's balance sheet.

(b) it is illogical to adopt a criterion that 'non-current' classification of short-term obligations expected to be rolled over for at least twelve months after the balance sheet date depends on whether the roll-over is at the discretion of the entity, and then to provide an exception based on refinancing occurring after the balance sheet date.

(c) in the circumstances set out in paragraph 65, unless the lender has waived its right to demand immediate repayment or granted a period of grace within which the entity may rectify the breach of the loan agreement, the financial condition of the entity at the balance sheet date was that the entity did not hold an absolute right to defer repayment, based on the terms of the loan agreement. The granting of a waiver or a period of grace changes the terms of the loan agreement. Therefore, an entity's receipt from the lender, after the balance sheet date, of a waiver or a period of grace of at least twelve months does not change the nature of the liability to non-current until it occurs.

BC45 IAS 1 now includes the amendments proposed in 2002, with one change. The change relates to the classification of a long-term loan when, at the end of the reporting period, the lender has provided a period of grace within which a breach of the loan agreement can be rectified, and during which period the lender cannot demand immediate repayment of the loan.

BC46 The exposure draft proposed that such a loan should be classified as non-current if it is due for settlement, without the breach, at least twelve months after the balance sheet date and:

(a) the entity rectifies the breach within the period of grace; or

(b) when the financial statements are authorised for issue, the period of grace is incomplete and it is probable that the breach will be rectified.

BC47 After considering respondents' comments, the Board decided that the occurrence or probability of a rectification of a breach after the reporting period is irrelevant to the conditions existing at the end of the reporting period. The revised IAS 1 requires that, for the loan to be classified as non-current, the period of grace must end at least twelve months after the reporting period (see paragraph 75). Therefore, the conditions (a) and (b) in paragraph BC46 are redundant.

BC48 The Board considered arguments that if a period of grace to remedy a breach of a long-term loan agreement is provided before the end of the reporting period, the loan should be classified as non-current regardless of the length of the period of grace. These arguments are based on the view that, at the end of the reporting period, the lender does not have an unconditional legal right to demand repayment before the original maturity date (ie if the entity remedies the breach during the period of grace, it is entitled to repay the loan on the original maturity date). However, the Board concluded that an entity should classify a loan as non-current only if it has an unconditional right to defer settlement of the loan for at least twelve months after the reporting period. This criterion focuses on the legal rights of the entity, rather than those of the lender.

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Statement of comprehensive income

Reporting comprehensive income (paragraph 81)

BC49 The exposure draft of 2006 proposed that all non-owner changes in equity should be presented in a single statement or in two statements. In a single-statement presentation, all items of income and expense are presented together. In a two-statement presentation, the first statement ('income statement') presents income and expenses recognised in profit or loss and the second statement ('statement of comprehensive income') begins with profit or loss and presents, in addition, items of income and expense that IFRSs require or permit to be recognised outside profit or loss. Such items include, for example, translation differences related to foreign operations and gains or losses on available-for-sale financial assets.[7] The statement of comprehensive income does not include transactions with owners in their capacity as owners. Such transactions are presented in the statement of changes in equity.

BC50 Respondents to the exposure draft had mixed views about whether the Board should permit a choice of displaying non-owner changes in equity in one statement or two statements. Many respondents agreed with the Board's proposal to maintain the two-statement approach and the single-statement approach as alternatives and a few urged the Board to mandate one of them. However, most respondents preferred the two-statement approach because it distinguishes profit or loss and total comprehensive income; they believe that with the two-statement approach, the 'income statement' remains a primary financial statement. Respondents supported the presentation of two separate statements as a transition measure until the Board develops principles to determine the criteria for inclusion of items in profit or loss or in other comprehensive income.

BC51 The exposure draft of 2006 expressed the Board's preference for a single statement of all non-owner changes in equity. The Board provided several reasons for this preference. All items of non-owner changes in equity meet the definitions of income and expenses in the *Framework*. The *Framework* does not define profit or loss, nor does it provide criteria for distinguishing the characteristics of items that should be included in profit or loss from those items that should be excluded from profit or loss. Therefore, the Board decided that it was conceptually correct for an entity to present all non-owner changes in equity (ie all income and expenses recognised in a period) in a single statement because there are no clear principles or common characteristics that can be used to separate income and expenses into two statements.

BC52 However, in the Board's discussions with interested parties, it was clear that many were strongly opposed to the concept of a single statement. They argued that there would be undue focus on the bottom line of the single statement. In addition, many argued that it was premature for the Board to conclude that presentation of income and expense in a single statement was an improvement in financial reporting without also addressing the other aspects of presentation

7 IFRS 9 *Financial Instruments* eliminated the category of available-for-sale financial assets. This paragraph refers to matters relevant when IAS 1 was issued.

and display, namely deciding what categories and line items should be presented in a statement of recognised income and expense.

BC53 In the light of these views, although it preferred a single statement, the Board decided that an entity should have the choice of presenting all income and expenses recognised in a period in one statement or in two statements. An entity is prohibited from presenting components of income and expense (ie non-owner changes in equity) in the statement of changes in equity.

BC54 Many respondents disagreed with the Board's preference and thought that a decision at this stage would be premature. In their view the decision about a single-statement or two-statement approach should be subject to further consideration. They urged the Board to address other aspects of presentation and display, namely deciding which categories and line items should be presented in a 'statement of comprehensive income'. The Board reaffirmed its reasons for preferring a single-statement approach and agreed to address other aspects of display and presentation in the next stage of the project.

BC54A In *Presentation of Items of Other Comprehensive Income* published in May 2010 the Board proposed to eliminate the option to present all items of income and expense recognised in a period in two statements, thereby requiring presentation in a continuous statement displaying two sections: *profit or loss* and *other comprehensive income*. The Board also proposed to require items of OCI to be classified into items that might be reclassified (recycled) to profit or loss in subsequent periods and items that would not be reclassified subsequently.

BC54B In its deliberations on financial instruments and pensions the Board discussed the increasing importance of consistent presentation of items of OCI. Both projects will increase the number of items presented in OCI, particularly items that will not be reclassified subsequently to profit or loss. Therefore the Board thought it important that all income and expenses that are components of the total non-owner changes in equity should be presented transparently.

BC54C The Board has no plans to eliminate profit or loss as a measure of performance. Profit or loss will be presented separately and will remain the required starting point for the calculation of earnings per share.

BC54D The Board had previously received responses to similar proposals for a single statement of comprehensive income. In October 2008 the Board and the FASB jointly published a discussion paper, *Preliminary Views on Financial Statement Presentation*. In that paper, the boards proposed eliminating the alternative presentation formats for comprehensive income and to require an entity to present comprehensive income and its components in a single statement. The boards asked for views on that proposal. The responses were split on whether an entity should present comprehensive income and its components in a single statement or in two separate statements. In general, respondents supporting a single statement of comprehensive income said that it would lead to greater transparency, consistency and comparability. Furthermore, the process of calculating financial ratios would be made easier.

BC54E Respondents disagreeing with the proposal for a single statement of comprehensive income urged the boards to defer any changes to the guidance on the statement of comprehensive income until the boards had completed a

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project to revise the guidance on what items should be presented in OCI. Those respondents also said that a single statement would undermine the importance of profit or loss by making it a subtotal and that presenting total comprehensive income as the last number in the statement would confuse users. They also feared that requiring all items of income and expense to be presented in a single statement was the first step by the boards towards eliminating the notion of profit or loss. In addition, they argued that the items that are presented in OCI are different from items presented in profit or loss. Therefore they preferred either to keep the presentation of profit or loss separate from the presentation of OCI or to allow management to choose to present them either in a single statement or in two statements.

BC54F In the responses to the exposure draft of May 2010 many of the respondents objected to the proposals to remove the option to present all items of income and expense in two statements. The arguments used by those objecting were much the same as those received on the discussion paper. However, many respondents, regardless of their views on the proposed amendments, said that the Board should establish a conceptual basis for what should be presented in OCI. Those opposed to a continuous statement cited OCI's lack of a conceptual definition and therefore believed that OCI should not be presented in close proximity to profit or loss because this would confuse users. However, users generally said that the lack of a conceptual framework made it difficult to distinguish the underlying economics of items reported in profit or loss (net income) from items reported in other comprehensive income. Although users also asked for a conceptual framework for OCI, most supported the notion of a single statement of comprehensive income.

BC54G Another issue on which many respondents commented was the reclassification (recycling) of OCI items. Those respondents said that in addition to addressing the conceptual basis for the split between profit or loss and OCI the Board should set principles for which OCI items should be reclassified (recycled) to profit or loss and when they should be reclassified. The Board acknowledges that it has not set out a conceptual basis for how it determines whether an item should be presented in OCI or in profit or loss. It also agrees that it has not set out principles to determine whether items should be reclassified to profit or loss. Those matters were not within the scope of this project, which focused on presentation, and therefore the Board has not addressed them at this time. However, the Board is consulting on its future agenda, which could lead to those matters becoming part of the work programme.

BC54H In the light of the response the Board confirmed in June 2011 the requirement for items of OCI to be classified into items that will not be reclassified (recycled) to profit or loss in subsequent periods and items that might be reclassified.

BC54I The Board also decided not to mandate the presentation of profit or loss in a continuous statement of profit or loss and other comprehensive income but to maintain an option to present two statements. The Board did this in the light of the negative response to its proposal for a continuous statement and the resistance to this change signified by a majority of respondents.

[Refer: paragraphs 10 and 10A]

BC54J The FASB also proposed in its exposure draft to mandate a continuous statement of comprehensive income but decided in the light of the responses not to go as far as mandating a single statement and instead to allow the two-statement option. Nevertheless, the changes made by the FASB are a significant improvement for US GAAP, which previously allowed an option to present OCI items in stockholders' equity or in the notes to the financial statements.

BC54K In 2013 the IFRS Interpretations Committee reported to the Board that there was uncertainty about the requirements in paragraph 82A of IAS 1 for presenting an entity's share of items of other comprehensive income of associates and joint ventures accounted for using the equity method. The Board agreed that paragraph 82A allowed for diverse interpretations, and therefore decided to amend IAS 1 as follows:

(a) to clarify that paragraph 82A requires entities to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

[Refer: paragraph 82A(b)]

(b) to amend the Guidance on Implementing IAS 1 to reflect the clarification of paragraph 82A.

The Board noted that whether an amount is reclassified to profit or loss is determined by the nature of the underlying item. It also noted that the timing of reclassification is usually determined by the actions of the investee. It may however also be triggered by the investor, which would be the case on the disposal of the investee by the investor.

BC54L The feedback received on the March 2014 Exposure Draft included requests for the Board to clarify whether the investor's share of the other comprehensive income of its associate or joint venture should be presented net or gross of tax and the applicability of the guidance in paragraphs 90–91 of IAS 1 in this regard. The Board noted that an investor's share of other comprehensive income of associates or joint ventures is after tax and non-controlling interests of the associate or joint venture, as illustrated in the Guidance on Implementing IAS 1. It also noted that the disclosure requirements in paragraphs 90–91 do not apply to the tax of the associate or joint venture that is already reflected in the investor's share of other comprehensive income of the associate or joint venture. However, the Board noted that if the investor itself is liable for tax in respect of its share of other comprehensive income of the associate or joint venture, then paragraphs 90–91 would apply to this tax. Therefore, the Board decided not to add additional guidance to IAS 1 on this topic.

Results of operating activities

BC55 IAS 1 omits the requirement in the 1997 version to disclose the results of operating activities as a line item in the income statement. 'Operating activities' are not defined in IAS 1, and the Board decided not to require disclosure of an undefined item.

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BC56 The Board recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. In such cases, the Board notes that the entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating'. In the Board's view, it would be misleading and would impair the comparability of financial statements if items of an operating nature were excluded from the results of operating activities, even if that had been industry practice. For example, it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses.

Subtotal for profit or loss (paragraph 82)

BC57 As revised, IAS 1 requires a subtotal for profit or loss in the statement of comprehensive income. If an entity chooses to present comprehensive income by using two statements, it should begin the second statement with profit or loss—the bottom line of the first statement (the 'income statement')—and display the components of other comprehensive income immediately after that. The Board concluded that this is the best way to achieve the objective of equal prominence (see paragraph BC22) for the presentation of income and expenses. An entity that chooses to display comprehensive income in one statement should include profit or loss as a subtotal within that statement.

BC58 The Board acknowledged that the items included in profit or loss do not possess any unique characteristics that allow them to be distinguished from items that are included in other comprehensive income. However, the Board and its predecessor have required some items to be recognised outside profit or loss. The Board will deliberate in the next stage of the project how items of income and expense should be presented in the statement of comprehensive income.

Information to be presented in the profit or loss section or the statement of profit or loss (paragraphs 85–85B)

BC58A In December 2014 the Board issued *Disclosure Initiative* (Amendments to IAS 1). Those amendments included amendments to paragraph 85 of IAS 1 and the addition of paragraph 85A. These amendments are consistent with similar amendments to the requirements for the statement of financial position and therefore the Basis for Conclusions for these amendments has been included in the section dealing with that statement (see paragraphs BC38A–BC38G).

BC58B In addition to those amendments, the Board decided to require entities to present line items in the statement(s) of profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraphs 85–85A of IAS 1 with those that are required in IFRS for the statement(s) of profit or loss and other comprehensive income. Consequently, it added paragraph 85B to IAS 1. The purpose of this requirement is to help users of financial statements understand the relationship between the subtotals presented in accordance with paragraph 85 and the specific totals and subtotals required in IFRS to address concerns that that relationship would not be clear. The Board noted that such a

requirement is already implicit in existing IFRS requirements. IFRS requires entities to present aggregated information as line items when such presentation provides material information. Consequently, because all recognised items of income and expense must be included in the statement(s) of profit or loss and other comprehensive income totals, any intervening line items and subtotals necessarily reconcile. However, the Board decided to make the requirement more explicit for the statement(s) of profit or loss and other comprehensive income to help users of financial statements understand the relationship between subtotals and totals presented in the statement(s) of profit or loss and other comprehensive income.

Minority interest (paragraph 83)[8]

BC59 IAS 1 requires the 'profit or loss attributable to minority interest' and 'profit or loss attributable to owners of the parent' each to be presented in the income statement in accordance with paragraph 83. These amounts are to be presented as allocations of profit or loss, not as items of income or expense. A similar requirement has been added for the statement of changes in equity, in paragraph 106(a). These changes are consistent with IAS 27 *Consolidated and Separate Financial Statements*, which requires that in a consolidated balance sheet (now called 'statement of financial position'), minority interest is presented within equity because it does not meet the definition of a liability in the *Framework*.

Extraordinary items (paragraph 87)

BC60 IAS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* (issued in 1993) required extraordinary items to be disclosed in the income statement separately from the profit or loss from ordinary activities. That standard defined 'extraordinary items' as 'income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly'.

BC61 In 2002, the Board decided to eliminate the concept of extraordinary items from IAS 8 and to prohibit the presentation of items of income and expense as 'extraordinary items' in the income statement and the notes. Therefore, in accordance with IAS 1, no items of income and expense are to be presented as arising from outside the entity's ordinary activities.

BC62 Some respondents to the exposure draft of 2002 argued that extraordinary items should be presented in a separate component of the income statement because they are clearly distinct from all of the other items of income and expense, and because such presentation highlights to users of financial statements the items of income and expense to which the least attention should be given when predicting an entity's future performance.

BC63 The Board decided that items treated as extraordinary result from the normal business risks faced by an entity and do not warrant presentation in a separate

8 In January 2008 the IASB issued an amended IAS 27 *Consolidated and Separate Financial Statements*, which amended 'minority interest' to 'non-controlling interests'. The consolidation requirements in IAS 27 were superseded by IFRS 10 *Consolidated Financial Statements* issued in May 2011. The term 'non-controlling interests' and the requirements for non-controlling interests were not changed.

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component of the income statement. The nature or function of a transaction or other event, rather than its frequency, should determine its presentation within the income statement. Items currently classified as 'extraordinary' are only a subset of the items of income and expense that may warrant disclosure to assist users in predicting an entity's future performance.

BC64 Eliminating the category of extraordinary items eliminates the need for arbitrary segregation of the effects of related external events—some recurring and others not—on the profit or loss of an entity for a period. For example, arbitrary allocations would have been necessary to estimate the financial effect of an earthquake on an entity's profit or loss if it occurs during a major cyclical downturn in economic activity. In addition, paragraph 97 of IAS 1 requires disclosure of the nature and amount of material items of income and expense.

Other comprehensive income—related tax effects (paragraphs 90 and 91)

BC65 The exposure draft of 2006 proposed to allow components of 'other recognised income and expense' (now 'other comprehensive income') to be presented before tax effects ('gross presentation') or after their related tax effects ('net presentation'). The 'gross presentation' facilitated the traceability of other comprehensive income items to profit or loss, because items of profit or loss are generally displayed before tax. The 'net presentation' facilitated the identification of other comprehensive income items in the equity section of the statement of financial position. A majority of respondents supported allowing both approaches. The Board reaffirmed its conclusion that components of other comprehensive income could be displayed either (a) net of related tax effects or (b) before related tax effects.

BC66 Regardless of whether a pre-tax or post-tax display was used, the exposure draft proposed to require disclosure of the amount of income tax expense or benefit allocated separately to individual components of other comprehensive income, in line with SFAS 130. Many respondents agreed in principle with this disclosure, because they agreed that it helped to improve the clarity and transparency of such information, particularly when components of other comprehensive income are taxed at rates different from those applied to profit or loss.

BC67 However, most respondents expressed concern about having to trace the tax effect for each one of the components of other comprehensive income. Several observed that the tax allocation process is arbitrary (eg it may involve the application of subjectively determined tax rates) and some pointed out that this information is not readily available for some industries (eg the insurance sector), where components of other comprehensive income are multiple and tax allocation involves a high degree of subjectivity. Others commented that they did not understand why tax should be attributed to components of comprehensive income line by line, when this is not a requirement for items in profit or loss.

BC68 The Board decided to maintain the disclosure of income tax expense or benefit allocated to each component of other comprehensive income. Users of financial statements often requested further information on tax amounts relating to

components of other comprehensive income, because tax rates often differed from those applied to profit or loss. The Board also observed that an entity should have such tax information available and that a disclosure requirement would therefore not involve additional cost for preparers of financial statements.

BC68A In its exposure draft *Presentation of Items of Other Comprehensive Income* published in May 2010 the Board proposed requiring that income tax on items presented in OCI should be allocated between items that will not be subsequently reclassified to profit or loss and those that might be reclassified, if the items in OCI are presented before tax. Most respondents agreed with this proposal as this would be in line with the existing options in IAS 1 regarding presentation of income tax on OCI items. Therefore the Board confirmed the proposal in June 2011.
[Refer: paragraph 91]

Reclassification adjustments (paragraphs 92–96)

BC69 In the exposure draft of 2006, the Board proposed that an entity should separately present reclassification adjustments. These adjustments are the amounts reclassified to profit or loss in the current period that were previously recognised in other comprehensive income. The Board decided that adjustments necessary to avoid double-counting items in total comprehensive income when those items are reclassified to profit or loss in accordance with IFRSs. The Board's view was that separate presentation of reclassification adjustments is essential to inform users of those amounts that are included as income and expenses in different periods—as income or expenses in other comprehensive income in previous periods and as income or expenses in profit or loss in the current period. Without such information, users may find it difficult to assess the effect of reclassifications on profit or loss and to calculate the overall gain or loss associated with available-for-sale financial assets,[9] cash flow hedges and on translation or disposal of foreign operations.

BC70 Most respondents agreed with the Board's decision and believe that the disclosure of reclassification adjustments is important to understanding how components recognised in profit or loss are related to other items recognised in equity in two different periods. However, some respondents suggested that the Board should use the term 'recycling', rather than 'reclassification' as the former term is more common. The Board concluded that both terms are similar in meaning, but decided to use the term 'reclassification adjustment' to converge with the terminology used in SFAS 130.

BC71 The exposure draft proposed to allow the presentation of reclassification adjustments in the statement of recognised income and expense (now 'statement of comprehensive income') or in the notes. Most respondents supported this approach.

BC72 Some respondents noted some inconsistencies in the definition of 'reclassification adjustments' in the exposure draft (now paragraphs 7 and 93 of IAS 1). Respondents suggested that the Board should expand the definition in

9 IFRS 9 *Financial Instruments* eliminated the category of available-for-sale financial assets. This paragraph refers to matters relevant when IAS 1 was issued.

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paragraph 7 to include gains and losses recognised in current periods in addition to those recognised in earlier periods, to make the definition consistent with paragraph 93. They commented that, without clarification, there could be differences between interim and annual reporting, for reclassifications of items that arise in one interim period and reverse out in a different interim period within the same annual period.

BC73 The Board decided to align the definition of reclassification adjustments with SFAS 130 and include an additional reference to 'current periods' in paragraph 7.

Statement of changes in equity

Effects of retrospective application or retrospective restatement (paragraph 106(b))

BC74 Some respondents to the exposure draft of 2006 asked the Board to clarify whether the effects of retrospective application or retrospective restatement, as defined in IAS 8, should be regarded as non-owner changes in equity. The Board noted that IAS 1 specifies that these effects are included in the statement of changes in equity. However, the Board decided to clarify that the effects of retrospective application or retrospective restatement are not changes in equity in the period, but provide a reconciliation between the previous period's closing balance and the opening balance in the statement of changes in equity.

Reconciliation for each component of other comprehensive income (paragraphs 106(d)(ii) and 106A)

BC74A Paragraph 106(d) requires an entity to provide a reconciliation of changes in each component of equity. In *Improvements to IFRSs* issued in May 2010, the Board clarified that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

[Refer: paragraph 106A]

Presentation of dividends (paragraph 107)

BC75 The Board reaffirmed its conclusion to require the presentation of dividends in the statement of changes in equity or in the notes, because dividends are distributions to owners in their capacity as owners and the statement of changes in equity presents all owner changes in equity. The Board concluded that an entity should not present dividends in the statement of comprehensive income because that statement presents non-owner changes in equity.

Statement of cash flows

IAS 7 *Cash Flow Statements* (paragraph 111)

BC76 The Board considered whether the operating section of an indirect method statement of cash flows should begin with total comprehensive income instead of profit or loss as is required by IAS 7 *Cash Flow Statements*. When components of other comprehensive income are non-cash items, they would become reconciling items in arriving at cash flows from operating activities and would

add items to the statement of cash flows without adding information content. The Board concluded that an amendment to IAS 7 is not required; however, as mentioned in paragraph BC14 the Board decided to relabel this financial statement as 'statement of cash flows'.

Notes

Structure (paragraphs 112–116)

BC76A The Board is aware that some had interpreted paragraph 114 of IAS 1 as requiring a specific order for the notes. Paragraph 114 stated that 'an entity normally presents notes in the [following] order' and then listed a particular order for the notes. Some think that the use of 'normally' makes it difficult for an entity to vary the order of the notes from the one that is listed in paragraph 114; for example, by disclosing the notes in order of importance or disclosing related information together in sections.

BC76B Investors' feedback indicates that some investors prefer an entity to vary the order of the notes from the one that is listed in paragraph 114 of IAS 1. Other investors would prefer entities to use that order because they think it will increase comparability between periods and across entities.

BC76C The Board considered the use of the word normally in paragraph 114 of IAS 1 and concluded that it was not intended that entities be required to disclose their notes in that order. Instead, it thinks that the order listed was intended to provide an example of how an entity could order the notes and that the term normal was not meant to imply that alternative ordering of the notes is 'abnormal'. The Board therefore amended IAS 1 to clarify that the order listed in paragraph 114 is an example of how an entity could order or group its notes in a systematic manner. The Board also made amendments to clarify that significant accounting policies do not need to be disclosed in one note, but instead can be included with related information in other notes.

BC76D The Board also noted the requirement in paragraph 113 of IAS 1 for entities to, as far as practicable, present the notes in a systematic manner. In the Board's view, this means that there must be a system or reason behind the ordering and grouping of the notes. For example, notes could be ordered by importance to the entity, in the order line items are presented in the financial statements or a combination of both. The Board amended paragraph 113 to clarify that an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes. The Board acknowledged that there is a trade-off between understandability and comparability; for example, ordering notes to increase understandability could mean that comparability, including consistency, between entities and periods is reduced. In particular, the Board acknowledged that consistency in the order of the notes for a specific entity from period to period is important. The Board noted that it would generally be helpful for users of financial statements if the ordering of notes by an entity is consistent and noted that it does not expect the order of an entity's notes to change frequently. A change in the order of the notes previously determined to be an optimal mix of understandability and comparability should generally result from a specific event or transaction, such

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as a change in business. The Board also noted that the existing requirements in paragraph 45 of IAS 1 for consistency of presentation still apply.

BC76E The Board also observed that electronic versions of financial statements can make it easier to search for, locate and compare information within the financial statements, between periods and between entities.

Disclosure of accounting policies (paragraphs 117–121)

BC76F Paragraph 117 of IAS 1 requires significant accounting policies to be disclosed and gives guidance, along with paragraphs 118–124 of IAS 1, about what a significant accounting policy could be. That guidance includes, as examples of significant accounting policies, the income taxes accounting policy and the foreign currency accounting policy.

BC76G Some suggested that it is not helpful to provide the income taxes accounting policy as an example of a policy that users of financial statements would expect to be disclosed. Being liable to income taxes is typical for many entities and it was not clear, from the example, what aspect of the entity's operations would make a user of financial statements expect an accounting policy on income taxes to be disclosed. Consequently, the example does not illustrate why an accounting policy on income taxes is significant. The Board also thought that the foreign currency accounting policy example in paragraph 120 of IAS 1 was unhelpful for the same reasons and therefore deleted the income taxes and foreign currency examples.

Disclosure of the judgements that management has made in the process of applying the entity's accounting policies (paragraphs 122–124)

BC77 The revised IAS 1 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements (see paragraph 122). An example of these judgements is how management determines whether financial assets are held-to-maturity investments.[10] The Board decided that disclosure of the most important of these judgements would enable users of financial statements to understand better how the accounting policies are applied and to make comparisons between entities regarding the basis on which managements make these judgements.

BC78 Comments received on the exposure draft of 2002 indicated that the purpose of the proposed disclosure was unclear. Accordingly, the Board amended the disclosure explicitly to exclude judgements involving estimations (which are the subject of the disclosure in paragraph 125) and added another four examples of the types of judgements disclosed (see paragraphs 123 and 124).

10 IFRS 9 *Financial Instruments* eliminated the category of held-to-maturity financial assets. This paragraph refers to matters relevant when IAS 1 was issued.

Disclosure of major sources of estimation uncertainty (paragraphs 125–133)

BC79 IAS 1 requires disclosure of the assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. For those assets and liabilities, the proposed disclosures include details of:

(a) their nature; and

(b) their carrying amount as at the end of the reporting period (see paragraph 125).

BC80 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence of inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about items such as the risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. No matter how diligently an entity estimates the carrying amounts of assets and liabilities subject to significant estimation uncertainty at the end of the reporting period, the reporting of point estimates in the statement of financial position cannot provide information about the estimation uncertainties involved in measuring those assets and liabilities and the implications of those uncertainties for the period's profit or loss.

BC81 The *Framework* states that 'The economic decisions that are made by users of financial statements require an evaluation of the ability of an entity to generate cash and cash equivalents and of the timing and certainty of their generation.' The Board decided that disclosure of information about assumptions and other major sources of estimation uncertainty at the end of the reporting period enhances the relevance, reliability and understandability of the information reported in financial statements. These assumptions and other sources of estimation uncertainty relate to estimates that require management's most difficult, subjective or complex judgements. Therefore, disclosure in accordance with paragraph 125 of the revised IAS 1 would be made in respect of relatively few assets or liabilities (or classes of them).

BC82 The exposure draft of 2002 proposed the disclosure of some 'sources of measurement uncertainty'. In the light of comments received that the purpose of this disclosure was unclear, the Board decided:

(a) to amend the subject of that disclosure to 'sources of estimation uncertainty at the end of the reporting period'; and

(b) to clarify in the revised Standard that the disclosure does not apply to assets and liabilities measured at fair value based on recently observed market prices (see paragraph 128 of IAS 1).

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BC83 When assets and liabilities are measured at fair value on the basis of recently observed market prices, future changes in carrying amounts would not result from using estimates to measure the assets and liabilities at the end of the reporting period. Using observed market prices to measure assets or liabilities obviates the need for estimates at the end of the reporting period. The market prices properly reflect the fair values at the end of the reporting period, even though future market prices could be different. The objective of fair value measurement is to reflect fair value at the measurement date, not to predict a future value.[11]

BC84 IAS 1 does not prescribe the particular form or detail of the disclosures. Circumstances differ from entity to entity, and the nature of estimation uncertainty at the end of the reporting period has many facets. IAS 1 limits the scope of the disclosures to items that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The longer the future period to which the disclosures relate, the greater the range of items that would qualify for disclosure, and the less specific are the disclosures that could be made about particular assets or liabilities. A period longer than the next financial year might obscure the most relevant information with other disclosures.

Disclosures about capital (paragraphs 134 and 135)

BC85 In July 2004 the Board published an exposure draft—ED 7 *Financial Instruments: Disclosures*. As part of that project, the Board considered whether it should require disclosures about capital.

BC86 The level of an entity's capital and how it manages capital are important factors for users to consider in assessing the risk profile of an entity and its ability to withstand unexpected adverse events. The level of capital might also affect the entity's ability to pay dividends. Consequently, ED 7 proposed disclosures about capital.

BC87 In ED 7 the Board decided that it should not limit the requirements for disclosures about capital to entities that are subject to external capital requirements (eg regulatory capital requirements established by legislation or other regulation). The Board believes that information about capital is useful for all entities, as is evidenced by the fact that some entities set internal capital requirements and norms have been established for some industries. The Board noted that the capital disclosures are not intended to replace disclosures required by regulators. The Board also noted that the financial statements should not be regarded as a substitute for disclosures to regulators (which may not be available to all users) because the function of disclosures made to regulators may differ from the function of those to other users. Therefore, the Board decided that information about capital should be required of all entities because it is useful to users of general purpose financial statements. Accordingly, the Board did not distinguish between the requirements for regulated and non-regulated entities.

11 IFRS 13 *Fair Value Measurement*, issued in May 2011, defines fair value and contains the requirements for measuring fair value.

BC88 Some respondents to ED 7 questioned the relevance of the capital disclosures in an IFRS dealing with disclosures relating to financial instruments. The Board noted that an entity's capital does not relate solely to financial instruments and, thus, capital disclosures have more general relevance. Accordingly, the Board included these disclosures in IAS 1, rather than IFRS 7 *Financial Instruments: Disclosures*, the IFRS resulting from ED 7.

BC89 The Board also decided that an entity's decision to adopt the amendments to IAS 1 should be independent of the entity's decision to adopt IFRS 7. The Board noted that issuing a separate amendment facilitates separate adoption decisions.

Objectives, policies and processes for managing capital (paragraph 136)

BC90 The Board decided that disclosure about capital should be placed in the context of a discussion of the entity's objectives, policies and processes for managing capital. This is because the Board believes that such a discussion both communicates important information about the entity's capital strategy and provides the context for other disclosures.

BC91 The Board considered whether an entity can have a view of capital that differs from what IFRSs define as equity. The Board noted that, although for the purposes of this disclosure capital would often equate with equity as defined in IFRSs, it might also include or exclude some components. The Board also noted that this disclosure is intended to give entities the opportunity to describe how they view the components of capital they manage, if this is different from what IFRSs define as equity.

Externally imposed capital requirements (paragraph 136)

BC92 The Board considered whether it should require disclosure of any externally imposed capital requirements. Such a capital requirement could be:

(a) an industry-wide requirement with which all entities in the industry must comply; or

(b) an entity-specific requirement imposed on a particular entity by its prudential supervisor or other regulator.

BC93 The Board noted that some industries and countries have industry-wide capital requirements, and others do not. Thus, the Board concluded that it should not require disclosure of industry-wide requirements, or compliance with such requirements, because such disclosure would not lead to comparability between different entities or between similar entities in different countries.

BC94 The Board concluded that disclosure of the existence and level of entity-specific capital requirements is important information for users, because it informs them about the risk assessment of the regulator. Such disclosure improves transparency and market discipline.

BC95 However, the Board noted the following arguments against requiring disclosure of externally imposed entity-specific capital requirements.

(a) Users of financial statements might rely primarily on the regulator's assessment of solvency risk without making their own risk assessment.

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(b) The focus of a regulator's risk assessment is for those whose interests the regulations are intended to protect (eg depositors or policyholders). This emphasis is different from that of a shareholder. Thus, it could be misleading to suggest that the regulator's risk assessment could, or should, be a substitute for independent analysis by investors.

(c) The disclosure of entity-specific capital requirements imposed by a regulator might undermine that regulator's ability to impose such requirements. For example, the information could cause depositors to withdraw funds, a prospect that might discourage regulators from imposing requirements. Furthermore, an entity's regulatory dialogue would become public, which might not be appropriate in all circumstances.

(d) Because different regulators have different tools available, for example formal requirements and moral suasion, a requirement to disclose entity-specific capital requirements could not be framed in a way that would lead to the provision of information that is comparable across entities.

(e) Disclosure of capital requirements (and hence, regulatory judgements) could hamper clear communication to the entity of the regulator's assessment by creating incentives to use moral suasion and other informal mechanisms.

(f) Disclosure requirements should not focus on entity-specific capital requirements in isolation, but should focus on how entity-specific capital requirements affect how an entity manages and determines the adequacy of its capital resources.

(g) A requirement to disclose entity-specific capital requirements imposed by a regulator is not part of Pillar 3 of the Basel II Framework developed by the Basel Committee on Banking Supervision.

BC96 Taking into account all of the above arguments, the Board decided not to require quantitative disclosure of externally imposed capital requirements. Rather, it decided to require disclosures about whether the entity complied with any externally imposed capital requirements during the period and, if not, the consequences of non-compliance. This retains confidentiality between regulators and the entity, but alerts users to breaches of capital requirements and their consequences.

BC97 Some respondents to ED 7 did not agree that breaches of externally imposed capital requirements should be disclosed. They argued that disclosure about breaches of externally imposed capital requirements and the associated regulatory measures subsequently imposed could be disproportionately damaging to entities. The Board was not persuaded by these arguments because it believes that such concerns indicate that information about breaches of externally imposed capital requirements may often be material by its nature. The *Framework* states that 'Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.' Similarly, the Board decided not to provide an exemption for temporary non-compliance with regulatory requirements during

the year. Information that an entity is sufficiently close to its limits to breach them, even on a temporary basis, is useful for users.

Internal capital targets

BC98 The Board proposed in ED 7 that the requirement to disclose information about breaches of capital requirements should apply equally to breaches of internally imposed requirements, because it believed the information is also useful to a user of the financial statements.

BC99 However, this proposal was criticised by respondents to ED 7 for the following reasons:

(a) The information is subjective and, thus, not comparable between entities. In particular, different entities will set internal targets for different reasons, so a breach of a requirement might signify different things for different entities. In contrast, a breach of an external requirement has similar implications for all entities required to comply with similar requirements.

(b) Capital targets are not more important than other internally set financial targets, and to require disclosure only of capital targets would provide users with incomplete, and perhaps misleading, information.

(c) Internal targets are estimates that are subject to change by the entity. It is not appropriate to require the entity's performance against this benchmark to be disclosed.

(d) An internally set capital target can be manipulated by management. The disclosure requirement could cause management to set the target so that it would always be achieved, providing little useful information to users and potentially reducing the effectiveness of the entity's capital management.

BC100 As a result, the Board decided not to require disclosure of the capital targets set by management, whether the entity has complied with those targets, or the consequences of any non-compliance. However, the Board confirmed its view that when an entity has policies and processes for managing capital, qualitative disclosures about these policies and processes are useful. The Board also concluded that these disclosures, together with disclosure of the components of equity and their changes during the year (required by paragraphs 106–110), would give sufficient information about entities that are not regulated or subject to externally imposed capital requirements.

Puttable financial instruments and obligations arising on liquidation

BC100A The Board decided to require disclosure of information about puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation that are reclassified in accordance with paragraphs 16E and 16F of IAS 32. This is because the Board concluded that this disclosure allows users of financial statements to understand the effects of any reclassifications.

[Refer: paragraph 80A]

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BC100B The Board also concluded that entities with puttable financial instruments classified as equity should be required to disclose additional information to allow users to assess any effect on the entity's liquidity arising from the ability of the holder to put the instruments to the issuer. Financial instruments classified as equity usually do not include any obligation for the entity to deliver a financial asset to another party. Therefore, the Board concluded that additional disclosures are needed in these circumstances. In particular, the Board concluded that entities should disclose the expected cash outflow on redemption or repurchase of those financial instruments that are classified as equity and information about how that amount was determined. That information allows liquidity risk associated with the put obligation and future cash flows to be evaluated.
[Refer: paragraphs 136A and 138(d)]

Presentation of measures per share

BC101 The exposure draft of 2006 did not propose to change the requirements of IAS 33 *Earnings per Share* on the presentation of basic and diluted earnings per share. A majority of respondents agreed with this decision. In their opinion, earnings per share should be the only measure per share permitted or required in the statement of comprehensive income and changing those requirements was beyond the scope of this stage of the financial statement presentation project.

BC102 However, some respondents would like to see alternative measures per share whenever earnings per share is not viewed as the most relevant measure for financial analysts (ie credit rating agencies that focus on other measures). A few respondents proposed that an entity should also display an amount per share for total comprehensive income, because this was considered a useful measure. The Board did not support including alternative measures per share in the financial statements, until totals and subtotals, and principles for aggregating and disaggregating items, are addressed and discussed as part of the next stage of the financial statement presentation project.

BC103 Some respondents also interpreted the current provisions in IAS 33 as allowing de facto a display of alternative measures in the income statement. In its deliberations, the Board was clear that paragraph 73 of IAS 33 did not leave room for confusion. However, it decided that the wording in paragraph 73 could be improved to clarify that alternative measures should be shown 'only in the notes'. This will be done when IAS 33 is revisited or as part of the annual improvements process.

BC104 One respondent commented that the use of the word 'earnings' was inappropriate in the light of changes proposed in the exposure draft and that the measure should be denominated 'profit or loss per share', instead. The Board considered that this particular change in terminology was beyond the scope of IAS 1.

Transition and effective date

BC105 The Board is committed to maintaining a 'stable platform' of substantially unchanged standards for annual periods beginning between 1 January 2006 and 31 December 2008. In addition, some preparers will need time to make the

system changes necessary to comply with the revisions to IAS 1. Therefore, the Board decided that the effective date of IAS 1 should be annual periods beginning on or after 1 January 2009, with earlier application permitted.

BC105A The exposure draft *Presentation of Items of Other Comprehensive Income* published in May 2010 proposed changes to presentation of items of OCI. The Board finalised these changes in June 2011 and decided that the effective dates for these changes should be for annual periods beginning on or after 1 July 2012, with earlier application permitted. The Board did not think that a long transition period was needed as the changes to presentation are small and the presentation required by the amendments is already allowed under IAS 1.

BC105B The Board had consulted on the effective date and transition requirements for this amendment in its *Request for Views on Effective Dates and Transition Requirements* in October 2010 and the responses to that document did not give the Board any reason to reconsider the effective date and the transition requirements.

Disclosure Initiative (Amendments to IAS 1)

[Refer: paragraph 139P]

BC105C The Board decided that *Disclosure Initiative* (Amendments to IAS 1) should be applied for annual periods beginning on or after 1 January 2016 with early application permitted.

BC105D The Board noted that these amendments clarify existing requirements in IAS 1. They provide additional guidance to assist entities to apply judgement when meeting the presentation and disclosure requirements in IFRS. These amendments do not affect recognition and measurement. They should not result in the reassessment of the judgements about presentation and disclosure made in periods prior to the application of these amendments.

BC105E Paragraph 38 of IAS 1 requires an entity to present comparative information for all amounts reported in the current period financial statements and for narrative or descriptive information 'if it is relevant to understanding the current period's financial statements'. If an entity alters the order of the notes or the information presented or disclosed compared to the previous year, it also adjusts the comparative information to align with the current period presentation and disclosure. For that reason, IAS 1 already provides relief from having to disclose comparative information that is not considered relevant in the current period and requires comparative information for new amounts presented or disclosed in the current period.

BC105F The March 2014 Exposure Draft proposed that if an entity applies these amendments early that it should disclose that fact. However, the Board removed this requirement and stated in the transition provisions that an entity need not disclose the fact that it has applied these amendments (regardless of whether the amendments have been applied for annual periods beginning on or after 1 January 2016 or if they have been applied early). This is because the Board considers that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates. Similarly, an entity does not need to disclose the information required by paragraphs 28–30 of IAS 8 in relation to these amendments. The Board noted that if an entity decides to change its accounting policies as a result of applying these

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amendments then it would be required to follow the existing requirements in IAS 8 in relation to those accounting policy changes.

Differences from SFAS 130

BC106 In developing IAS 1, the Board identified the following differences from SFAS 130:

(a) **Reporting and display of comprehensive income** Paragraph 22 of SFAS 130 permits a choice of displaying comprehensive income and its components, in one or two statements of financial performance or in a statement of changes in equity. IAS 1 (as revised in 2007) does not permit display in a statement of changes in equity.

(b) **Reporting other comprehensive income in the equity section of a statement of financial position** Paragraph 26 of SFAS 130 specifically states that the *total of other comprehensive income* is reported separately from retained earnings and additional paid-in capital in a statement of financial position at the end of the period. A descriptive title such as *accumulated other comprehensive income* is used for that component of equity. An entity discloses accumulated balances for each classification in that separate component of equity in a statement of financial position, in a statement of changes in equity, or in notes to the financial statements. IAS 1 (as revised in 2007) does not specifically require the display of a total of accumulated other comprehensive income in the statement of financial position.

(c) **Display of the share of other comprehensive income items of associates and joint ventures accounted for using the equity method** Paragraph 82 of IAS 1 (as revised in 2007) requires the display in the statement of comprehensive income of the investor's share of the investee's other comprehensive income. Paragraph 122 of SFAS 130 does not specify how that information should be displayed. An investor is permitted to combine its proportionate share of other comprehensive income amounts with its own other comprehensive income items and display the aggregate of those amounts in an income statement type format or in a statement of changes in equity.

Appendix
Amendments to the Basis for Conclusions on other IFRSs

This appendix contains amendments to the Basis for Conclusions on other IFRSs that are necessary in order to ensure consistency with the revised IAS 1. Amended paragraphs are shown with the new text underlined and deleted text struck through.

* * * * *

The amendments contained in this appendix when this Standard was revised in 2007 have been incorporated into the relevant IFRSs published in this volume.

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Dissenting opinions

Dissent of Mary E Barth, Anthony T Cope, Robert P Garnett and James J Leisenring from IAS 1 (as revised in September 2007)

DO1 Professor Barth and Messrs Cope, Garnett and Leisenring voted against the issue of IAS 1 *Presentation of Financial Statements* in 2007. The reasons for their dissent are set out below.

DO2 Those Board members agree with the requirement to report all items of income and expense separately from changes in net assets that arise from transactions with owners in their capacity as owners. Making that distinction clearly is a significant improvement in financial reporting.

DO3 However, they believe that the decision to permit entities to divide the statement of comprehensive income into two separate statements is both conceptually unsound and unwise.

DO4 As noted in paragraph BC51, the *Framework*[12] does not define profit or loss, or net income. It also does not indicate what criteria should be used to distinguish between those items of recognised income and expense that should be included in profit or loss and those items that should not. In some cases, it is even possible for identical transactions to be reported inside or outside profit or loss. Indeed, in that same paragraph, the Board acknowledges these facts, and indicates that it had a preference for reporting all items of income and expense in a single statement, believing that a single statement is the conceptually correct approach. Those Board members believe that some items of income and expense that will potentially bypass the statement of profit and loss can be as significant to the assessment of an entity's performance as items that will be included. Until a conceptual distinction can be developed to determine whether any items should be reported in profit or loss or elsewhere, financial statements will lack neutrality and comparability unless all items are reported in a single statement. In such a statement, profit or loss can be shown as a subtotal, reflecting current conventions.

DO5 In the light of those considerations, it is puzzling that most respondents to the exposure draft that proposed these amendments favoured permitting a two-statement approach, reasoning that it 'distinguishes between profit and loss and total comprehensive income' (paragraph BC50). Distinguishing between those items reported in profit or loss and those reported elsewhere is accomplished by the requirement for relevant subtotals to be included in a statement of comprehensive income. Respondents also stated that a two-statement approach gives primacy to the 'income statement'; that conflicts with the Board's requirement in paragraph 11 of IAS 1 to give equal prominence to all financial statements within a set of financial statements.

DO6 Those Board members also believe that the amendments are flawed by offering entities a choice of presentation methods. The Board has expressed a desire to

12 The reference to the *Framework* is to IASC's *Framework for the Preparation and Presentation of Financial Statements*, adopted by the IASB in 2001. In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

reduce alternatives in IFRSs. The *Preface to International Financial Reporting Standards*, in paragraph 13,[13] states: 'the IASB intends not to permit choices in accounting treatment ... and will continue to reconsider ... those transactions and events for which IASs permit a choice of accounting treatment, with the objective of reducing the number of those choices.' The *Preface* extends this objective to both accounting and reporting. The same paragraph states: 'The IASB's objective is to require like transactions and events to be accounted for *and reported* in a like way and unlike transactions and events to be accounted for *and reported* differently' (emphasis added). By permitting a choice in this instance, the IASB has abandoned that principle.

DO7 Finally, the four Board members believe that allowing a choice of presentation at this time will ingrain practice, and make achievement of the conceptually correct presentation more difficult as the long-term project on financial statement presentation proceeds.

13 Paragraph 13, slightly amended, is now paragraph 12 of the *Preface*, as amended at September 2010.

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Dissent of Paul Pacter from *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)

DO1 Mr Pacter voted against issuing the amendments to IAS 1 *Presentation of Financial Statements* set out in *Presentation of Items of Other Comprehensive Income* in June 2011. Mr Pacter believes that the Board has missed a golden opportunity to align the performance statement with the Board's *Conceptual Framework* and, thereby, improve information for users of IFRS financial statements.

DO2 Mr Pacter believes that ideally this project should have provided guidance, to the Board and to those who use IFRSs, on which items of income and expense (if any) should be presented as items of other comprehensive income (OCI) and which of those (if any) should subsequently be recycled through profit or loss. Mr Pacter acknowledges and accepts that this project has a more short-term goal – 'to improve the consistency and clarity of the presentation of items of OCI'. He believes that this project fails to deliver on that objective, for the following reasons:

(a) Consistency is not achieved because the standard allows choice between presenting performance in a single performance statement or two performance statements. Users of financial statements—and the Board itself—have often said that accounting options are not helpful for understandability and comparability of financial statements.

(b) Clarity is not achieved because allowing two performance statements is inconsistent with the *Conceptual Framework*. The *Conceptual Framework* defines two types of items that measure an entity's performance—income and expenses. Mr Pacter believes that all items of income and expense should be presented in a single performance statement with appropriate subtotals (including profit or loss, if that can be defined) and supporting disclosures. This is consistent with reporting all assets and liabilities in a single statement of financial position, rather than multiple statements. Unfortunately, neither IAS 1 nor any other IFRS addresses criteria for which items are presented in OCI. And the recent history of which items are presented in OCI suggests that the decisions are based more on expediency than conceptual merit. In Mr Pacter's judgement, that is all the more reason to have all items of income and expense reported in a single performance statement.

DO3 Mr Pacter believes that the Board should breathe new life into its former project on performance reporting as a matter of urgency.