



ICPAK Financial Reporting Workshop

IAS 1-

PRESENTATION OF FINANCIAL STATEMENTS

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Objective

To understand the requirements of IAS 1 – Presentation of Financial Statements



IAS 1 - Contents

- Contents of financial statements
- General features
- Identification
- Statement of financial position (balance sheet)
- Statement of comprehensive income
- Statement of changes in equity
- Notes



Complete set of Financial Statements

- Statement of financial position (balance sheet)
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes, including a summary of significant accounting policies and other disclosures

And:

- Opening statement of financial position when there has been a prior year adjustment or reclassification

Titles are not mandatory.



General features

- Fair presentation
- Explicit statement of compliance with IFRS
- Inappropriate accounting cannot be rectified by disclosure
- Going concern
- Accrual basis
- Materiality and aggregation
- Offsetting
- Frequency of reporting
- Comparative information
- Consistency



Materiality

- 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.



Identification

- Distinguish financial statements from other information in the same document
- Clearly identify each financial statement and the notes
- Display prominently:
 - Name of the entity
 - Whether a single entity or a group
 - The period covered
 - The presentation currency
 - The level of rounding



Statement of Financial Position



Statement of financial position

- Property, plant and equipment
- Investment property
- Intangible assets
- Other financial assets
- Investments accounted for using the equity method
- Biological assets
- Inventories
- Trade and other receivables
- Cash and cash equivalents
- Non-current assets and liabilities held for sale
- Trade and other payables
- Provisions
- Other financial liabilities
- Current tax assets and liabilities
- Deferred tax assets and liabilities
- Non-controlling interests
- Issued capital and reserves attributable to the owners



Current/non-current distinction

- Definitions

- A current asset is one that:

- ❖ Is expected to be realised or consumed in its normal operating cycle
 - ❖ Is held for trading
 - ❖ Is expected to be realised within 12 months; or
 - ❖ Is a cash or cash equivalent, unless it cannot be used for at least 12 months



Current/non-current distinction

- Definitions

- A current liability is one that:

- ❖ Is expected to be settled in its normal operating cycle
 - ❖ Is held for trading
 - ❖ Is due to be settled within 12 months; or
 - ❖ The entity does not have an unconditional right to defer settlement of the liability for at least 12 months



Current/non-current distinction

- Present current and non-current assets and liabilities separately, except when a presentation based on liquidity provides information that is reliable and more relevant
- In both cases disclose amount expected to be recovered or settled after more than 12 months for each asset and liability line that combines amounts expected to be recovered or settled in:
 - Less than 12 months; and
 - More than 12 months



Current/non-current distinction

Deferred tax assets or liabilities shall not be classified as current.



Equity

- For each class of share capital, disclose:
 - Number of shares authorised
 - Number of shares issued and fully paid, and issued but not fully paid
 - Par value per share
 - Reconciliation of shares outstanding at the beginning and end of the period
 - Rights attaching to each class
 - Shares reserved for issue under options, etc
- A description of the nature and purpose of each reserve



Statement of Comprehensive Income



The incomprehensible statement of income ...

- *The income statement* – presents income and expenses other than “other comprehensive income”, including reclassification adjustments
- *Other comprehensive income* – income and expenses that are not recognised in profit or loss (the income statement) as required or permitted by IFRS, less reclassification adjustments
- *Reclassification adjustments* – amounts previously recognised in other comprehensive income that are reclassified to the profit and loss account.



IAS 1 - Examples ...

... of other comprehensive income:

- Fair value gains or losses on available-for-sale financial assets
- Revaluation surplus on property, plant and equipment
- Translation reserve movements
- Hedging reserve movements
- Tax relating to any of the above.



IAS 1 - Examples (continued) ...

... of reclassification adjustments:

- 'recycling' of fair value gain or loss on disposal of an available-for-sale financial asset
- 'recycling' of translation reserve on disposal of a foreign subsidiary
- 'recycling' of a hedging reserve on maturity of the hedge.

Transfers to retained earnings of excess depreciation (net of tax) or a revaluation surplus on disposal of property, plant and equipment are not reclassification adjustments.



IAS 1 - Presentation of Financial Statements

- Income and expenses can be presented in one statement (a “Statement of comprehensive income”) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity.



IAS 1: Questions

- IAS 1 v Companies Act – titles: Companies Act requires a Profit and Loss Account – is that the Income Statement or the Statement of Comprehensive Income?
- Which is better – one statement or two?
- If there is no ‘other comprehensive income’, what do you call the single statement?
- Is negative ‘other comprehensive income’ called ‘other comprehensive expense’?
- Is negative ‘total comprehensive income’ a ‘total comprehensive loss’?



IAS 1: Questions (continued)

- If an auditor expresses an opinion on the 'financial performance' of an entity, does that refer to 'profit or loss', 'total comprehensive income', or both?



IAS 1: Illustrations

... of statements of comprehensive income



Statement of comprehensive income

- Revenue
- Finance costs
- Share of profit or loss of associates and joint ventures
- Tax expense
- Post tax profit or loss of discontinued operations
- Profit or loss
- Each component of other comprehensive income
- Share of other comprehensive income of associates and joint ventures
- Total comprehensive income



Statement of comprehensive income

Include other line items, headings and sub-totals when such presentation is relevant to an understanding of the entity's performance

When items of income or expense are material, disclose their nature and amount separately

But no 'extraordinary items'



Nature v function

Present an analysis of expenses (on the face of the SCI or in the notes) by nature or by function, whichever provides information that is reliable and more relevant

If classifying by function, disclose additional information on the nature of expenses, including depreciation and amortisation and employee benefits expense



Allocation of consolidated income

Disclose:

- Profit or loss for the period attributable to:
 - Non-controlling interests
 - Owners of the parent
- Total comprehensive income for the period attributable to:
 - Non-controlling interests
 - Owners of the parent



Statement of Changes in Equity



Statement of changes in equity

Show (in the statement):

- Total comprehensive income (split between attributable to owners and to non-controlling interests)
- For each component, the effect of prior period adjustments in accordance with IAS 8
- For each component, a reconciliation between opening or closing balance disclosing:
 - Profit or loss
 - Other comprehensive income
 - Transactions with owners in their capacity as owners



Statement of changes in equity (continued)

Show (in the statement or in the notes):

- The amount of dividends recognised as distributions to owners, and the related amount per share

(proposed dividends are disclosed, not recognised – IAS 10 – but can be shown as an appropriation within reserves)



IAS 1: Illustration

... of a statement of changes in equity



Statement of cash flows

Refer to IAS 7



Notes



Notes

Include:

- Basis of preparation and significant accounting policies (including measurement basis or bases)
- Information required by IFRS not presented elsewhere
- Information relevant to an understanding of the financial statements (judgement required)



Notes (continued)

Include:

- Judgements that management has made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements
- Information about the assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year (include nature and carrying amount of those assets and liabilities)



Notes (continued)

Include:

- Information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital:
 - Qualitative information including: what it manages as capital; nature of externally imposed capital requirements (if applicable); and how it is meeting its objectives
 - Quantitative data about what it manages as capital
 - Changes in the above from prior period
 - Whether it complied with externally imposed capital requirements and, if not, the consequences



Notes (continued)

Other disclosures:

- Amount of dividends (and amount per share) proposed or declared before the financial statements were authorised for issue, but not recognised as a distribution
- Amount of any cumulative preference dividends not recognised



Notes (continued)

Other disclosures (if not disclosed elsewhere in information published with the financial statements):

- Domicile and legal form of the entity, its country of incorporation and the address of its registered office
- A description of the nature of the entity's operations and its principal activities
- The name of the parent and the ultimate parent



**Change effective 1 January
2013
(can be early adopted)**



Amendment to IAS 1

- Other comprehensive income (OCI) that will be subsequently reclassified to profit or loss must be presented separately from OCI that will not be reclassified
- Statement of Comprehensive Income to be renamed “Statement of profit or loss and other comprehensive income”

(proposal to require a single statement was rejected)



IASB Project Presentation of Financial Statements



IASB Project

The IAS Board's project is more ambitious, and will consolidate the existing IAS 7, Statement of Cash Flows, with IAS 1, Presentation of Financial Statements ...



IASB Project

Timing is now uncertain, but the IASB had planned to publish an Exposure Draft that would set out proposals for requiring the disaggregation of information so that it explains the components of an entity's financial position, financial performance, and cash flows.

Each of the primary statements would have a business section (including operating and investing categories), a financing section, an income tax section, and a discontinued operation section, similar to the way in which the statement of cash flows is currently presented.



Thank you

Any questions?