



IFRS FOR SMEs: Financial Statement Presentation

Credibility

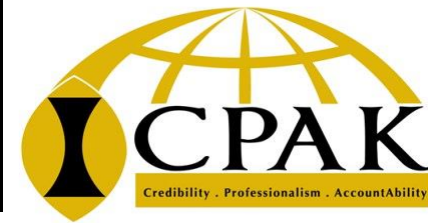
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Professionalism

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AccountAbility

Overview of financial statement presentation



- **Section 3** specifies general requirements for financial statement presentation
- **Sections 4–8** cover the presentation of each component of financial statements
- **Section 10** covers accounting policies, estimates and errors
- **Section 30** covers foreign currency translation

Overview of financial statement presentation



- **Section 32** covers events after the end of the reporting period
- **Section 33** covers related party disclosures
the main principles in these sections are generally the same as full IFRSs

Overview of financial statement presentation



Section 3

Financial Statement Presentation

Section 3 - Scope



- **Section 3 explains**
 - fair presentation of financial statements
 - what compliance with the *IFRS for SMEs* requires
 - what is a complete set of financial statements

Section 3 – Fair presentation



- Fair presentation is the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses
- The application of the *IFRS for SMEs* (with additional disclosure when necessary) is presumed to result in a fair presentation of the financial position, financial performance & cash flows of an entity that is not publicly accountable

Section 3 - Compliance



- **An entity whose financial statements comply with the *IFRS for SMEs* must make an explicit and unreserved statement of such compliance in the notes**
- **Financial statements shall not be described as complying with the *IFRS for SMEs* unless they comply with all the requirements of the *IFRS for SMEs***

Overview of financial statement presentation



Section 4

Statement of Financial Position

Section 4 - Scope



The statement of financial position (SOFP) (sometimes called the balance sheet) presents an entity's assets, liabilities and equity as of a specific date—the end of the reporting period.

- **Section 4:**
 - sets out the information to be presented in a statement of financial position and how to present it

Overview of financial statement presentation



Section 5

Statement of Comprehensive Income and Income Statement

Section 5 - Scope



The statement of comprehensive income presents an entity's financial performance (ie its income and expenses) for the period.

- **Section 5**
 - requires financial performance be presented in a single statement or two statements (an accounting policy choice)
 - sets out the information to be presented in those statements

Section 6

Statement of Changes in Equity and Statement of Income and Retained Earnings

Section 6 - Scope



The statement of changes in equity presents all changes in equity in the reporting period, detailing those arising from transactions with owners in their capacity as owners.

- **Section 6**
 - sets out requirements for presenting the changes in an entity's equity for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings

Overview of financial statement presentation



Section 7

Statement of Cash Flows

Section 7 - Scope



The statement of cash flows provides information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investing activities and financing activities.

Section 7

- sets out the information that is to be presented in a statement of cash flows and how to present it

Overview of financial statement presentation



Section 8

Notes to the Financial Statements

Section 8 - Scope



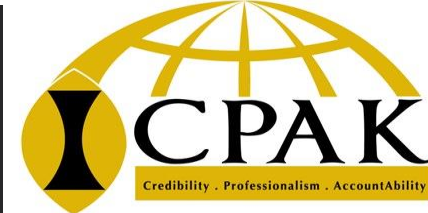
**Notes provide additional information—
narrative descriptions or disaggregations
of items presented in statements and
information about items that do not
qualify for recognition.**

- **Section 8 sets out the principles for presenting note disclosures**
- **Other sections require note disclosures**

Section 8 – Overview of Notes

- **Notes are presented systematically and cross-reference to FS**
- **Notes present information about**
 - basis of presentation
 - specific accounting policies used
 - information about judgements and key sources of estimation uncertainty
- **Notes disclose**
 - the information required by the *IFRS for SMEs* that is not presented elsewhere
 - other information that is relevant to an understanding of the FS

Section 8 – Order of Presentation



- **1st: statement of compliance (*IFRS for SMEs*)**
- **2nd: summary of significant accounting policies applied**
- **3rd: supporting information for items presented in FS, follow sequence in FS**
- **4th: other disclosures**

Section 8 – Accounting Policies



- **Disclose:**
 - measurement bases used
 - other relevant accounting policies used
 - information about **judgements** made in applying accounting policies that have the most significant effect on the FS
 - information about **key sources of estimation uncertainty** that have a significant risk of causing a material adjustment within 1 year (including their nature and carrying amount)

Section 8 – Examples of Judgement in applying accounting policies



- Whether outflow is more likely than not re a present obligation = recognise a liability?
- Whether a lease transfers substantially all risks and rewards of ownership = finance or operating lease?
- When risks and rewards transfer for goods sold = when to recognise revenue?
- Whether arrangement = sales of goods or financing?
- Whether controls exists = whether to consolidate?

Overview of financial statement presentation



Section 10

Accounting Policies, Estimates and Errors

Section 10 - Scope



Section 10

- Provides guidance for selecting and applying the accounting policies
- Specifies accounting for
 - changes in accounting estimates
 - corrections of errors in prior period financial statements

Section 10 – Accounting Policies Hierarchy



- If *IFRS for SMEs* addresses an issue, must follow *IFRS for SMEs*
- If not
 - choose policy that results in most relevant and reliable information by
 - 1st try to analogise from requirements in other sections
 - 2nd use concepts/pervasive principles in Section 2
 - may also (not required) look to full IFRSs

Section 10 - Consistency of accounting policies



- **Select and apply its accounting policies consistently for similar transactions, other events and conditions**
- **Change accounting policy only if**
 - is required by change to *IFRS for SMEs* (compulsory)
 - results in reliable and more relevant information (voluntary)

Section 10 – Change in accounting policy



- **Change accounting policy if**
 - if mandated, follow the transition guidance as mandated
 - if voluntary, retrospective application
 - impracticability exemption
- **Disclosures**

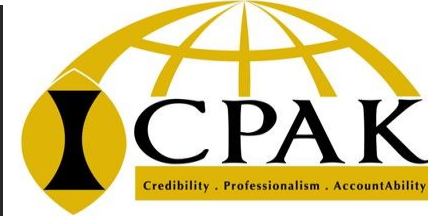
Section 10 – accounting estimates



The use of reasonable estimates is an essential part of accounting.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Section 10 - errors



Prior period errors are omissions from, and misstatements in, financial statements for prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue, and
- could reasonably be expected to have been obtained and taken into account in the preparation & presentation of those financial statements.

Section 10 – change in estimate



- **Account for changes in accounting estimates prospectively**
- **Disclose**
 - nature of change and the effect of the change on assets, liabilities, income and expense for the current period
 - if practicable, estimates of the effect of the change in one or more future periods

Section 10 – correcting errors

- **Correct prior period errors retrospectively (ie restate comparative figures)**
- **Disclose**
 - nature of the error
 - financial effects (each line-item)
 - an explanation if it is not practicable to determine the financial effects

Conclusion



- Discussion
- Questions?

