



Overview of Financial Reporting Requirements & Standards

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Agenda



1. Financial Reporting

2. Key Standards

IAS 1-Presentation of Financial Statements

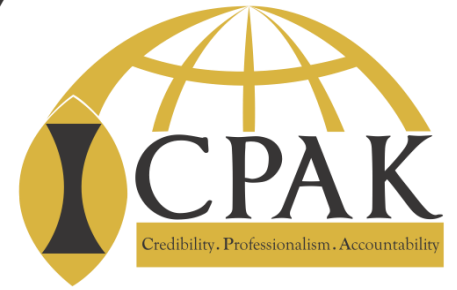
IFRS 7- Financial Instruments Disclosures

IAS 10 – Events After the Reporting Period

3. Q&A

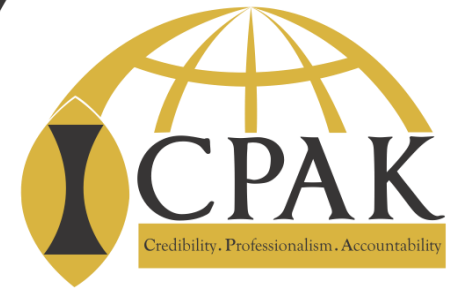
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You will learn to:



- 1) Objectives of financial reporting
- 2) Key IFRSs standards relevant to financial reporting

Objective of financial reporting



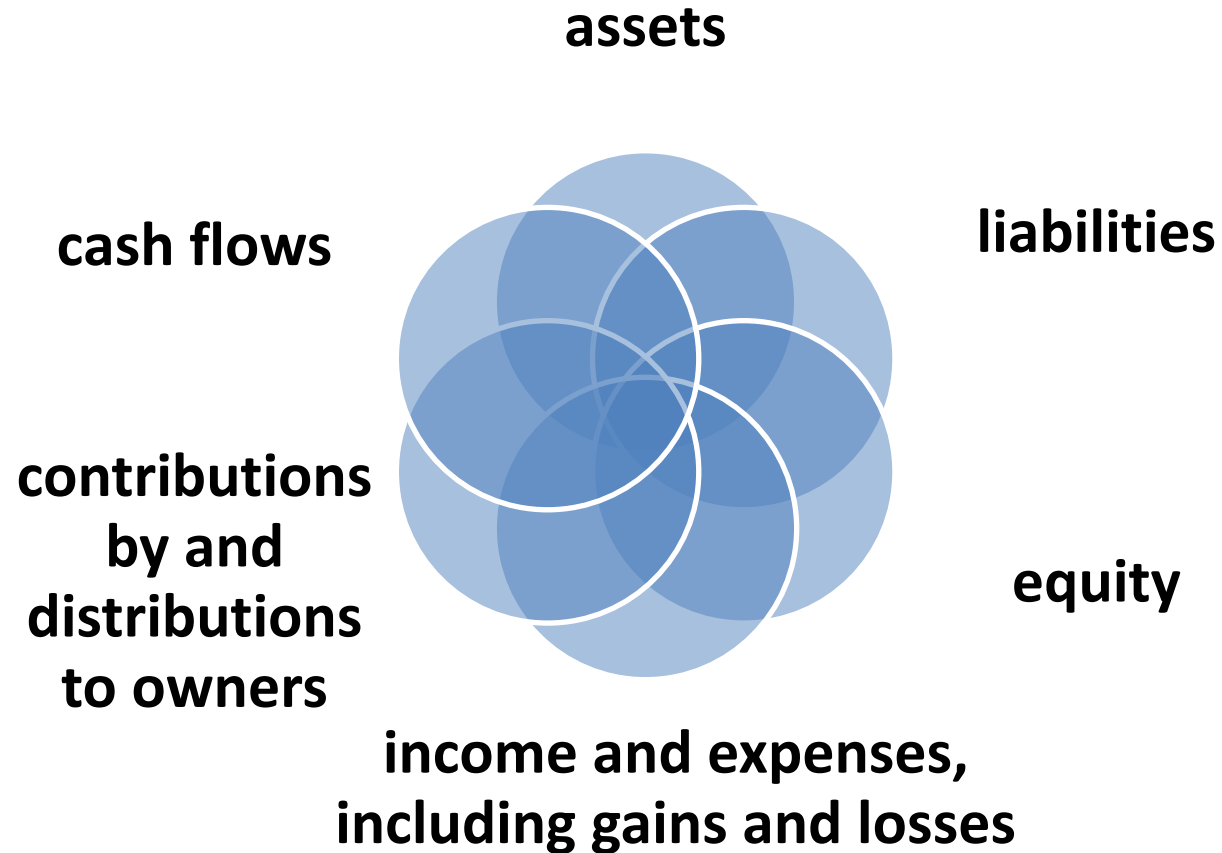
- To provide information about the **financial position**, **financial performance**, and **cash flows** of an entity that is useful to a wide range of users in making economic decisions.



Objective of financial reporting



To meet that objective, financial statements provide information about an entity's:



Presentation of Financial Statements - IAS 1



- IAS 1 sets out the **overall** requirements for
 - the **presentation** of financial statements,
 - guidelines for their **structure** and
 - **minimum requirements** for their content.
- Standards for recognizing, measuring, and disclosing specific transactions are addressed in other Standards and Interpretations.

Going concern

Going concern basis unless:

- Business expected to cease
- No realistic alternative but to liquidate

Disclosures if material uncertainties or 'close calls'

Management assesses ability to continue as going concern

Disclosures if not prepared on going concern basis:

- Basis on which prepared
- Reason for such basis

Consistency of presentation



Retain same presentation
and classification of items...



...unless change
gives more appropriate
presentation / is required
by an IFRS

Overall considerations



Comparative information

Numerical comparatives unless
an IFRS permits otherwise

Narrative comparatives if
relevant to understanding current
period

Comparatives restated / adjusted
in some cases

Overall considerations



Fair presentation

Achieved by appropriate application of IFRSs

Requires faithful representation of effects of transactions, events and conditions

If conflict between Framework and a Standard / Interpretation, the Standard / Interpretation is applied

Overall considerations



Reporting period

Financial statements presented at least annually (*IAS 1 par 36*)

No prohibition on 52-week period for practicality (*IAS 1 par 37*)

If shorter or longer period (*IAS 1 par 36*):

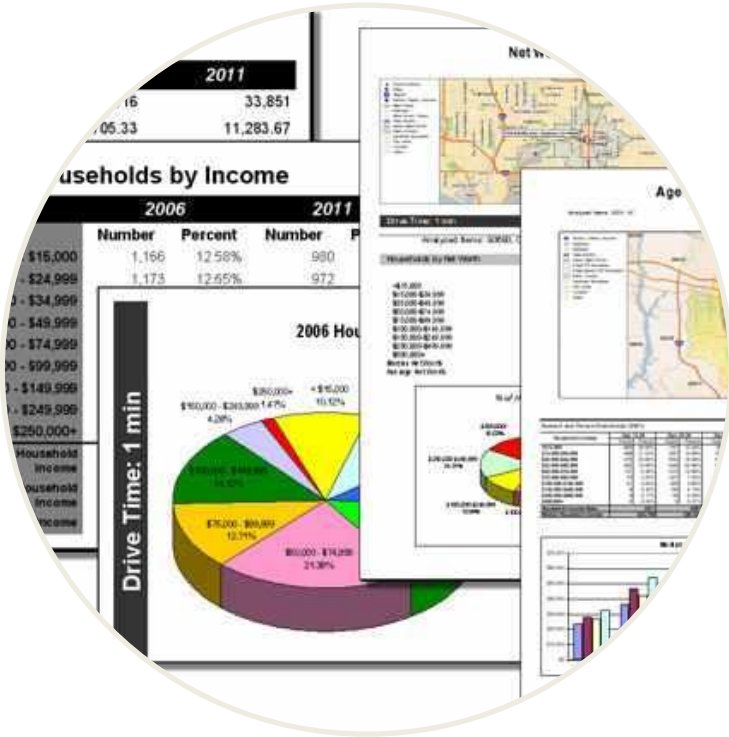
- Reason
- Fact that amounts may not be comparable



Structure and content

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Components of financial statements



Reports that are **presented outside** of the financial statements – Including financial reviews by management, environmental reports, and value added statements – are outside the scope of IFRSs.

Statement of financial position presentation



Present assets and liabilities in the statement of financial position as:

- **Current / non-current**
- **Broadly in order of liquidity when reliable and more relevant**

Disclose amounts due for recovery / settlement > 12 months from the end of the reporting period

Exceptions:

- **Deferred tax assets / liabilities always non-current**
- **Post-employment benefits may be non-current**

Current vs non-current



Assets current if:

- Used in normal operating cycle
- Held primarily for trading purposes
- Expected to be realised within 12 months
- Cash or cash equivalent

Liabilities current if:

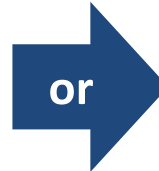
- To be settled in normal operating cycle
- Held primarily for trading purposes
- Due to be settled within 12 months
- No unconditional right to defer settlement for at least 12 months

All other assets and liabilities are non-current

Statement of profit or loss and other comprehensive income



**Statement of
profit or loss and other
comprehensive income**



Statement of profit or loss



**Statement of comprehensive
income**

Disclosure of expenses



On the face
OR
In the notes

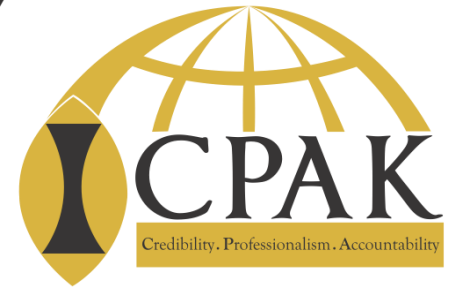
By nature
OR
By function



If by function, also disclose information on nature of expenses, including:

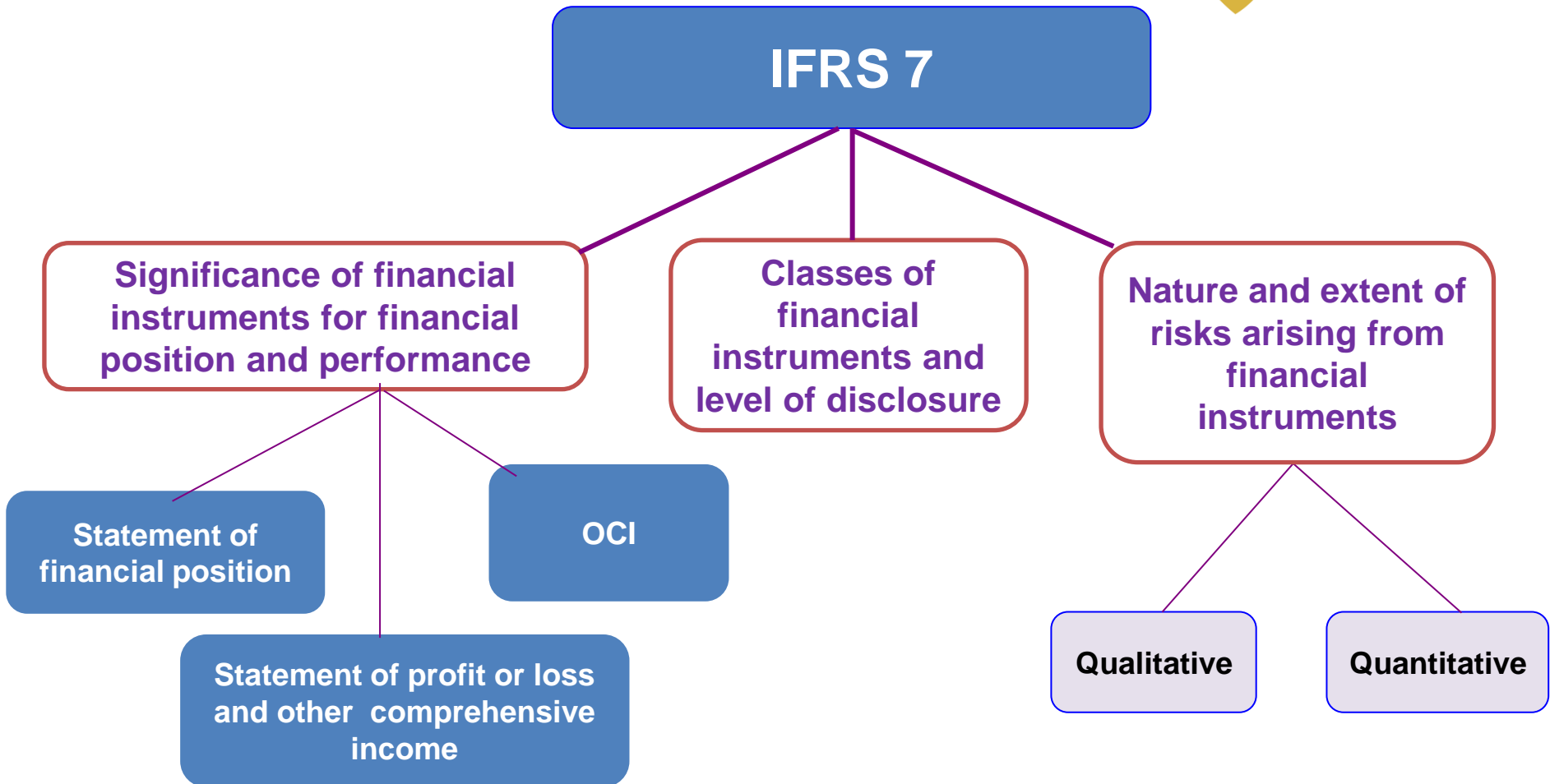
- Depreciation / amortisation
- Employee benefits expense

IFRS 7- Financial Instruments Disclosures



- ◆ Enhance understanding of:
 - Significance of financial instruments to an entity's overall financial position and performance
 - Performance and risk exposures resulting from such financial instruments

IFRS 7 - Overview



IFRS 7 Disclosures



◆ Accounting policies

- Measurement basis (or bases) used in preparing financial statements

◆ Fair value

- Methods and assumptions applied in determining fair values
- Fair value hierarchy (Level 1, 2 and 3)
 - Level 1- measured based on quotes prices
 - Level 2- measured based on inputs derived from quotes prices
 - Level 3- measured based on unobservable inputs

IFRS 7 Disclosures



◆ Qualitative disclosures

- For each type of risk (e.g., credit, liquidity and market) arising from financial instruments, disclose:
 - The exposures to risk and how they arise
 - Objectives, policies and processes for managing the risk and methods used to measure the risk
 - Any changes to the above from the previous period

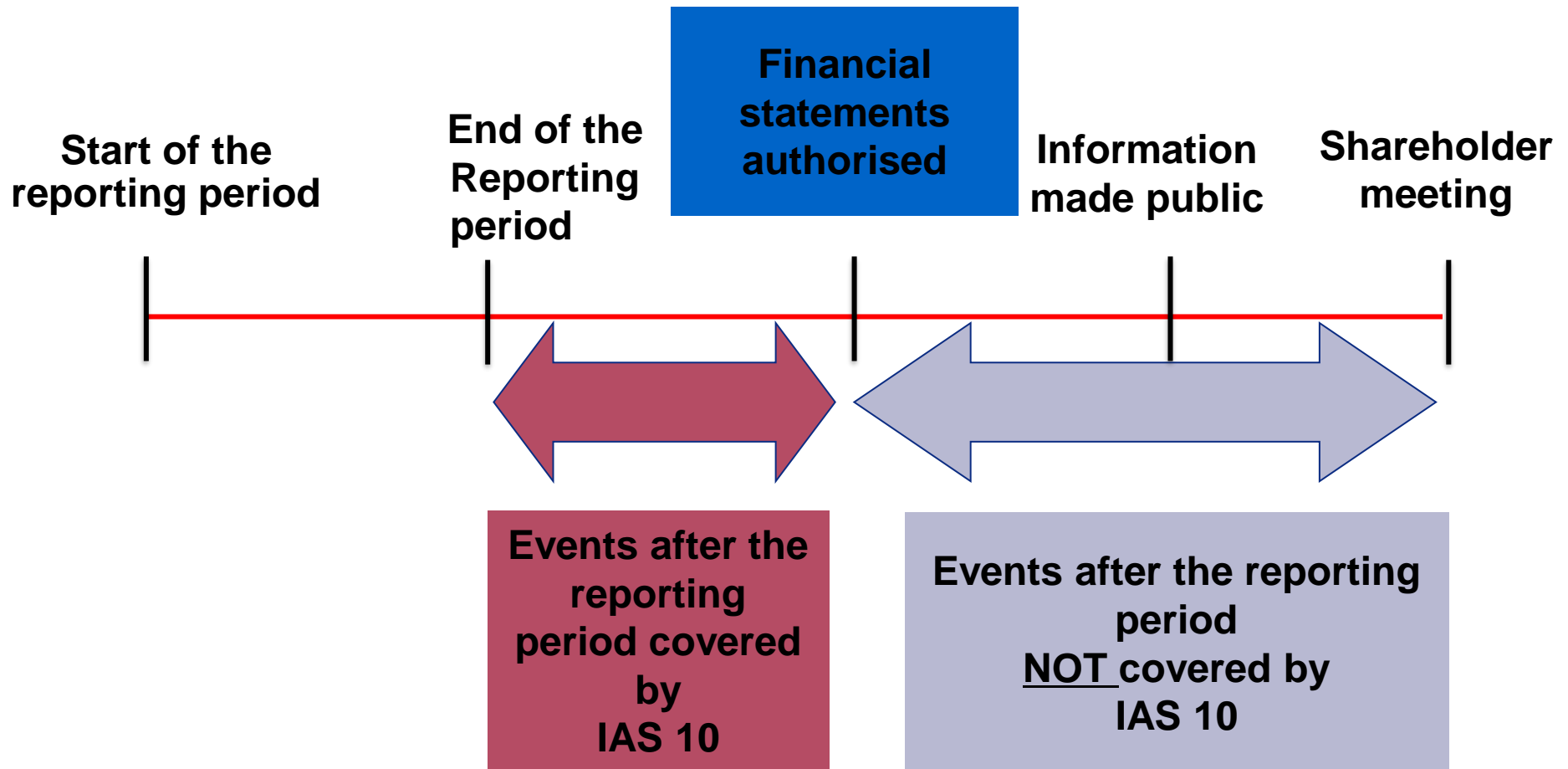
IFRS 7 Disclosures



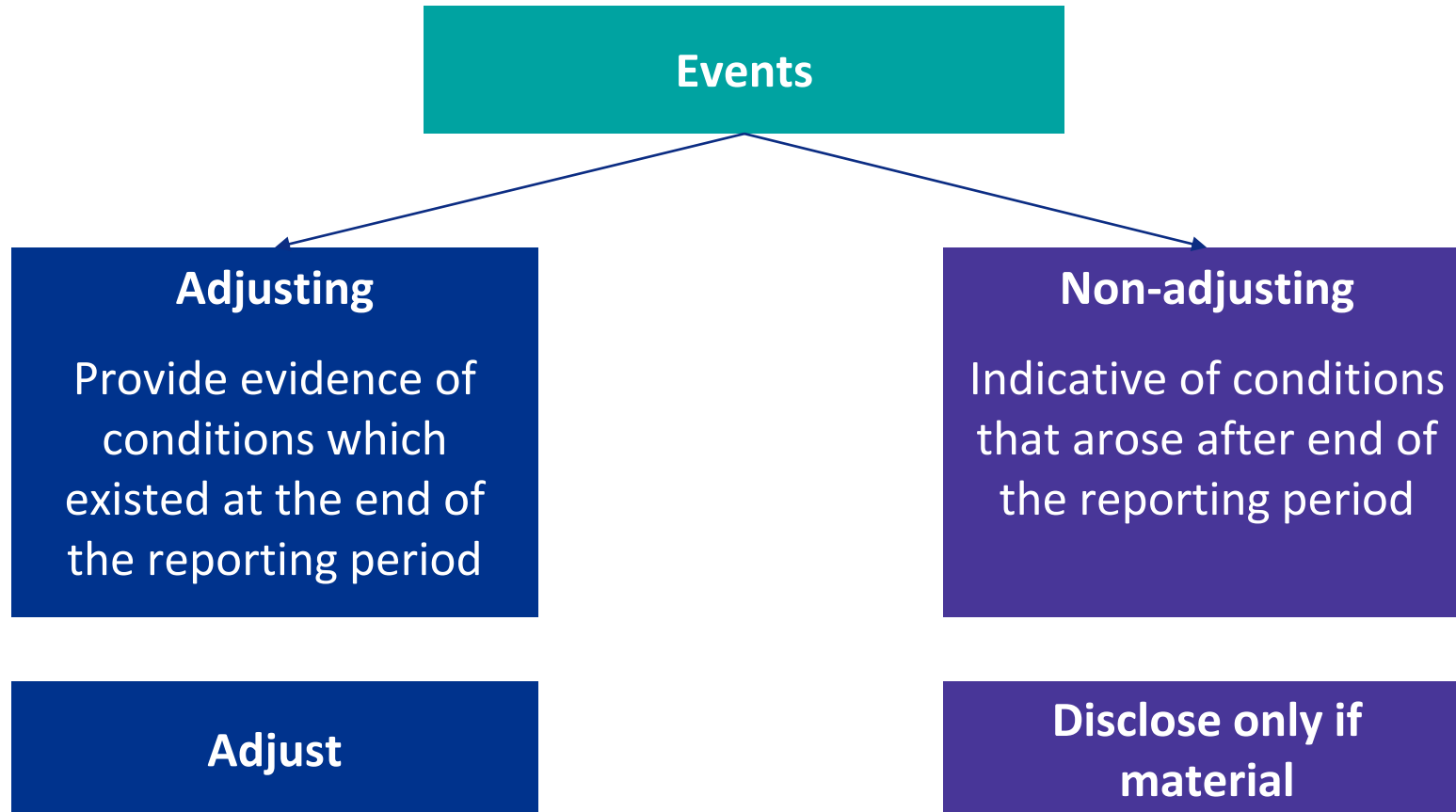
◆ Quantitative disclosures

- For each type of risk (e.g., credit, liquidity and market) arising from financial instruments, disclose:
 - Summary quantitative data about the risk exposure as provided to key management personnel
 - Detailed disclosures to the extent not disclosed already from the point above
 - Concentrations of risk if not included above

IAS 10-Events after reporting period



Adjusting & Non-adjusting events



Examples of adjusting & Non-adjusting events



Adjusting

- Settlement of a court case
 - May confirm a present obligation at the end of the reporting period
 - If so, then adjust any previously recognised provision
- Bankruptcy of a customer
 - Usually confirms that a loss already existed at the end of the reporting period
- Discovery of fraud

Non-adjusting

- Destruction of a plant by fire
- Decline in market value of investments
- A major business combination
- Announcing a major restructuring
- Abnormally large changes in asset prices or foreign exchange rates
- Entering into significant commitments

Special issues – Going concern



■ Going concern

- An entity does not prepare its financial statements on a going concern basis if management determines, after the reporting date but before the financial statements are authorised for issue, that it intends or has no alternative other than to liquidate the entity or to stop trading [[IAS 10.14](#)]
- If the going concern assumption becomes inappropriate after the end of the reporting period, then the financial statements should **NOT** be prepared on a going concern basis

Modern reporting aspects



- **Deployment of accounting systems**
 - Preparation of financial statements
 - Management accounts
 - Financial analysis tools

- **Use of dashboards**

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