

General Presentation and Disclosures

Comments to the AASB by 15 August 2020 (revised date)



Australian Government

**Australian Accounting
Standards Board**

How to Comment on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 15 August 2020 (revised date). This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 30 September 2020 (revised date).

Formal Submissions

Submissions should be lodged online via the “Work in Progress – Open for Comment” page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@asb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

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AASB REQUEST FOR COMMENTS

The Australian Accounting Standards Board's (AASB's) policy is to incorporate International Financial Reporting Standards (IFRSs) into Australian Accounting Standards. Accordingly, the AASB is inviting comments on:

- (a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and
- (b) the 'AASB Specific Matters for Comment' listed below.

Australian context for these proposals

It has become increasingly common for Australian entities to report measures of financial performance that do not reflect the requirements of Australian Accounting Standards¹ – known commonly as 'non-GAAP measures', 'non-IFRS financial information' or 'Management Performance Measures' (MPM). These measures, sometimes termed 'underlying profit', 'cash profit', or 'core earnings', are frequently highlighted in the media, investor presentations and even in many cases within the annual report. Alternately, some entities highlight some form of EBITDA² measure, although the 'E' (ie 'earnings') is typically arrived at after excluding at least some components of GAAP earnings, and is not always clearly reconciled to the statutory earnings figure.

External reporting of financial performance is increasingly focussed on measures that exclude some part of the statutory determination of profit – a need for entities to 'tell their own story'. Further, analysts commonly forecast a measure of profit that differs from the statutory figure. Such numbers are often termed 'street earnings'.

Existing evidence suggests that 'non-GAAP' earnings numbers are more predictable and more closely correlated with share price movements than their GAAP counterpart, however, such numbers are also less likely to reflect bad economic news on a timely basis (ie they are less conservative).³ The current absence of any authoritative guidelines on just what constitutes 'core' or 'cash' earnings means that comparability is reduced, both between entities and also for any given entity over time.

How do these proposals address current user concerns?

These proposals are intended to address user concerns over MPMs by:

- reducing the need for alternative MPMs by providing more information in the statement of financial performance to assist predicting future cashflows. To do this, the ED proposes new sub-totals, defining 'operating profit' and 'profit or loss before financing and income tax'. In addition, unusual and infrequent items are defined and required to be disclosed in the notes (but not on the face of the financial statements). As many non-GAAP measures appear to correspond with some entity-specific definition of 'operating', guidance on what does (and does not) constitute operating profit is an important improvement to aid comparability; and
- providing enhanced credibility to MPMs by requiring them to be included in the audited financial statements with specified disclosures.

1 Coulton, J., Ribeiro, A., Shan, Y., Taylor, S., 'The Rise and Rise of Non-GAAP Disclosure', *Chartered Accountants Australia and New Zealand*, 2016

2 Earnings before interest, tax, depreciation and amortisation

3 Ribeiro, A., Shan, Y., Taylor, S., 'Non-GAAP Earnings and the Earnings Quality Trade-off', *ABACUS*, vol 55, no 1, 2019

Interaction with ASIC Regulatory Guide RG 230 *Disclosing non-IFRS financial information*

ASIC's RG 230 *Disclosing non-IFRS financial information* provides guidance to directors and preparers of financial reports on the use of financial information presented other than in accordance with accounting standards inside and outside of financial statements.

A number of similarities exist between this Exposure Draft and RG 230, including requirements for:

- a reconciliation of MPMs to IFRS sub-totals or totals;
- explanation as to why the measures are useful/necessary, and how they are calculated;
- MPMs/non-IFRS financial information must not be misleading or be given more prominence than IFRS measures; and
- consistency between periods, or disclosure of any changes to the measures.

However, some differences also arise, for example this ED proposes:

- enhanced disclosure, including effects on tax and non-controlling interest;
- disclosure of all MPMs must be in a single note to the audited financial statements, whereas currently they are not necessarily within the financial report;
- disclosure of unusual income and expenses in a single note;
- not to provide guidance for other non-IFRS financial information beyond MPMs – for example, RG 230 addresses pro-forma information; and
- new defined sub-totals for the statement of financial performance to enhance comparability of 'operating profit' and 'profit or loss before financing and interest'.

The AASB will work with ASIC to determine how these proposals and RG 230 would interact going forward, and your feedback in this regard is welcomed.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - (a) not-for-profit entities; and
 - (b) public sector entities, including GAAP/GFS implications;
2. whether there any significant inconsistencies or other issues between the proposals and the requirements of ASIC RG 230 *Disclosing non-IFRS financial information* that should be addressed by any resulting standard;
3. whether, overall, the proposals would result in financial statements that would be useful to users;
4. whether the proposals are in the best interests of the Australian economy;
5. whether the proposals are auditable, or whether they would give rise to any auditing or assurance challenges; and
6. unless already provided in response to specific matters for comment 1 – 5 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

December 2019

IFRS[®] Standards
Exposure Draft ED/2019/7

General Presentation and Disclosures

Comments to be received by 30 September 2020

Comment deadline changed from 30 June 2020 because of the covid-19 pandemic

IASB[®]

 IFRS[®]

Exposure Draft

General Presentation and Disclosures

*Comments to be received by 30 September 2020
Comment deadline changed from 30 June 2020 because of
the covid-19 pandemic*

Exposure Draft ED/2019/7 *General Presentation and Disclosures* is published by the International Accounting Standards Board (Board) for comment only. The proposals may be modified in the light of comments received before being issued in final form. Comments need to be received by 30 September 2020 and should be submitted in writing to the address below, by email to commentletters@ifrs.org or electronically using our 'Open for comment documents' page at: <https://www.ifrs.org/projects/open-for-comment/>.

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**APPROVAL BY THE BOARD OF EXPOSURE DRAFT *GENERAL
PRESENTATION AND DISCLOSURES* PUBLISHED IN DECEMBER 2019**

BASIS FOR CONCLUSIONS (*see separate booklet*)

ILLUSTRATIVE EXAMPLES (*see separate booklet*)

Introduction

Why is the Board publishing this Exposure Draft?

The Exposure Draft includes the proposals of the International Accounting Standards Board (Board) to improve how information is communicated in the financial statements, with a focus on information about performance the statement of profit or loss.¹ The Board is proposing limited changes to the statement of cash flows and the statement of financial position.

The proposals in the Exposure Draft were developed by the Board as part of its Primary Financial Statements project, which is part of the Board's work on Better Communication in Financial Reporting. It responds to the strong demand from stakeholders, and in particular users of financial statements, to undertake a project on performance reporting.

Structure of the Exposure Draft

The Exposure Draft includes:

- (a) a proposal to replace IAS 1 *Presentation of Financial Statements* with a new Standard that would comprise:
 - (i) new requirements on presentation and disclosures in the financial statements.²
 - (ii) requirements brought forward from IAS 1 with only limited changes to the wording. (These changes are not intended to modify any requirements.)
- (b) proposed amendments to other Standards:
 - (i) IAS 7 *Statement of Cash Flows*;
 - (ii) IFRS 12 *Disclosure of Interests in Other Entities*;
 - (iii) IAS 33 *Earnings per Share*;
 - (iv) IAS 34 *Interim Financial Reporting*;
 - (v) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to include some requirements from IAS 1;³ and
 - (vi) IFRS 7 *Financial Instruments: Disclosures* to include some requirements from IAS 1.

¹ This invitation to comment and the Exposure Draft uses the term 'statement of profit or loss' to cover both the profit or loss section (when an entity presents its statement(s) of financial performance as a single statement of profit or loss and other comprehensive income) and the statement of profit or loss (when an entity presents its statement(s) of financial performance as a statement of profit or loss and a separate statement presenting comprehensive income).

² The Board proposes to retain requirements in IAS 7 *Statement of Cash Flows* that are specific to presentation and disclosures in the statement of cash flows with some amendments.

³ The Exposure Draft also sets out a proposal to change the title of IAS 8 from '*Accounting Policies, Changes in Accounting Estimates and Errors*' to '*Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors*'.

Who would be affected by the proposals?

The Board expects the proposals in this Exposure Draft to affect all entities that apply IFRS Standards to prepare financial statements. The effect of these proposals will vary between entities. Paragraphs BC232–BC312 of the Basis for Conclusions describe the expected effects of the Board’s proposals in more detail.

Next step

The Board will consider comment letters and other feedback from its consultations on this Exposure Draft when finalising the project proposals.

Invitation to comment

The Board invites comments on the project proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) address the questions as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale;
- (d) identify any wording in the project proposals that is difficult to translate; and
- (e) include any alternative the Board should consider, if applicable.

Respondents need not comment on all the questions. The Board is interested in receiving input on how it has balanced costs and benefits when developing those proposed changes. The Board also welcomes views on whether the project proposals are drafted clearly and whether they reflect the Board’s decisions.

The Board is not seeking comments on the requirements that the Board proposes to bring forward from IAS 1 with only limited changes to their wording. However, the Board welcomes views on whether the proposed limited wording changes to these requirements could have unintended consequences. The requirements brought forward from IAS 1 are coloured in grey in the Exposure Draft. A document providing a mark-up of changes to those IAS 1 paragraphs is included in the Exposure Draft package.

Structure of the statement of profit or loss

Figure 1 is a summary of a statement of profit or loss prepared by an entity applying the project proposals. The entity does not make investments in the course of its main business activities, nor does it provide financing to customers as a main business activity.

Figure 1—Summary of a statement of profit or loss

Revenue	X	Operating
Operating expenses	(X)	
Operating profit or loss	X	
Share of profit or loss of integral associates and joint ventures	X	Integral associates and joint ventures
Operating profit or loss and income and expenses from integral associates and joint ventures	X	
Share of profit or loss of non-integral associates and joint ventures	X	Investing
Income from investments	X	
Profit or loss before financing and income tax	X	
Interest revenue from cash and cash equivalents	X	Financing
Expenses from financing activities	(X)	
Unwinding of discount on pension liabilities and provisions	(X)	
Profit or loss before tax	X	

The Exposure Draft proposes that an entity present the following new subtotals in the statement of profit or loss (shown as shaded in Figure 1):⁴

- (a) operating profit or loss;
- (b) operating profit or loss and income and expenses from integral associates and joint ventures; and
- (c) profit or loss before financing and income tax.

In applying these proposed new subtotals, an entity would present in the statement of profit or loss income and expenses classified in the following categories (these categories are shown in the boxes on the right in Figure 1):

- (a) operating;
- (b) integral associates and joint ventures;
- (c) investing; and
- (d) financing.

The operating category excludes income or expenses classified in the other categories such as the investing category or the financing category, and therefore includes all income and expenses from an entity's main business activities. Consequently, the operating category includes:

- (a) income and expenses from investments made in the course of an entity's main business activities (paragraph 48 of the Exposure Draft); and

⁴ The Exposure Draft also describes when subtotals (b) or (c) are required to be presented and when they may not be presented.

- (b) income and expenses from financing activities and income and expenses from cash and cash equivalents if the entity provides financing to customers as a main business activity (paragraph 51 of the Exposure Draft).

The investing category includes returns from investments, that is, income and expenses from assets that generate a return individually and largely independently of other resources held by the entity.⁵ The investing category also includes related incremental expenses.

The financing category includes:⁶

- (a) income and expenses from cash and cash equivalents;
- (b) income and expenses on liabilities arising from financing activities; and
- (c) interest income and expenses on other liabilities, for example, the unwinding of discounts on pension liabilities and provisions.

The Board developed its proposals for the categories in the statement of profit or loss without trying to align classifications across the primary financial statements. Consequently, income and expenses classified in the operating, investing and financing categories in the statement of profit or loss do not necessarily correspond with the cash flows from operating, investing and financing activities in the statement of cash flows.

Question 1—operating profit or loss

Paragraph 60(a) of the Exposure Draft proposes that all entities present in the statement of profit or loss a subtotal for operating profit or loss.

Paragraph BC53 of the Basis for Conclusions describes the Board's reasons for this proposal.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Question 2—the operating category

Paragraph 46 of the Exposure Draft proposes that entities classify in the operating category all income and expenses not classified in the other categories, such as the investing category or the financing category.

Paragraphs BC54–BC57 of the Basis for Conclusions describe the Board's reasons for this proposal.

Do you agree with this proposal? Why or why not? If not, what alternative approach would you suggest and why?

⁵ Except for the case described in (a) in the preceding paragraph.

⁶ Except for the case described in (b) in the preceding paragraph.

Question 3—the operating category: income and expenses from investments made in the course of an entity’s main business activities

Paragraph 48 of the Exposure Draft proposes that an entity classifies in the operating category income and expenses from investments made in the course of the entity’s main business activities.

Paragraphs BC58–BC61 of the Basis for Conclusions describe the Board’s reasons for this proposal.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Question 4—the operating category: an entity that provides financing to customers as a main business activity

Paragraph 51 of the Exposure Draft proposes that an entity that provides financing to customers as a main business activity classify in the operating category either:

- income and expenses from financing activities, and from cash and cash equivalents, that relate to the provision of financing to customers; or
- all income and expenses from financing activities and all income and expenses from cash and cash equivalents.

Paragraphs BC62–BC69 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Question 5—the investing category

Paragraphs 47–48 of the Exposure Draft propose that an entity classifies in the investing category income and expenses (including related incremental expenses) from assets that generate a return individually and largely independently of other resources held by the entity, unless they are investments made in the course of the entity’s main business activities.

Paragraphs BC48–BC52 of the Basis for Conclusions describe the Board’s reasons for the proposal.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Question 6—profit or loss before financing and income tax and the financing category	
(a)	Paragraphs 60(c) and 64 of the Exposure Draft propose that all entities, except for some specified entities (see paragraph 64 of the Exposure Draft), present a profit or loss before financing and income tax subtotal in the statement of profit or loss.
(b)	Paragraph 49 of the Exposure Draft proposes which income and expenses an entity classifies in the financing category.
Paragraphs BC33–BC45 of the Basis for Conclusions describe the Board’s reasons for the proposals.	
Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?	

Integral and non-integral associates and joint ventures

The Board proposes to define ‘integral associates and joint ventures’ and ‘non-integral associates and joint ventures’, and to require an entity to classify its equity-accounted associates and joint ventures as either integral or non-integral to the entity’s main business activities. The Board also proposes to require an entity to provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures. The Board proposes that an entity would be required to:

- (a) classify, in the integral associates and joint ventures category of the statement of profit or loss, income and expenses from integral associates and joint ventures, and present a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures (paragraphs 53 and 60(b) of the Exposure Draft);
- (b) present, as cash flows from investing activities in the statement of cash flows, cash flows from investments in integral associates and joint ventures separately from the cash flows from investments in non-integral associates and joint ventures (proposed new paragraph 38A of IAS 7);
- (c) present, in the statement of financial position, investments in integral associates and joint ventures separately from investments in non-integral associates and joint ventures (paragraphs 82(g)–82(h) of the Exposure Draft); and
- (d) disclose, in the notes, information required by paragraph 20 of IFRS 12 for integral associates and joint ventures separately from non-integral associates and joint ventures (proposed new paragraph 20E of IFRS 12).

Question 7—integral and non-integral associates and joint ventures	
(a)	The proposed new paragraphs 20A–20D of IFRS 12 would define ‘integral associates and joint ventures’ and ‘non-integral associates and joint ventures’; and require an entity to identify them.
(b)	Paragraph 60(b) of the Exposure Draft proposes to require that an entity present in the statement of profit or loss a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures.
(c)	Paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft, the proposed new paragraph 38A of IAS 7 and the proposed new paragraph 20E of IFRS 12 would require an entity to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures.
Paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions describe the Board’s reasons for these proposals and discuss approaches that were considered but rejected by the Board.	
Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?	

Roles of financial statements, aggregation and disaggregation

The Board proposes to describe the roles of the primary financial statements and the notes. The Board also proposes principles and general requirements on the aggregation and disaggregation of information; the principles would be applicable both to presentation in the primary financial statements and disclosures in the notes.

Question 8—roles of the primary financial statements and the notes, aggregation and disaggregation	
(a)	Paragraphs 20–21 of the Exposure Draft set out the proposed description of the roles of the primary financial statements and the notes.
(b)	Paragraphs 25–28 and B5–B15 of the Exposure Draft set out proposals for principles and general requirements on the aggregation and disaggregation of information.
Paragraphs BC19–BC27 of the Basis for Conclusions describe the Board’s reasons for these proposals.	
Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?	

The Board proposes to continue to require entities to present in the statement of profit or loss an analysis of operating expenses using either the nature of expense method or the function of expense method. The Board proposes the method presented should be the one that provides the most useful information to users of financial statements. In addition, the Board proposes to describe the factors to consider when deciding which method of operating expense analysis should be used (paragraph B45 of the Exposure Draft). An entity that presents an analysis of operating expenses using the function of

expense method in the statement of profit or loss would also be required to disclose in a single note an analysis of its total operating expenses using the nature of expense method.

Question 9—analysis of operating expenses

Paragraphs 68 and B45 of the Exposure Draft propose requirements and application guidance to help an entity to decide whether to present its operating expenses using the nature of expense method or the function of expense method of analysis. Paragraph 72 of the Exposure Draft proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes.

Paragraphs BC109–BC114 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

The Board proposes introducing a definition of ‘unusual income and expenses’; and proposes requiring all entities to disclose unusual income and expenses in a single note. The Board also proposes application guidance to help an entity to identify its unusual income and expenses.

Question 10—unusual income and expenses

- (a) Paragraph 100 of the Exposure Draft introduces a definition of ‘unusual income and expenses’.
- (b) Paragraph 101 of the Exposure Draft proposes to require all entities to disclose unusual income and expenses in a single note.
- (c) Paragraphs B67–B75 of the Exposure Draft propose application guidance to help an entity to identify its unusual income and expenses.
- (d) Paragraphs 101(a)–101(d) of the Exposure Draft propose what information should be disclosed relating to unusual income and expenses.

Paragraphs BC122–BC144 of the Basis for Conclusions describe the Board’s reasons for the proposals and discuss approaches that were considered but rejected by the Board.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

Management performance measures

The Board proposes to introduce a definition of ‘management performance measures’ and require an entity to disclose them in a single note. Management performance measures are subtotals of income and expenses that:

- (a) are used in public communications outside financial statements;
- (b) complement totals or subtotals specified by IFRS Standards; and

GENERAL PRESENTATION AND DISCLOSURES

- (c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.

An entity would comply with the general requirements in IFRS Standards for information included in financial statements when it provides these measures; for example, each performance measure must faithfully represent an aspect of the financial performance of the entity. However, the Board does not propose additional restrictions on management performance measures, such as only allowing an entity's management to provide measures based on amounts recognised and measured in accordance with IFRS Standards (paragraphs BC155 and BC158–BC162).

The Exposure Draft also proposes to specify the information an entity would be required to disclose about management performance measures, including a reconciliation to the most directly comparable total or subtotal specified by IFRS Standards.

Question 11—management performance measures

- (a) Paragraph 103 of the Exposure Draft proposes a definition of 'management performance measures'.
- (b) Paragraph 106 of the Exposure Draft proposes requiring an entity to disclose in a single note information about its management performance measures.
- (c) Paragraphs 106(a)–106(d) of the Exposure Draft propose what information an entity would be required to disclose about its management performance measures.

Paragraphs BC145–BC180 of the Basis for Conclusions describe the Board's reasons for the proposals and discuss approaches that were considered but rejected by the Board.

Do you agree that information about management performance measures as defined by the Board should be included in the financial statements? Why or why not?

Do you agree with the proposed disclosure requirements for management performance measures? Why or why not? If not, what alternative disclosures would you suggest and why?

EBITDA

The Board does not propose to define earnings before interest, tax, depreciation and amortisation (EBITDA) in this project. The Board considered, but rejected, describing operating profit or loss before depreciation and amortisation as EBITDA. However, the Board proposes to exempt from the disclosure requirements for management performance measures a subtotal calculated as operating profit or loss before depreciation and amortisation (paragraph 104(c)).

Question 12—EBITDA

Paragraphs BC172–BC173 of the Basis for Conclusions explain why the Board has not proposed requirements relating to EBITDA.

Do you agree? Why or why not? If not, what alternative approach would you suggest and why?

Statement of cash flows

The Board proposes to require an entity to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.

The Board also proposes to reduce the presentation alternatives currently permitted by IAS 7 and to require that, in the statement of cash flows, an entity classifies interest and dividend cash flows as shown in Figure 2.

Figure 2—Classification of interest and dividend cash flows

Cash flow item	Most entities	Specified entities ^(a)
Interest paid	Financing	Accounting policy choice, possible location depends on the classification of the related income and expenses in the statement of profit or loss
Interest received	Investing	
Dividends received	Investing	
Dividends paid	Financing	

(a) An entity that provides financing to customers as a main business activity or in the course of its main business activities invests in assets that generate a return individually and largely independently of the entity's other resources.

Question 13—statement of cash flows

- (a) The proposed amendment to paragraph 18(b) of IAS 7 would require operating profit or loss to be the starting point for the indirect method of reporting cash flows from operating activities.
- (b) The proposed new paragraphs 33A and 34A–34D of IAS 7 would specify the classification of interest and dividend cash flows.

Paragraphs BC185–BC208 of the Basis for Conclusions describe the Board's reasons for the proposals and discusses approaches that were considered but rejected by the Board.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

Other

Question 14—other comments

Do you have any other comments on the proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions, including Appendix) and Illustrative Examples accompanying the Exposure Draft?

Deadline

The Board will consider all written comments received by **30 September 2020**. The deadline has changed to 30 September 2020 because of the covid-19 pandemic; previously it was 30 June 2020.

How to comment

We prefer to receive comments online. However, you may submit comments using any of the following methods.

Online	Visit the 'Open for comment documents' page at: https://www.ifrs.org/projects/open-for-comment/
By email	Send to: commentletters@ifrs.org
By post	IFRS Foundation Columbus Building 7 Westferry Circus Canary Wharf London E14 4HD United Kingdom

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[Draft] International Financial Reporting Standard X ***General Presentation and Disclosures***

Objective

- 1 [IAS 1.1] This [draft] Standard sets out general and specific requirements for the presentation and disclosure of information in *general purpose financial statements* ('financial statements') to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

~~This [draft] Standard prescribes the basis sets out general and specific requirements for the presentation and disclosure of information in *general purpose financial statements* ('financial statements') to help ensure they provide relevant information that faithfully represents an 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 assets, liabilities, equity, income and expenses.~~

Scope

- 2 [IAS 1.2] An entity shall apply this [draft] Standard in presenting and disclosing information in financial statements prepared applying *IFRS Standards*.

~~An entity shall apply this [draft] Standard in preparing and presenting general purpose and disclosing information in financial statements in accordance with International Financial Reporting Standards (IFRSs) prepared applying *IFRS Standards*.~~

- 3 [IAS 1.47] This [draft] Standard sets out general and specific requirements for the presentation of information in the statement(s) of financial performance, the statement of financial position and the statement of changes in equity. This [draft] Standard also requires the disclosure of other information in the *notes*. IAS 7 *Statement of Cash Flows* sets out requirements for the presentation and disclosure of cash flow information.

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

- 4 [IAS 1.3] Other IFRS Standards set out the recognition, measurement, presentation and disclosure requirements for specific transactions and other events.

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Other ~~IFRSs~~ IFRS Standards set out the recognition, measurement, presentation and disclosure requirements for specific transactions and other events.

- 5 [IAS 1.4 partial] This [draft] Standard does not apply to the presentation and disclosure of information in condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs 25–30, 100–110 and 118 apply to such financial statements.

This [draft] Standard does not apply to the ~~structure~~ representation and ~~content~~ disclosure of information in condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs ~~15–35~~ 25–30, 100–110 and 118 apply to such financial statements.

- 6 [IAS 1.4 partial] This [draft] Standard applies equally to all entities, including those that present consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements* and those that present separate financial statements in accordance with IAS 27 *Separate Financial Statements*.

This [draft] Standard applies equally to all entities, including those that present consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements* and those that present separate financial statements in accordance with IAS 27 *Separate Financial Statements*.

- 7 [IAS 1.5] This [draft] 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 [draft] Standard, they may need to amend the descriptions used for particular line items, categories, subtotals or totals in the financial statements and for the financial statements themselves.

This [draft] 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 [draft] Standard, they may need to amend the descriptions used for particular line items, categories, subtotals or totals in the financial statements and for the financial statements themselves.

- 8 [IAS 1.6] Similarly, entities that do not have equity 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.

Similarly, entities that do not have equity 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.

- 9 [IAS 1.13, 14] Many entities provide a financial review by management, which is separate from the financial statements (see paragraph 10), that describes and explains the main features of the entity's financial performance and financial position, as well as the principal uncertainties it faces. Such reports

and statements are outside the scope of IFRS Standards. IFRS Practice Statement 1 *Management Commentary* provides non-mandatory guidance on the presentation of management commentary relating to financial statements prepared applying IFRS Standards.⁷

Many entities ~~present, outside the financial statements, provide~~ a financial review by management, which is separate from the financial statements (see paragraph 10), that describes and explains the main features of the entity's financial performance and financial position, and as well as the principal uncertainties it faces. Such a ~~report may include a review of:~~

- (a) ~~reports and statements are outside the main factors and influences determiningscope of IFRS Standards. IFRS Practice Statement 1 Management Commentary provides non-mandatory guidance on the presentation of management commentary relating to financial statements prepared applying IFRS Standards.~~ 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 to equity; and
- (c) ~~the entity's resources not recognised in the statement of financial position in accordance with IFRSs.~~

Complete set of financial statements

- 10 [IAS 1.10] A complete set of financial statements comprises:
- (a) a statement(s) of financial performance for the reporting period (see paragraph 13);
 - (b) a statement of financial position as at the end of the reporting period;
 - (c) a statement of changes in equity for the reporting period;
 - (d) a statement of cash flows for the reporting period;
 - (e) notes (see paragraph 21);
 - (f) comparative information in respect of the preceding period as specified in paragraphs 34–35; and
 - (g) a statement of financial position 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 36–39.

⁷ The International Accounting Standards Board (Board) has a project on its agenda to revise and update IFRS Practice Statement 1 *Management Commentary*.

GENERAL PRESENTATION AND DISCLOSURES

An entity may use titles for the statements other than those used in this [draft] Standard. For example, an entity may use the title 'balance sheet' instead of 'statement of financial position'.

A complete set of financial statements comprises:

- (a) a statement(s) of financial performance for the reporting period (see paragraph 13);
- (b) a statement of financial position as at the end of the reporting period;
- ~~(b) a statement of profit or loss and other comprehensive income for the period;~~
- (c) a statement of changes in equity for the reporting period;
- (d) a statement of cash flows for the reporting period;
- ~~(e) notes, comprising significant accounting policies and other explanatory information;~~
- (e) notes (see paragraph 21);
- ~~(ea)(f)~~ comparative information in respect of the preceding period as specified in paragraphs 38 and 38A34–35; and
- ~~(f)(g)~~ a statement of financial position 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–40D36–39.

An entity may use titles for the statements other than those used in this [draft] Standard. For example, an entity may use the title '~~statement of comprehensive income~~' balance sheet instead of '~~statement of profit or loss and other comprehensive income~~' financial position'.

11 The statements described in paragraphs 10(a)–10(d) are referred to as the *primary financial statements*.

12 [IAS 1.8] Although this [draft] Standard uses terms such as 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals, subtotals and line items required by this [draft] Standard as long as the meaning is clear. For example, an entity may use the term 'net income' to describe *profit or loss*.

Although this [draft] Standard uses ~~the terms~~ such as 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals, subtotals and line items required by this [draft] Standard as long as the meaning is clear. For example, an entity may use the term 'net income' to describe profit or loss.

13 [IAS 1.10A] An entity may present its statement(s) of financial performance as either:

- (a) a single statement of profit or loss and *other comprehensive income*, with profit or loss and other comprehensive income presented in two sections; if this option is chosen, an entity shall present the profit or loss section first followed directly by the other comprehensive income section; or
- (b) a statement of profit or loss and a separate statement presenting comprehensive income that shall begin with profit or loss; if this option is chosen, the statement of profit or loss shall immediately precede the statement presenting comprehensive income.

An entity may present its statement(s) of financial performance as either:

- (a) 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; if this option is chosen, an entity shall be presented together, with present the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the; or
- (b) a statement of profit or loss section in and a separate statement of presenting comprehensive income that shall begin with profit or loss. If so; if this option is chosen, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.

14 In this [draft] Standard:

- (a) the profit or loss section described in paragraph 13(a) and the statement of profit or loss described in paragraph 13(b) are referred to as the statement of profit or loss; and
- (b) the other comprehensive income section described in paragraph 13(a) and the statement presenting comprehensive income described in paragraph 13(b) are referred to as the statement presenting comprehensive income.

15 [IAS 1.11] An entity shall present each of the primary financial statements with equal prominence in a complete set of financial statements.

An entity shall present with equal prominence all each of the primary financial statements with equal prominence in a complete set of financial statements.

Identification of the financial statements

16 [IAS 1.49] An entity shall clearly identify the financial statements and distinguish them from other information in the same published document (see paragraphs B1–B2).

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An entity shall clearly identify the financial statements and distinguish them from other information in the same published document (see paragraphs B1–B2).

- 17 [IAS 1.50] IFRS Standards apply only to financial statements, and not necessarily to other information provided in an annual report, a regulatory filing, or another document. Therefore, it is important that users of financial statements can distinguish information that is prepared using IFRS Standards from other information that may be useful to users but is not the subject of those requirements.

~~IFRSs~~IFRS Standards apply only to financial statements, and not necessarily to other information ~~presented~~provided in an annual report, a regulatory filing, or another document. Therefore, it is important that users of financial statements can distinguish information that is prepared using ~~IFRSs~~IFRS Standards from other information that may be useful to users but is not the subject of those requirements.

- 18 [IAS 1.51] An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information provided 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 financial statements;
- (d) the presentation currency, as defined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*; and
- (e) the level of rounding used for the amounts in the financial statements.

An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information ~~presented~~provided 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 *The Effects of Changes in Foreign Exchange Rates*; and
- (e) the level of rounding used ~~in presenting for the~~ amounts in the financial statements.

General presentation and disclosure requirements

Objective of the financial statements and roles of the primary financial statements and the notes (see paragraphs B3–B4)

- 19 [IAS 1.9] The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

~~Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is 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. Financial statements also show the results of the management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an entity's:~~

- (a) ~~assets;~~
- (b) ~~liabilities;~~
- (c) ~~equity;~~
- (d) ~~income and expenses, including gains and losses;~~
- (e) ~~contributions by and distributions to owners in their capacity as owners; and~~
- (f) ~~cash flows.~~

~~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.~~

The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

- 20 The role of the primary financial statements is to provide a structured and comparable summary of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, which is useful for:

- (a) obtaining an overview of the entity's assets, liabilities, equity, income, expenses and cash flows;

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- (b) making comparisons between entities, and between reporting periods for the same entity; and
 - (c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.
- 21 The role of the notes is to:
- (a) provide further information necessary for users of financial statements to understand the items included in the primary financial statements; and
 - (b) supplement the primary financial statements with other information that is necessary to meet the objective of financial statements.
- 22 An entity shall use the description of the roles of the primary financial statements and the notes in paragraphs 20–21 to determine whether financial information should be included in the primary financial statements or in the notes. However, in determining the location of financial information, descriptions of the roles do not override specific requirements in IFRS Standards on the presentation and disclosure of financial information, for example, the requirements for the presentation of subtotals and line items in paragraphs 60 and 65 of this [draft] Standard.
- 23 An implication of the roles of the primary financial statements and the notes is that the amount of information required in the notes may be different from that in the primary financial statements, namely:
- (a) to provide the summary of information about the entity’s assets, liabilities, equity, income, expenses and cash flows described in paragraph 20, information provided in the primary financial statements is more aggregated than information provided in the notes; and
 - (b) to meet the objective of financial statements, more detailed information about the entity’s assets, liabilities, equity, income, expenses and cash flows, including *disaggregation* of information presented in the primary financial statements, may be required in the notes.
- 24 [IAS 1.31] Some IFRS Standards specify information that is required to be presented in the primary financial statements or disclosed in the notes. An entity need not provide a specific presentation or disclosure required by an IFRS Standard if the information resulting from that presentation or disclosure is not material. This is the case even if the IFRS Standard 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 Standards is insufficient to enable users of financial statements to understand the impact of transactions and other events and conditions on the entity’s financial position and financial performance.

Some IFRSs/IFRS Standards specify information that is required to be ~~included~~presented in the primary financial statements, ~~which include or disclosed in~~ the notes. An entity need not provide a specific presentation or disclosure required by an IFRS Standard if the information resulting from that presentation or disclosure is not material. This is the case even if the IFRS Standard 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 Standards is insufficient to enable users of financial statements to understand the impact of ~~particular transactions~~, and other events and conditions on the entity's financial position and financial performance.

Aggregation and disaggregation (see paragraphs B5–B15)

25 [IAS 1.29 and IAS 1.30A] An entity shall present in the primary financial statements or disclose in the notes the nature and amount of each material class of assets, liabilities, income or expense, equity or cash flow. To provide this information an entity shall aggregate transactions and other events into the information it discloses in the notes and the line items it presents in the primary financial statements. Unless doing so would override specific *aggregation* or *disaggregation* requirements in IFRS Standards, an entity shall apply the principles that (see paragraphs B5–B15):

- (a) items shall be classified and aggregated on the basis of shared characteristics;
- (b) items that do not share characteristics shall not be aggregated (see paragraph 27); and
- (c) aggregation and disaggregation in the financial statements shall not obscure relevant information or reduce the understandability of the information presented or disclosed.

~~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. An entity shall present in the primary financial statements or disclose in the notes the nature and amount of each material class of assets, liabilities, income or expense, equity, or cash flow. To provide this information an entity shall aggregate transactions and other events into the information it discloses in the notes and the line items it presents in the primary financial statements. Unless doing so would override specific aggregation or disaggregation requirements in IFRS Standards an entity shall apply the principles that (see paragraphs B5–B15):~~

- (a) items shall be classified and aggregated on the basis of shared characteristics;

- (b) items that do not share characteristics shall not be aggregated (see paragraph 27); and
- (c) aggregation and disaggregation in the financial statements shall not obscure relevant information or reduce the understandability of the information presented or disclosed.

26 When presenting information in the primary financial statements or disclosing information in the notes, the description of the items shall faithfully represent the characteristics of those items.

27 An entity may aggregate immaterial items that do not share characteristics. However, using a non-descriptive label such as ‘other’ to describe a group of such items would not faithfully represent those items without additional information. Except as described in paragraph 28, to faithfully represent aggregated items, an entity shall either:

- (a) aggregate immaterial items with other items that share similar characteristics and can be described in a manner that faithfully represents the characteristics of the aggregated items; or
- (b) aggregate immaterial items with other items that do not share similar characteristics but which may be described in a way that faithfully represents the dissimilar items.

28 If the steps set out in paragraphs 27(a)–27(b) do not lead to descriptions that result in a faithful representation, an entity shall disclose in the notes information about the composition of the aggregated items, for example, by indicating that an aggregated item consists of several unrelated immaterial amounts and by indicating the nature and amount of the largest item in the aggregation.

Offsetting

29 [IAS 1.32] An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS Standard (see paragraphs B16–B17).

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS Standard (see paragraphs B16–B17).

30 [IAS 1.33] An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of financial performance or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users of financial statements both to understand the transactions and 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.

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 performance~~ or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users of financial statements both to understand the transactions, and 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.

Frequency of reporting

31 [IAS 1.36] An entity shall provide a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and provides financial 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 included in the financial statements are not entirely comparable.

An entity shall ~~present~~provide a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and ~~presents~~provides financial 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~~included in the financial statements are not entirely comparable.

32 [IAS 1.37] 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 [draft] Standard does not preclude this practice.

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 [draft] Standard does not preclude this practice.

Consistency of presentation, disclosure and classification

33 [IAS 1.45] An entity shall retain the presentation, disclosure and *classification* of items in the financial statements from one reporting period to the next unless (see paragraph B18):

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- (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, disclosure or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8 *Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors*;⁸ or
- (b) an IFRS Standard requires a change in presentation, disclosure or classification.

An entity shall retain the presentation, disclosure and classification of items in the financial statements from one reporting period to the next unless (see paragraph B18):

- (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, disclosure or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8 *Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (b) an IFRS Standard requires a change in presentation, disclosure or classification.

Comparative information

Minimum comparative information (see paragraphs B19–B21)

- 34 [IAS 1.38] Except when IFRS Standards permit or require otherwise, an entity shall provide comparative information in respect of the preceding reporting 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 to an understanding of the current period's financial statements.

Except when ~~IFRSs~~IFRS Standards permit or require otherwise, an entity shall ~~present~~provide comparative information in respect of the preceding reporting 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 to an understanding of the current period's financial statements.

- 35 [IAS 1.38A] An entity shall present, as a minimum, a current reporting period and preceding period in each of its primary financial statements and in the notes.

An entity shall present, as a minimum, ~~two a current reporting period and preceding period in each of its primary financial 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~~

⁸ This Exposure Draft proposes amending the title of IAS 8 to reflect proposed amendments to the text of the Standard.

~~cash flows and two statements of changes in equity, and related and in the notes.~~

Change in accounting policy, retrospective restatement or reclassification

36 [IAS 1.40A] An entity shall present a third statement of financial position as at the beginning of the preceding reporting period in addition to the minimum comparative information required in paragraph 35 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.

An entity shall present a third statement of financial position as at the beginning of the preceding reporting period in addition to the minimum comparative ~~financial statements~~information required in paragraph ~~38A~~35 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.

37 [IAS 1.40B] In the circumstances described in paragraph 36, an entity shall present three statements of financial position as at:

- (a) the end of the current reporting period;
- (b) the end of the preceding period; and
- (c) the beginning of the preceding period.

In the circumstances described in paragraph ~~40A~~36, an entity shall present three statements of financial position as at:

- (a) the end of the current reporting period;
- (b) the end of the preceding period; and
- (c) the beginning of the preceding period.

38 [IAS 1.40C] When an entity is required to present a third statement of financial position in accordance with paragraph 36, it must disclose the information required by paragraphs 40–41 and IAS 8. However, it need not provide the related notes to the opening statement of financial position as at the beginning of the preceding reporting period.

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When an entity is required to present an ~~additional~~ third statement of financial position in accordance with paragraph ~~40A36~~, it must disclose the information required by paragraphs ~~41–44~~40–41 and IAS 8. However, it need not ~~present~~provide the related notes to the opening statement of financial position as at the beginning of the preceding reporting period.

- 39 [IAS 1.40D] The date of that opening statement of financial position shall be as at the beginning of the preceding reporting period regardless of whether an entity's financial statements provide comparative information for earlier periods (as permitted in paragraph B20).

The date of that opening statement of financial position shall be as at the beginning of the preceding reporting period regardless of whether an entity's financial statements ~~present~~provide comparative information for earlier periods (as permitted in paragraph ~~38CB20~~).

- 40 [IAS 1.41] If an entity changes the presentation, disclosure 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 reporting period) (see paragraphs B22–B23):

- (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.

If an entity changes the presentation, disclosure 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 reporting period) (see paragraphs B22–B23):

- (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.

- 41 [IAS 1.42] 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.

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.

Line items and subtotals

42 [IAS 1.85, 55] This [draft] Standard requires minimum line items and subtotals to be presented in the statement(s) of financial performance and the statement of financial position. An entity shall present additional line items (including by disaggregating required minimum line items), headings and subtotals in the statement(s) of financial performance and the statement of financial position when such presentations are relevant to an understanding of the entity's financial performance or financial position.

This [draft] Standard requires minimum line items and subtotals to be presented in the statement(s) of financial performance and the statement of financial position. An entity shall present additional line items (including by disaggregating therequired minimum line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income of financial performance and the statement of financial position when such presentation is presentations are relevant to an understanding of the entity's financial performance or financial position.

43 [IAS 1.85A, 55A] When an entity presents additional subtotals in accordance with paragraph 42, those subtotals shall:

- (a) comprise line items made up of amounts recognised and measured in accordance with IFRS Standards;
- (b) be presented and labelled in a manner that faithfully represents the line items that constitute the subtotal, making the subtotal clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph 33; and
- (d) not be displayed with more prominence than the subtotals and totals required by IFRS Standards.

When an entity presents additional subtotals in accordance with paragraph ~~85,42~~, those subtotals shall:

- (a) ~~be comprised of~~comprise line items made up of amounts recognised and measured in accordance with IFRS Standards;
- (b) be presented and labelled in a manner that ~~makes~~faithfully represents the line items that constitute the subtotal, making the subtotal clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph ~~45;33~~; and
- (d) not be displayed with more prominence than the subtotals and totals required ~~inby~~ IFRS ~~for the statement(s) presenting profit or loss and other comprehensive income~~Standards.

Statement(s) of financial performance

Statement of profit or loss

- 44 [IAS 1.88] An entity shall recognise all items of income and expense in a reporting period in the statement of profit or loss unless an IFRS Standard requires or permits otherwise (see paragraphs 74–81).

An entity shall recognise all items of income and expense in a reporting period in the statement of profit or loss unless an IFRS Standard requires or permits otherwise (see paragraphs 74–81).

Categories included in the statement of profit or loss

- 45 An entity shall classify income and expenses included in profit or loss into the following categories:

- (a) operating (see paragraph 46);
- (b) investing (see paragraphs 47–48);
- (c) financing (see paragraphs 49–52);
- (d) *integral associates and joint ventures* (see paragraph 53);
- (e) income tax (see paragraph 54); and
- (f) discontinued operations (see paragraph 55).

Operating

- 46 The operating category includes information about income and expenses from an entity's main business activities. An entity shall classify in the operating category all income and expenses included in profit or loss that are not classified in:

- (a) investing;
- (b) financing;
- (c) integral associates and joint ventures;
- (d) income tax; or
- (e) discontinued operations.

Investing

- 47 The objective of the investing category is to communicate information about returns from investments that are generated individually and largely independently of other resources held by an entity. Except as required by paragraph 48, an entity shall classify in the investing category:

- (a) *income and expenses from investments, including from non-integral associates and joint ventures* (see paragraphs B32–B33).

- (b) **incremental expenses incurred generating income and expenses from investments. Incremental expenses are expenses that the entity would not have incurred had the investments giving rise to the income and expenses from investments not been made.**

48 An entity shall not classify in the investing category income and expenses specified in paragraphs 47(a)–47(b) generated in the course of its main business activities. Such income and expenses are instead classified in the operating category. An entity shall not classify income and expenses from non-integral associates and joint ventures in the operating category.

Financing

49 The objective of the financing category is to communicate information about income and expenses from assets and liabilities related to an entity's financing. Except as required by paragraphs 51–52, an entity shall classify in the financing category:

- (a) **income and expenses from cash and cash equivalents (see paragraph B34);**
- (b) **income and expenses on liabilities arising from *financing activities* (see paragraphs B35–B36); and**
- (c) **interest income and expenses on other liabilities (see paragraph B37).**

50 Financing activities are those involving the receipt or use of a resource from a provider of finance with the expectation that:

- (a) the resource will be returned to the provider of finance; and
- (b) the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

51 If an entity provides financing to customers as a main business activity, it shall make an accounting policy choice to not classify in the financing category either (see paragraphs B28–B29):

- (a) income and expenses from financing activities, and from cash and cash equivalents, that relate to the provision of financing to customers; or
- (b) all income and expenses from financing activities and all income and expenses from cash and cash equivalents.

Such income and expenses are instead classified in the operating category.

52 An entity also excludes the following income and expenses from the financing category and classifies them in the operating category:

- (a) income and expenses from cash and cash equivalents if the entity, in the course of its main business activities, invests in financial assets that generate a return individually and largely independently of other resources held by the entity (see paragraph B30);

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- (b) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 *Financial Instruments*; and
- (c) insurance finance income and expenses included in profit or loss applying IFRS 17 *Insurance Contracts*.

Other categories

- 53 An entity shall classify in the integral associates and joint ventures category income and expenses from integral associates and joint ventures (see paragraph B38).
- 54 An entity shall classify in the income tax category income tax expense or income included in profit or loss applying IAS 12 *Income Taxes*.
- 55 An entity shall classify in the discontinued operations category the single amount for the total of discontinued operations required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Classification of foreign exchange differences and of fair value gains and losses on derivatives and hedging instruments

- 56 An entity shall classify foreign exchange differences included in profit or loss applying IAS 21 in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences (see paragraph B39).
- 57 An entity shall classify gains and losses on financial instruments designated as hedging instruments applying IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9:
 - (a) in the operating category, if the instrument is used to manage risks affecting income or expenses classified in the operating category—except when doing so would require the grossing up of gains and losses (see paragraphs B41–B42);
 - (b) in the financing category, if the instrument is used to manage risks affecting income or expenses classified in the financing category—except when doing so would require the grossing up of gains and losses; and
 - (c) in the investing category:
 - (i) if the instrument is used to manage risks affecting income and expenses classified in the investing category; or
 - (ii) in all other cases—including in the circumstances set out in (a) and (b) involving the grossing up of gains and losses.

- 58 An entity also applies the requirements of paragraph 57 to derivatives used to manage risks if those derivatives are not designated as hedging instruments applying IAS 39 and IFRS 9 except when doing so would involve undue cost or effort. In which case an entity shall classify all gains and losses on the derivative in the investing category.

59 Gains and losses on derivatives that are not used to manage risks are classified in the investing category except when those derivatives are used in the course of the entity's main business activities applying paragraph 48. When derivatives that are not used to manage risks are used in the course of an entity's main business activities the gains and losses are classified in the operating category.

Totals and subtotals presented in the statement of profit or loss

60 [IAS 1.81A partial] Subject to paragraph 64, an entity shall present the following totals or subtotals in the statement of profit or loss:

- (a) operating profit or loss;
- (b) operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph 53);
- (c) profit or loss before financing and income tax (see paragraphs 63–64); and
- (d) profit or loss.

~~The Subject to paragraph 64, an entity shall present the following totals or subtotals in 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:~~

- ~~(a) profit or loss operating 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~~
- ~~(b) operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph 53);~~
- ~~(c) profit or loss before financing and income tax (see paragraphs 63–64); and~~
- ~~(d) profit or loss.~~

~~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.~~

61 An entity shall include in operating profit or loss all income and expenses classified in the operating category.

62 If an entity has no integral associates and joint ventures, it is not required to present the subtotal required by paragraph 60(b) for operating profit or loss and income and expenses from integral associates and joint ventures.

63 An entity shall include in profit or loss before financing and income tax:

- (a) operating profit or loss;
- (b) income and expenses from integral associates and joint ventures (see paragraphs 53 and B38); and

- (c) income and expenses classified in the investing category (see paragraphs 47 and B32–B33).

64 An entity shall not present the subtotal profit or loss before financing and income tax if, applying paragraph 51, it classifies all income and expenses from financing activities and all income and expenses from cash and cash equivalents in the operating category. This applies even when such an entity presents interest income or expense on other liabilities in the financing category applying paragraph 49(c).

Line items to be presented in the statement of profit or loss

65 [IAS 1.82] In addition to items required by other IFRS Standards, an entity shall present in the statement of profit or loss line items for (see paragraphs B15 and B44):

- (a) amounts required by this [draft] Standard, which are:
 - (i) revenue, presenting separately the line items described in paragraphs 65(b)(i) and 65(c)(i);
 - (ii) income or expenses from financing activities (see paragraph 49(b));
 - (iii) share of the profit or loss of integral associates and joint ventures classified in accordance with paragraph 20D of IFRS 12 *Disclosure of Interests in Other Entities*;
 - (iv) share of the profit or loss of non-integral associates and joint ventures classified in accordance with paragraph 20D of IFRS 12;
 - (v) income tax expense;
 - (vi) a single amount for the total of discontinued operations (see IFRS 5); and
 - (vii) cost of sales (see paragraph 71);
- (b) amounts related to the requirements of IFRS 9, which are:
 - (i) interest revenue calculated using the effective interest method;
 - (ii) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;
 - (iii) gains and losses arising from the derecognition of financial assets measured at amortised cost;
 - (iv) 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); and

- (v) 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; and
- (c) amounts related to the requirements of IFRS 17, which are:
 - (i) insurance revenue;
 - (ii) insurance service expenses from contracts issued within the scope of IFRS 17;
 - (iii) income or expenses from reinsurance contracts held;
 - (iv) insurance finance income or expenses from contracts issued within the scope of IFRS 17; and
 - (v) finance income or expenses from reinsurance contracts held.

~~In addition to items required by other IFRSs, the profit or loss section of IFRS Standards, an entity shall present in the statement of profit or loss shall include line items that present the following amounts for the period for (see paragraphs B15 and B44):~~

- (a) ~~amounts required by this [draft] Standard, which are:~~
 - ~~(a)(i) revenue, presenting separately: the line items described in paragraphs 65(b)(i) and 65(c)(i);~~
 - ~~(ii) income or expenses from financing activities (see paragraph 49(b));~~
 - ~~(iii) share of the profit or loss of integral associates and joint ventures classified in accordance with paragraph 20D of IFRS 12 *Disclosure of Interests in Other Entities*;~~
 - ~~(iv) share of the profit or loss of non-integral associates and joint ventures classified in accordance with paragraph 20D of IFRS 12;~~
 - ~~(d)(v) income tax expense;~~
 - ~~(ea)(vi) a single amount for the total of discontinued operations (see IFRS 5); and~~
 - ~~(vii) cost of sales (see paragraph 71);~~
- ~~(b) finance costs;~~
- (b) amounts related to the requirements of IFRS 9, which are:
 - (i) interest revenue calculated using the effective interest method; ~~and~~

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- ~~(ba)(ii)~~ impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;
- ~~(aa)(iii)~~ gains and losses arising from the derecognition of financial assets measured at amortised cost;
- ~~(ea)(iv)~~ 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); and
- ~~(eb)(v)~~ 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; and
- ~~(e)~~ share of the profit or loss of associates and joint ventures accounted for using the equity method;
- ~~(c)~~ amounts related to the requirements of IFRS 17, which are:
 - ~~(ii)(i)~~ insurance revenue ~~(see IFRS 17)~~;
 - ~~(ab)(ii)~~ insurance service expenses from contracts issued within the scope of IFRS 17 ~~(see IFRS 17)~~;
 - ~~(ae)(iii)~~ income or expenses from reinsurance contracts held;
 - ~~(bb)(iv)~~ insurance finance income or expenses from contracts issued within the scope of IFRS 17 ~~(see IFRS 17)~~; and
 - ~~(be)(v)~~ finance income or expenses from reinsurance contracts held ~~(see IFRS 17)~~.
- ~~(e)~~ ~~[deleted]~~
- ~~(f)(i)~~ ~~[deleted]~~

66 [IAS 1.86] Paragraphs 60 and 73 require totals and subtotals and paragraphs 65 and 75 require minimum line items to be presented in the statement(s) of financial performance. To determine whether additional totals, subtotals, or line items are required to be presented in the statement(s) of financial performance applying paragraph 42, an entity shall consider factors including materiality and characteristics such as the nature and function of the items of income and expense. An entity shall not offset income and expense items unless the criteria in paragraph 29 are met.

~~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. Paragraphs 60 and 73 require totals and subtotals and paragraphs 65 and 75 require minimum line items to be presented in the statement(s) of 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. To determine whether additional totals, subtotals, or line items are required to be presented in the statement(s) of financial performance applying paragraph 42, an Aentity considersshall consider factors including materiality and characteristics such as the nature and function of the items of income and expense. For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity doesAn entity shall not offset income and expense items unless the criteria in paragraph 3229 are met.~~

67 [IAS 1.81B partial] An entity shall present an allocation of profit or loss for the reporting period attributable to:

- (a) non-controlling interests; and
- (b) holders of claims against the parent classified as equity.

~~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~~

~~An entity shall present an allocation of profit or loss for the reporting period attributable to:~~

- ~~(a) non-controlling interests; and~~
- ~~(b) holders of claims against the parent classified as equity.~~

Analysis of expenses classified in the operating category

68 [IAS 1.99] An entity shall present in the operating category of the statement of profit or loss an analysis of expenses using a classification based on either their nature—the nature of expense method—or their function within the entity—the function of expense method. The entity shall present

the analysis using the method that provides the most useful information to users of their financial statements (see paragraphs B45–B47).

An entity shall present in the operating category of the statement of profit or loss an analysis of expenses recognised in profit or loss using a classification based on either their nature – the nature of expense method – or their function within the entity, whichever – the function of expense method. The entity shall present the analysis using the method that provides the most useful information that is reliable and more relevant to users of their financial statements (see paragraphs B45–B47).

69 The nature of expense method provides information about operating expenses arising from the inputs that are consumed to accomplish an entity’s activities – such as information about expenses related to materials (raw materials, employees (employee benefits), equipment (depreciation) or intangible assets (amortisation)) – without reference to how expenses are allocated to functions within the business.

70 The function of expense method allocates and combines operating expenses according to the activity to which the item relates. For example, cost of sales is a functional line item that combines expenses that relate to an entity’s production or other revenue generating activities such as: raw materials, employee benefit expense, depreciation or amortisation.

71 An entity applying the function of expense method shall present its cost of sales separately from other expenses.

72 [IAS 1.104] An entity presenting an analysis of expenses classified in the operating category using the function of expense method shall also disclose in a single note an analysis of its total operating expenses using the nature of expense method (see paragraph B48).

An entity classifying presenting an analysis of expenses by classified in the operating category using the function of expense method shall also disclose additional information on in a single note an analysis of its total operating expenses using the nature of expenses, including depreciation and amortisation expense and employee benefits expense, method (see paragraph B48).

Statement presenting comprehensive income

73 [IAS 1.81A partial] An entity shall present in the statement presenting comprehensive income totals for:

- (a) profit or loss;
- (b) total other comprehensive income; and
- (c) comprehensive income, being the total of profit or loss and other comprehensive income.

~~The~~An entity shall present in the statement of profit or loss and other presenting comprehensive income (statement of comprehensive income) shall present, in addition to the profit or loss and other comprehensive income section totals for:

- (a) profit or loss;
- (b) total other comprehensive income; and
- (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.~~

Other comprehensive income (see paragraphs B49–B52)

74 [IAS 1.82A partial] An entity shall classify income and expenses included in the statement presenting comprehensive income in the following categories:

- (a) remeasurements permanently reported outside profit or loss; and
- (b) income and expenses to be included in profit or loss in the future when specific conditions are met.

~~The other comprehensive income section shall present line items for the amounts for the period of:~~

- (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.~~
- (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.~~

An entity shall classify income and expenses included in the statement presenting comprehensive income in the following categories:

- (a) remeasurements permanently reported outside profit or loss; and
- (b) income and expenses to be included in profit or loss in the future when specific conditions are met.

75 [IAS 1.82A partial] An entity shall, in each of the categories of the statement presenting comprehensive income, present line items for:

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- (a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method, presenting separately:
 - (i) integral associates and joint ventures; and
 - (ii) non-integral associates and joint ventures; and
- (b) other items of other comprehensive income classified by their nature.

~~The other comprehensive income section shall present line items for the amounts for the period of:~~

- ~~(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.~~
- ~~(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.~~

An entity shall, in each of the categories of the statement presenting comprehensive income, present line items for:

- (a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method, presenting separately:
 - (i) integral associates and joint ventures; and
 - (ii) non-integral associates and joint ventures; and
- (b) other items of other comprehensive income classified by their nature.

76 [IAS 1.81B partial] An entity shall present an allocation of comprehensive income for the reporting period attributable to:

- (a) non-controlling interests; and
- (b) holders of claims against the parent classified as equity.

~~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~~

An entity shall present an allocation of comprehensive income for the reporting period attributable to:

- (a) non-controlling interests; and
- (b) holders of claims against the parent classified as equity.

77 [IAS 1.92] An entity shall present in the statement presenting comprehensive income or disclose in the notes *reclassification adjustments* relating to components of other comprehensive income (see paragraphs B51–B52).

An entity shall present in the statement presenting comprehensive income or disclose in the notes reclassification adjustments relating to components of other comprehensive income (see paragraphs B51–B52).

78 [IAS 1.93] Other IFRS Standards specify whether and when amounts previously included in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this [draft] 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 included 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.

Other IFRSs/IFRS Standards specify whether and when amounts previously recognised/included in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this [draft] 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/included 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.

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79 [IAS 1.94] An entity disclosing reclassification adjustments in the notes shall present in the statement presenting comprehensive income the items of other comprehensive income after any related reclassification adjustments.

~~An entity may present disclosing reclassification adjustments in the notes shall present in the statement(s) of profit or loss and other presenting comprehensive income or in the notes. An entity presenting reclassification adjustments in the notes presents the items of other comprehensive income after any related reclassification adjustments.~~

80 [IAS 1.90] An entity shall either disclose in the notes or present in the statement presenting comprehensive income the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments.

~~An entity shall either disclose in the notes or present in the statement presenting comprehensive income 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 or in the notes.~~

81 [IAS 1.91] 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 remeasurements permanently reported outside profit or loss and income and expenses to be included in profit or loss in the future when specific conditions are met.~~

~~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 remeasurements permanently reported outside profit or loss section and those that will not be reclassified subsequently to the income and expenses to be included in profit or loss section in the future when specific conditions are met.~~

Statement of financial position

Line items to be presented in the statement of financial position

82 [IAS 1.54] In addition to items required by other IFRS Standards, an entity shall present in the statement of financial position line items for (see paragraphs B12–B14):

- (a) property, plant and equipment;
- (b) investment property;
- (c) intangible assets;
- (d) goodwill;
- (e) financial assets (excluding amounts shown under (g), (h), (k) and (l));
- (f) groups⁹ of contracts within the scope of IFRS 17 that are assets, disaggregated as required by paragraph 78 of IFRS 17;
- (g) investments in integral associates and joint ventures;
- (h) investments in non-integral associates and joint ventures;
- (i) biological assets within the scope of IAS 41 *Agriculture*;
- (j) inventories;
- (k) trade and other receivables;
- (l) cash and cash equivalents;
- (m) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5;
- (n) trade and other payables;
- (o) provisions;
- (p) financial liabilities (excluding amounts shown under (n) and (o));
- (q) groups¹⁰ of contracts within the scope of IFRS 17 that are liabilities, disaggregated as required by paragraph 78 of IFRS 17;
- (r) liabilities and assets for current tax, as defined in IAS 12;
- (s) deferred tax liabilities and deferred tax assets, as defined in IAS 12;
- (t) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5;
- (u) non-controlling interests, presented within equity; and

⁹ Exposure Draft ED/2019/4 *Amendments to IFRS 17* proposes amending this paragraph to change groups of contracts to portfolios of contracts.

¹⁰ Exposure Draft ED/2019/4 *Amendments to IFRS 17* proposes amending this paragraph to change groups of contracts to portfolios of contracts.

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- (v) issued capital and reserves attributable to holders of claims against the parent classified as equity.

The In addition to items required by other IFRS Standards, an entity shall present in the statement of financial position shall include line items that present the following amounts: for (see paragraphs B12–B14):

- (a) property, plant and equipment;
- (b) investment property;
- (c) intangible assets;
- (d) goodwill;
- ~~(d)~~(e) financial assets (excluding amounts shown under ~~(e)~~(g), ~~(h)~~, ~~(k)~~, and ~~(il)~~);
- ~~(da)~~(f) groups of contracts within the scope of IFRS 17 that are assets, disaggregated as required by paragraph 78 of IFRS 17;
- ~~(e)~~(g) investments accounted for using the equity method in integral associates and joint ventures;
- (h) investments in non-integral associates and joint ventures;
- ~~(f)~~(i) biological assets within the scope of IAS 41 Agriculture;
- (g)(j) inventories;
- ~~(h)~~(k) trade and other receivables;
- ~~(i)~~(l) cash and cash equivalents;
- ~~(j)~~(m) the total of assets classified as held for sale 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)~~(n) trade and other payables;
- ~~(l)~~(o) provisions;
- ~~(m)~~(p) financial liabilities (excluding amounts shown under ~~(k)~~(n) and ~~(l)~~(o));
- ~~(ma)~~(q) groups of contracts within the scope of IFRS 17 that are liabilities, disaggregated as required by paragraph 78 of IFRS 17;
- ~~(n)~~(r) liabilities and assets for current tax, as defined in IAS 12 *Income Taxes*;
- ~~(o)~~(s) deferred tax liabilities and deferred tax assets, as defined in IAS 12;
- ~~(p)~~(t) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5;
- (q)(u) non-controlling interests, presented within equity; and
- ~~(r)~~(v) issued capital and reserves attributable to ownersholders of claims against the parent classified as equity.

83 [IAS 1.57] This [draft] Standard does not prescribe the order or format in which an entity presents items in the statement of financial position. Paragraph 82 simply lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

- (a) applying paragraph 42, 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; 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 descriptions in paragraph 82 to provide information that is relevant to the operations of a financial institution.

This [draft] Standard does not prescribe the order or format in which an entity presents items in the statement of financial position. Paragraph ~~54~~82 simply lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

- (a) applying paragraph 42, 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; 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 in paragraph 82 to provide information that is relevant to the operations of a financial institution.

Classification of assets and liabilities as current or non-current

84 [IAS 1.60] An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 87–88 except when a presentation based on liquidity provides information that faithfully represents those assets and liabilities and is more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (see paragraphs B53–B56).

An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs ~~66–76~~87–88 except when a presentation based on liquidity provides information that is ~~reliable~~

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faithfully represents those assets and liabilities and is more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (see paragraphs B53–B56).

85 [IAS 1.61] 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 period.

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~~.

86 [IAS 1.56] When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

Current assets

87 [IAS 1.66] An entity shall classify an asset as current when (see paragraphs B57–B58):

- (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) it holds the asset primarily for the purpose of trading;
- (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 period.

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

An entity shall classify an asset as current when (see paragraphs B57–B58):

- (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) it holds the asset primarily for the purpose of trading;

- (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.

Current liabilities¹¹

88 [IAS 1.69] An entity shall classify a liability as current when (see paragraphs B59–B65):

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the period (see paragraph B62). 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.

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

An entity shall classify a liability as current when (see paragraphs B59–B65):

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (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 B62). 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.

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

¹¹ In Quarter 1 of 2020, the Board expects to issue amendments to this section based on proposals published in Exposure Draft *Classification of Liabilities* ED/2015/1 to amend paragraphs 69–76 of IAS 1.

Statement of changes in equity

Information to be presented in the statement of changes in equity

89 [IAS 1.106] 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 reporting period, showing separately the total amounts attributable to holders of claims against the parent classified as equity and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
- (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) presenting changes resulting from:
 - (i) profit or loss;
 - (ii) other comprehensive income; and
 - (iii) transactions with holders of claims classified as equity in their capacity as holders of claims classified as equity, showing separately contributions by and distributions to holders of claims classified as equity and changes in claims classified as equity against subsidiaries that do not result in a loss of control.

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 reporting period, showing separately the total amounts attributable to ownersholders of claims against the parent classified as equity and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
- (c) ~~{deleted}~~
- ~~(d)~~(c) 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~~presenting changes resulting from:
 - (i) profit or loss;
 - (ii) other comprehensive income; and

- (iii) ~~transactions with ownersholders of claims classified as equity~~ in their capacity as ~~ownersholders of claims classified as equity~~, showing separately contributions by and distributions to ~~ownersholders of claims classified as equity~~ and changes in ~~ownership interests in claims classified as equity against~~ subsidiaries that do not result in a loss of control.

90 [IAS 1.110] IAS 8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another IFRS Standard require otherwise. IAS 8 also requires restatements to correct errors to be made retrospectively, 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 Standard requires retrospective adjustment of another component of equity. Paragraph 89(b) requires presentation 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 presented for each prior reporting period and the beginning of the period.

IAS 8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another IFRS Standard require otherwise. IAS 8 also requires restatements to correct errors to be made retrospectively, 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 Standard requires retrospective adjustment of another component of equity. Paragraph ~~106~~89(b) requires ~~disclosure~~representation 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~~presented for each prior reporting period and the beginning of the period.

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

91 [IAS 1.106A] For each component of equity an entity shall either present in the statement of changes in equity or disclose in the notes an analysis of other comprehensive income by item (see paragraph 89(c)(ii)).

For each component of equity an entity shall either present, ~~either~~ in the statement of changes in equity or disclose in the notes, an analysis of other comprehensive income by item (see paragraph ~~106(d)~~89(c)(ii)).

92 [IAS 1.107] An entity shall either present in the statement of changes in equity or disclose in the notes the amount of dividends recognised as distributions to holders of claims classified as equity during the reporting period, and the related amount of dividends per share.

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An entity shall either present, either in the statement of changes in equity or disclose in the notes; the amount of dividends recognised as distributions to ownersholders of claims classified as equity during the reporting period, and the related amount of dividends per share.

- 93 [IAS 1.108] In paragraph 89, 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.

In paragraph ~~106,89~~, 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.

- 94 [IAS 1.109] 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 holders of claims classified as equity in their capacity as holders of claims classified as equity (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.

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 ~~owners~~with holders of claims classified as equity in their capacity as ~~owners~~holders of claims classified as equity (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.

Statement of cash flows

- 95 [IAS 1.111] Cash flow information provides users 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.

Cash flow information provides users ~~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.

Notes

Structure

- 96 [IAS 1.112] An entity shall disclose in the notes:
- (a) information about the basis of preparation of the financial statements (see paragraphs 6K–6N of IAS 8) and the specific accounting policies used (see paragraphs 27A–27G of IAS 8);
 - (b) information required by IFRS Standards that is not presented in the primary financial statements; and
 - (c) information that is not presented in the primary financial statements, but is relevant to an understanding of any of them.

~~The notes~~ An entity shall disclose in the notes:

- (a) ~~present~~ information about the basis of preparation of the financial statements (see paragraphs 6K–6N of IAS 8) and the specific accounting policies used ~~in accordance with~~ (see paragraphs ~~117–124~~28A–28G of IAS 8);
 - (b) ~~disclose the~~ information required by IFRSs IFRS Standards that is not presented elsewhere in the primary financial statements; and
 - (c) ~~provide~~ information that is not presented elsewhere in the primary financial statements, but is relevant to an understanding of any of them.
- 97 [IAS 1.113] 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 primary financial statements to any related information in the notes (see paragraph B66).

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 primary financial 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 (see paragraph B66).

- 98 [IAS 1.116] An entity may disclose notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

An entity may ~~present~~ disclose notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

GENERAL PRESENTATION AND DISCLOSURES

99 [IAS 1.138] An entity shall disclose in the notes 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 main business 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.

An entity shall disclose in the notes 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~~main business 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.

Unusual income and expenses

100 *Unusual income and expenses* are income and expenses with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.

101 An entity shall, in a single note that includes all unusual income and expenses, disclose (see paragraphs B67–B75):

- (a) the amount of each item of unusual income or expense recognised in the reporting period;
- (b) a narrative description of the transactions or other events that gave rise to that item and why income or expenses that are similar in type and amount are not expected to arise for several future annual financial reporting periods;
- (c) the line item(s) in the statement(s) of financial performance in which each item of unusual income or expense is included; and
- (d) an analysis of the included expenses using the nature of expense method, when an entity presents an analysis of expenses in the statement of profit or loss using the function of expense method.

- 102 Income and expenses from the recurring remeasurement of items measured at a current value are expected to change from period to period. They would not normally be classified as unusual income and expenses (see paragraph B72).

Management performance measures

- 103 *Management performance measures* are subtotals of income and expenses that (see paragraphs B76–B81):

- (a) are used in public communications outside financial statements;
- (b) complement totals or subtotals specified by IFRS Standards; and
- (c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.

- 104 Subtotals specified by IFRS Standards that are not management performance measures include:

- (a) a total or subtotal required by paragraphs 60 and 73;
- (b) gross profit or loss (revenue less cost of sales) and similar subtotals (see paragraph B78);
- (c) operating profit or loss before depreciation and amortisation;
- (d) profit or loss from continuing operations; and
- (e) profit or loss before income tax.

- 105 Management performance measures shall:

- (a) faithfully represent aspects of the financial performance of the entity to users of financial statements; and
- (b) be described in a clear and understandable manner that does not mislead users.

- 106 An entity shall disclose information about any management performance measures in a single note to the financial statements. That note shall include a statement that the management performance measures provide management's view of an aspect of the entity's financial performance and are not necessarily comparable with measures sharing similar descriptions provided by other entities. In addition, for each management performance measure an entity shall disclose in the notes (see paragraphs B82–B85):

- (a) a description of why the management performance measure communicates management's view of performance, including an explanation of:
 - (i) how the management performance measure is calculated; and
 - (ii) how the measure provides useful information about the entity's performance;

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- (b) a reconciliation between the management performance measure and the most directly comparable subtotal or total included in paragraph 104;
 - (c) the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation required by paragraph 106(b); and
 - (d) how the entity determined the income tax effect required by paragraph 106(c).
- 107 An entity shall determine the income tax effect required by paragraph 106(c) on the basis of a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned or by another method that achieves a more appropriate allocation in the circumstances.
- 108 If an entity changes the calculation of its management performance measures, introduces a new management performance measure or removes a previously disclosed management performance measure from its financial statements, it shall:
- (a) disclose sufficient explanation for users of financial statements to understand the change, addition or removal and its effects;
 - (b) disclose the reasons for the change, addition or removal; and
 - (c) restate its comparative information, including in the required note disclosures, to reflect the change, addition or removal.
- 109 A subtotal included in the statement(s) of financial performance applying paragraph 42 may be a management performance measure (see paragraph B81).
- 110 An entity shall not use columns to present management performance measures in the statement(s) of financial performance.

Capital

- 111 [IAS 1.134] An entity shall disclose in the notes information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- An entity shall disclose in the notes information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- 112 [IAS 1.135] To comply with paragraph 111, the entity discloses in the notes the following:
- (a) qualitative information about its objectives, policies and processes for managing capital, including:
 - (i) a description of what it manages as capital;

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- (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 (eg some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (eg components arising from cash flow hedges).
- (c) any changes in (a) and (b) from the previous reporting period.
- (d) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

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

To comply with paragraph 434111, the entity discloses in the notes the following:

- (a) qualitative information about its objectives, policies and processes for managing capital, including:
 - (i) a description of what it manages as capital;
 - (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 (eg some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (eg components arising from cash flow hedges).
- (c) any changes in (a) and (b) from the previous reporting period.
- (d) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

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

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- 113 [IAS 1.136] 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 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's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

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 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's~~user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Other disclosures

- 114 [IAS 1.79] An entity shall either disclose in the notes or present in the statement of financial position or the statement of changes in equity, the following:
- (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 reporting 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.

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

- (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 reporting 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.

115 [IAS 1.80] An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 114(a), showing changes during the reporting period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph ~~79~~114(a), showing changes during the reporting period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

116 [IAS 1.137] An entity shall disclose in the notes:

- (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to holders of claims classified as equity during the reporting period, and the related amount per share; and
- (b) the amount of any cumulative preference dividends not recognised.

An entity shall disclose in the notes:

- (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to ~~owners~~holders of claims classified as equity during the reporting period, and the related amount per share; and

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

Effective date and transition

- 117 An entity shall apply this [draft] Standard for annual reporting periods beginning on or after [18–24 months from the date of publication]. Earlier application is permitted. If an entity applies this [draft] Standard for an earlier period, it shall disclose that fact in the notes.
- 118 In the first year of application of this [draft] Standard an entity shall present each of the headings and subtotals required by paragraphs 60–64 of this [draft] Standard in condensed financial statements provided in interim financial reports, despite the requirements in paragraph 10 of IAS 34. An entity shall apply the requirements in paragraph 10 of IAS 34 for condensed financial statements after its first set of annual financial statements prepared in accordance with this [draft] Standard has been issued.
- 119 This [draft] Standard shall be applied retrospectively in accordance with IAS 8.

Withdrawal of IAS 1

- 120 This [draft] Standard supersedes IAS 1 *Presentation of Financial Statements*.

Appendix A Defined terms

This appendix is an integral part of the [draft] IFRS Standard.

aggregation	The adding together of assets, liabilities, equity, income, expenses or cash flows that share characteristics and are included in the same classification.
classification	The sorting of assets, liabilities, equity, income, expenses and cash flows on the basis of shared characteristics.
disaggregation	The separation of an item or group of items into component parts.
financing activities	Activities involving the receipt or use of a resource from a provider of finance with the expectation that: <ol style="list-style-type: none"> (a) the resource will be returned to the provider of finance; and (b) the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.
general purpose financial statements [IAS 1.7]	Financial reports that provide information about a reporting entity's assets, liabilities, equity, income and expenses.
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 <u>Financial reports tailored to their particular needs about a reporting entity's assets, liabilities, equity, income and expenses.</u>
income and expenses from investments	Income and expenses from assets except for income and expenses from cash and cash equivalents that generate a return individually and largely independently of other resources held by an entity.
IFRS Standards [IAS 1.7]	IFRS Standards are Standards and Interpretations issued by the International Accounting Standards Board (Board). They comprise: <ol style="list-style-type: none"> (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations.

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International Financial Reporting Standards (IFRSs) IFRS Standards	<p><u>IFRS Standards</u> are Standards and Interpretations issued by the International Accounting Standards Board (<u>IASB Board</u>). They comprise:</p> <ul style="list-style-type: none">(a) International Financial Reporting Standards;(b) International Accounting Standards;(c) IFRIC Interpretations; and(d) SIC Interpretations.
impracticable [IAS 1.7]	Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.
impracticable	Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.
management performance measures	<p>Subtotals of income and expenses that:</p> <ul style="list-style-type: none">(a) are used in public communications outside financial statements;(b) complement totals or subtotals specified by IFRS Standards; and(c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.
notes [IAS 1.7]	Information in financial statements provided in addition to that presented in the primary financial statements.
notes	<u>Information in financial statements provided in addition to that presented in the primary financial statements.</u>
other comprehensive income [IAS 1.7]	Items of income and expense (including reclassification adjustments) that are recognised outside profit or loss as required or permitted by other IFRS Standards.
other comprehensive income	comprises items <u>Items</u> of income and expense (including reclassification adjustments) that are not recognised in <u>outside</u> profit or loss as required or permitted by other IFRSs <u>IFRS Standards</u> .
primary financial statements	The statement(s) of financial performance, the statement of financial position, the statement of changes in equity and the statement of cash flows.
profit or loss [IAS 1.7]	The total of income less expenses included in the statement of profit or loss.

profit or loss	is the The total of income less expenses, excluding <u>included</u> in the components statement of other comprehensive income <u>profit or loss</u> .
reclassification adjustments [IAS 1.7]	Amounts reclassified to profit or loss in the current reporting period that were included in other comprehensive income in the current or previous periods.
reclassification adjustments	are amounts <u>Amounts</u> reclassified to profit or loss in the current <u>reporting</u> period that were recognised <u>included</u> in other comprehensive income in the current or previous periods.
total comprehensive income [IAS 1.7]	The change in equity during a reporting period resulting from transactions and other events, other than those changes resulting from transactions with holders of claims classified as equity in their capacity as holders of claims classified as equity.
total comprehensive income	is the The change in equity during a <u>reporting</u> period resulting from transactions and other events, other than those changes resulting from transactions with owners <u>holders of claims classified as equity</u> in their capacity as owners , <u>holders of claims classified as equity</u> .
unusual income and expenses	Total comprehensive income comprises all components of 'profit or loss' and of 'other comprehensive income'. Income and expenses with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.

Terms defined in other Standards and used in this [draft] Standard with the same meaning

cash [IAS 7 <i>Statement of Cash Flows</i>]	Cash on hand and demand deposits.
cash equivalents [IAS 7]	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
derivative [IFRS 9 <i>Financial Instruments</i>]	A financial instrument or other contract within the scope of IFRS 9 with all three of the following characteristics: (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the

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variable is not specific to a party to the contract (sometimes called the ‘underlying’).

- (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- (c) it is settled at a future date.

financial instrument
[IAS 32 *Financial Instruments: Presentation*]

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

financial asset
[IAS 32]

Any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity’s own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A–16B of IAS 32, 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 and are classified as equity instruments in accordance with paragraphs 16C–16D of IAS 32, or instruments that are contracts for the future receipt or delivery of the entity’s own equity instruments.

financial liability
[IAS 32]

Any liability that is:

- (a) a contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A–16B of IAS 32, 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 and are classified as equity instruments in accordance with paragraphs 16C–16D of IAS 32, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

integral associates and joint ventures
[IFRS 12 *Disclosure of Interests in Other Entities*]

Associates and joint ventures accounted for using the equity method that are integral to the main business activities of an entity and hence do not generate a return individually and largely independently of the other assets of the entity (see paragraphs 20A and 20D of IFRS 12).

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material [IAS 1.7]
[Proposed to move
to IAS 8 *Basis of
Preparation, Accounting
Policies, Changes in
Accounting Estimates
and Errors*]

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

**non-controlling
interest**
[IFRS 10 *Consolidated
Financial Statements*]

Equity in a subsidiary not attributable, directly or indirectly, to a parent.

**non-integral
associates and joint
ventures**
[IFRS 12]

Associates and joint ventures accounted for using the equity method that are not integral to the main business activities of an entity and hence generate a return individually and largely independently of the other assets of the entity (see paragraphs 20A and 20D of IFRS 12).

Appendix B Application guidance

This appendix is an integral part of the [draft] IFRS Standard. It describes the application of paragraphs [1–120] and has the same authority as the other parts of the [draft] IFRS Standard.

Identification of the financial statements

B1 [IAS 1.52] An entity meets the requirements in paragraph 16 by providing appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of providing such information. For example, when an entity provides the financial statements electronically, separate pages are not always used; an entity then provides the above items to ensure that the information included in the financial statements can be understood.

An entity meets the requirements in paragraph 5416 by ~~presenting~~providing appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of ~~presenting~~providing such information. For example, when an entity ~~presents~~provides the financial statements electronically, separate pages are not always used; an entity then ~~presents~~provides the above items to ensure that the information included in the financial statements can be understood.

B2 [IAS 1.53] An entity often makes financial statements more understandable by providing 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.

An entity often makes financial statements more understandable by ~~presenting~~providing 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.

General presentation and disclosure requirements

Objective and roles of the primary financial statements and the notes

B3 Applying paragraph 21(a), an entity provides in the notes further information necessary for users of financial statements to understand the items included in the *primary financial statements*. Examples of such information include:

- (a) *disaggregation* of the line items presented in primary financial statements;
- (b) descriptions of the nature of the items included in the primary financial statements; and
- (c) information about the methods, assumptions and judgements used in recognising and measuring the items included in the primary financial statements.

- B4 Applying paragraph 21(b), an entity supplements the primary financial statements with other information that is necessary to meet the objective of financial statements. Examples of such supplementary information include:
- (a) information about the nature and extent of an entity's unrecognised assets, liabilities, equity, income and expenses (the elements of the financial statements); and
 - (b) information about an entity's exposure to various types of risks, such as market risk or credit risk, arising from both recognised and unrecognised elements of the financial statements.

Aggregation and disaggregation

- B5 Financial statements result from entities processing large numbers of transactions and other events. These transactions and other events give rise to assets, liabilities, equity, income and expenses. Information about an entity's total assets, total liabilities, total equity, total income and total expenses provides some information about the financial position and financial performance of an entity. However, that information is likely to be too summarised to be useful on its own because it combines items that may have different characteristics. Disaggregated information about the elements of the financial statements arising from individual transactions or other events provides more detailed information. However, if its volume and the amount of detail make it difficult to understand, then the information about individual transactions and other events may not provide useful information about the financial position or financial performance of an entity. Consequently, an entity applies judgement about the amount of detail required to provide useful information to users of financial statements.
- B6 To determine the line items presented in the primary financial statements or the items disclosed in the notes, an entity shall apply the principles of *aggregation* and *disaggregation* described in paragraph 25 to identify items that share characteristics. In applying the principles of aggregation an entity shall:
- (a) identify the assets, liabilities, equity, income and expenses that arise from individual transactions or other events;
 - (b) classify assets, liabilities, equity, income and expenses into groups based on their characteristics (for example, their nature, their function, their measurement basis or another characteristic) resulting in the presentation in the primary financial statements of line items that share at least one characteristic; and
 - (c) separate the line items presented in the primary financial statements on the basis of further characteristics resulting in the disclosure of items in the notes, if those items are material.

Other *IFRS Standards* include additional requirements for disclosing different types of information in the notes including information about items that do not qualify for recognition in the financial statements.

- B7 Applying the principles of aggregation does not necessarily mean following steps B6(a)–B6(c) sequentially. However, an entity shall consider all these steps in determining whether items that share characteristics have been classified and aggregated appropriately and ensuring that items that do not share characteristics have not been aggregated.
- B8 Because the role of the primary financial statements is to provide a structured and comparable summary, the line items in the primary financial statements are likely to combine some material items that have some dissimilar characteristics. However, to be useful to users of financial statements, the items aggregated and presented as line items in the primary financial statements must share at least one characteristic other than meeting the definition of a particular element of the financial statements.
- B9 In the notes, it is the concept of materiality that drives aggregation and disaggregation. To achieve the objective of financial statements, items that have dissimilar characteristics shall be disaggregated into component parts when the resulting information is material.
- B10 For example, an entity may hold material amounts of *financial assets* that are equity instruments and material amounts of financial assets that are debt instruments that share the characteristic of being measured at fair value through *profit or loss*. That being so, a single line item in the entity's statement of financial position for financial assets measured at fair value through profit or loss may provide users of financial statements with a useful summary of the entity's financial assets. However, financial assets that are equity instruments are dissimilar to financial assets that are debt instruments in that they each expose the entity to different risks. Therefore, in the notes to the financial statements, the entity may need to disclose its financial assets that are equity instruments separately from its financial assets that are debt instruments if the resulting information would be material. The entity should also consider whether aggregating all of its financial assets that are equity instruments and separately aggregating all that are debt instruments would result in the loss of material information about the characteristics of those assets. If this would be the case, the entity should further disaggregate those financial assets.
- B11 Aggregating items that result from individual transactions and other events into line items presented in the primary financial statements and items disclosed in the notes requires judgement about the information that will be useful. In making this judgement, an entity shall consider the balance of similar and dissimilar characteristics between aggregated items. The more characteristics items have in common the more likely it is that aggregating them will result in useful information and the more dissimilar characteristics items have the less likely it is that aggregating them will result in useful information.

Disaggregation in the statement of financial position

- B12 [IAS 1.58] Applying paragraph 83(a) an entity makes the judgement about whether to present additional items separately on the basis of an assessment of:

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- (a) the nature and liquidity of assets;
- (b) the function of assets within the entity; and
- (c) the amounts, nature and timing of liabilities.

~~An~~Applying paragraph 83(a) 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.

- B13 [IAS 1.59] The use of different measurement bases 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 can be carried at cost or at revalued amounts in accordance with IAS 16 *Property, Plant and Equipment*.

The use of different measurement bases 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 can be carried at cost or at revalued amounts in accordance with IAS 16 *Property, Plant and Equipment*.

- B14 [IAS 1.78] In addition to the disclosure requirements of other IFRS Standards, an entity uses the characteristics set out in paragraph B12 to disaggregate items presented in the statement of financial position or disclosed in the notes. The disclosures vary for each item, for example:

- (a) items of property, plant and equipment are disaggregated into classes in accordance with IAS 16;
- (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 items such as merchandise, production supplies, materials, work in progress and finished goods;
- (d) provisions are disaggregated according to their nature, such as, provisions for employee benefits, decommissioning liabilities, or other items; and
- (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

~~The detail provided in subclassifications depends on~~ In addition to the disclosure requirements of IFRSs and on the size, nature and function of the amounts involved. Another IFRS Standards, an entity also uses the factors ~~characteristics set out in paragraph 58 to decide the basis of subclassification~~ B12 to disaggregate items presented in the statement of

financial position or disclosed in the notes. The disclosures vary for each item, for example:

- (a) items of property, plant and equipment are disaggregated into classes in accordance with IAS 16;
- (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~~items~~ such as merchandise, production supplies, materials, work in progress and finished goods;
- (d) provisions are disaggregated ~~into~~according to their nature, such as, provisions for employee benefits and, decommissioning liabilities, or other items; and
- (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.

Disaggregation in the statement(s) of financial performance

B15

[IAS 1.98] Circumstances that would give rise to the separate presentation in the statement(s) of financial performance or disclosure in the notes 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) litigation settlements; and
- (f) reversals of provisions.

Circumstances that would give rise to the separate presentation in the statement(s) of financial performance or disclosure in the notes 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~~;

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- ~~(f)~~(e) litigation settlements; and
- ~~(g)~~(f) other reversals of provisions.

Offsetting

B16 [IAS 1.34] Paragraph 29 prohibits entities from offsetting unless required or permitted by an IFRS Standard. 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. 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 in the primary financial statements or discloses in the notes the results of such transactions, when this presentation or disclosure reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

- (a) an entity presents in the financial statements or discloses in the notes 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.

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- (a) an entity presents in the financial statements or discloses in the notes 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.

B17 [IAS 1.35] In addition, an entity presents or discloses 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 that are included in the same category of the statement(s) of financial performance in accordance with paragraphs 56–59. However, an entity shall present or disclose such gains and losses separately if they are material.

In addition, an entity presents or discloses 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, that are included in the same category of the statement(s) of financial performance in accordance with paragraphs 56–59. However, an entity ~~presents~~ shall present or disclose such gains and losses separately if they are material.

Consistency of presentation

B18 [IAS 1.46] Paragraph 33(a) permits an entity to change the presentation, disclosure or classification of items in the financial statements when it is apparent that another presentation, disclosure or classification would be more appropriate. For example, a significant acquisition or disposal, or a review of the financial statements, might suggest that the financial statements need to be changed. An entity changes the presentation, disclosure or classification of its financial statements only if the change provides information that is more useful to users of the financial statements and the revised presentation, disclosure or classification is likely to continue, so that comparability is not impaired. When making such changes, an entity reclassifies its comparative information in accordance with paragraphs 40–41.

Paragraph 33(a) permits an entity to change the presentation, disclosure or classification of items in the financial statements when it is apparent that another presentation, disclosure or classification would be more appropriate. 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~~ changed. An entity changes the presentation, disclosure or classification of its financial statements only if the ~~changed presentation~~ change provides information that is ~~reliable and more relevant~~ useful to users of the financial statements and the revised ~~structure~~ presentation, disclosure or classification is likely to continue, so that comparability is not impaired. When making such changes ~~in presentation~~, an entity reclassifies its comparative information in accordance with paragraphs 41 and ~~42~~ 40–41.

Comparative information

Minimum comparative information

- B19 [IAS 1.38B] In some cases, narrative information provided in the financial statements for the preceding reporting 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 of financial statements 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.

In some cases, narrative information provided in the financial statements for the preceding reporting 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 of financial statements 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

- B20 [IAS 1.38C] An entity may provide comparative information in addition to the minimum comparative information required by IFRS Standards, as long as that information is prepared in accordance with IFRS Standards. This comparative information may consist of one or more of the primary financial statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall disclose related note information for those additional primary financial statements.

An entity may ~~present~~provide comparative information in addition to the minimum comparative ~~financial statements~~information required by ~~IFRSs~~IFRS Standards, as long as that information is prepared in accordance with ~~IFRSs~~IFRS Standards. This comparative information may consist of one or more of the primary financial 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~~disclose related note information for those additional primary financial statements.

- B21 [IAS 1.38D] For example, an entity may present a third statement(s) of financial performance (thereby presenting the current reporting 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 disclose, in the notes, the comparative information related to that additional statement(s) of financial performance.

For example, an entity may present a third ~~statement~~statement(s) of ~~profit or loss and other comprehensive income~~financial performance (thereby presenting the current reporting 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~~disclose, in the notes ~~to the financial statements~~, the comparative information related to that additional ~~statement~~statement(s) of ~~profit or loss and other comprehensive income~~financial performance.

Change in accounting policy, retrospective restatement or reclassification

B22 [IAS 1.43] Paragraph 40 requires an entity to reclassify comparative amounts if the entity changes the presentation, disclosure or classification of items in its financial statements. Enhancing the inter-period comparability of information assists users of financial statements 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 reporting period to achieve consistency 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.

Paragraph 40 requires an entity to reclassify comparative amounts if the entity changes the presentation, disclosure or classification of items in its financial statements. Enhancing the inter-period comparability of information assists users of financial statements 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 reporting period to achieve comparabilityconsistency 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.

B23 [IAS 1.44] IAS 8 *Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors* sets out the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

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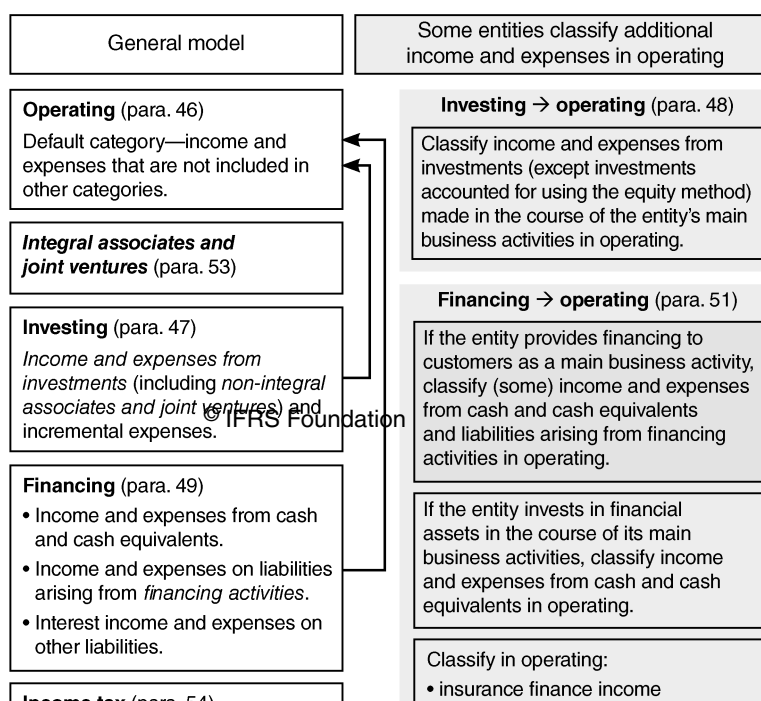
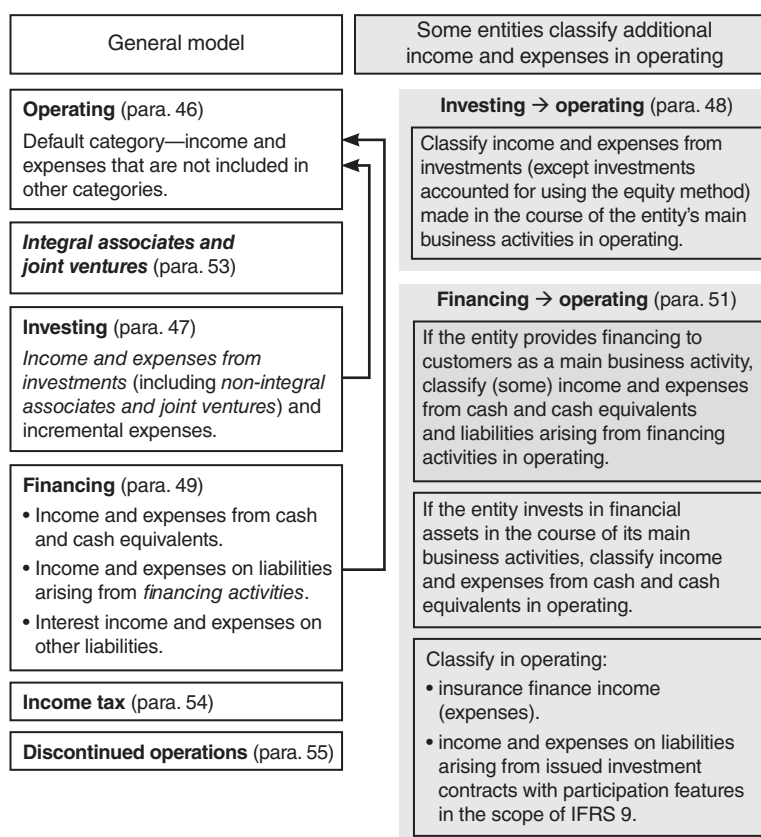
Statement(s) of financial performance

Statement of profit or loss

Categories included in the statement of profit or loss

B24 Figure 1 summarises the requirements for classification of income and expenses into categories in the statement of profit or loss.

Figure 1—Classification of income and expenses in the statement of profit or loss



Operating

- B25 For an entity to include income and expenses from its main business activities in the operating category, paragraphs 48, 51 and 52 set out circumstances when income and expenses that would otherwise be classified as investing and financing would instead be classified as operating.
- B26 An entity may have more than one main business activity. For example, an entity that manufactures cars and also provides financing to customers may determine that it has both a manufacturing main business activity and a customer-finance main business activity.
- B27 Paragraph 48 requires an entity to classify in the operating category income and expenses from investments in the course of its main business activities. Whether income and expenses from investments arise in the course of an entity's main business activities is a matter of judgement. In general, investments are likely to have been made in the course of an entity's main business activity when investment returns are an important indicator of operating performance. Examples of entities that invest in the course of their main business activities may include:
- (a) investment entities as defined by IFRS 10 *Consolidated Financial Statements*;
 - (b) investment property companies; and
 - (c) insurers.
- B28 Applying paragraph 51, when an entity provides financing to customers as a main business activity it is required to make an accounting policy choice to classify in the operating category either income and expenses from financing activities, and from cash and cash equivalents relating to the provision of financing to customers or all income and expenses from financing activities and all income and expenses from cash and cash equivalents.
- B29 Whether an entity provides financing to customers as a main business activity is a matter of judgement. In general, providing financing to customers is likely to be a main business activity when the difference between interest income and the related interest expense is an important indicator of operating performance. Examples of entities that provide financing to customers as a main business activity may include:
- (a) banks;
 - (b) entities that provide financing to customers to enable those customers to purchase the entity's products; and
 - (c) lessors that provide finance leases to customers.
- B30 The requirement in paragraph 52(a) for an entity to classify income and expenses from cash and cash equivalents in the operating category applies when any entity invests in financial assets in the course of its main business activities. It does not apply to an entity that invests only in non-financial assets in the course of its main business activities.

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B31 If, applying IFRS 8 *Operating Segments*, an entity reports a segment that constitutes a single business activity, that may indicate that that business activity is a main business activity.

Investing

B32 Paragraph 47 requires an entity to classify income and expenses from investments in the investing category except when paragraph 48 requires the entity to classify them in the operating category. Income and expenses from investments would typically include:

- (a) income and expenses from financial assets, except for income and expenses from cash and cash equivalents, such as:
 - (i) interest revenue;
 - (ii) impairment losses and reversals of impairment losses;
 - (iii) gains and losses on disposal;
 - (iv) fair value gains and losses;
 - (v) dividends from equity investments;
 - (vi) the share of profit or loss of non-integral associates and joint ventures; and
 - (vii) income and expenses from associates and joint ventures not accounted for using the equity method; and
- (b) income and expenses from other investments such as:
 - (i) income and expenses on investment property;
 - (ii) impairment losses and reversals of impairment losses;
 - (iii) income or expenses from speculative investments, such as investments in artwork held for capital appreciation; and
 - (iv) gains and losses on disposal.

B33 Income and expenses from investments do not include income and expenses from assets used by an entity in the production of goods and delivery of services. Income and expenses derived from such assets result from the combination of those assets with other resources of the entity, such as employees, raw materials or intangible assets, and not from the individual assets on their own. Examples of such income and expenses not from investments include:

- (a) interest revenue from trade receivables, which would be classified in the operating category;
- (b) income and expenses from property, plant and equipment and intangible assets, including depreciation, amortisation, impairment and disposal gains and losses, which would be classified in the operating category; and

- (c) gains or losses on disposal of a discontinued operation, which would be classified in the discontinued operations category.

Financing

- B34 Paragraph 49(a) requires an entity to classify income and expenses from cash and cash equivalents in the financing category, except when paragraphs 51 or 52(a) require them to be classified in the operating category. Income and expenses from cash and cash equivalents include:
- (a) interest revenue; and
 - (b) gains or losses on disposal of cash equivalents.
- B35 Paragraph 49(b) requires an entity to classify income and expenses from financing activities in the financing category except when paragraphs 51 or 52(b) require them to be classified in the operating category. Income and expenses from financing activities include income and expenses on the following liabilities:
- (a) debentures, loans, notes, bonds and mortgages;
 - (b) lease liabilities; and
 - (c) trade payables (for example those negotiated on extended credit terms).
- B36 Financing activities may give rise to income and expenses, including:
- (a) interest expenses (for example on debt issued and lease liabilities);
 - (b) debt extinguishment and debt restructuring expenses;
 - (c) fair value gains and losses (for example on a liability designated at fair value through profit or loss); and
 - (d) dividends on issued shares classified as liabilities.
- B37 Paragraph 49(c) requires an entity to classify interest income and expenses on liabilities not arising from financing activities in the financing category. Such income and expenses include:
- (a) net interest expense (income) on a net defined benefit liability (asset) applying IAS 19 *Employee Benefits*;
 - (b) unwinding of the discount on a decommissioning, restoration or similar liability;
 - (c) unwinding of the discount on other long-term provisions, for example warranty provisions and deferred consideration for a business combination; and
 - (d) increases in the present value of the costs to sell a non-current asset (or disposal group) held for sale that arise from the passage of time as discussed in paragraph 17 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Other categories

B38 Only associates and joint ventures accounted for using the equity method can meet the definition of integral associates and joint ventures, thus giving rise to the share of profit or loss accounted for using the equity method. Applying IAS 28 *Investments in Associates and Joint Ventures* an entity may be required to recognise income and expenses from integral associates and joint ventures in addition to the share of profit or loss accounted for using the equity method. Applying paragraph 53, income and expenses from integral associates and joint ventures include:

- (a) the share of profit or loss of integral associates and joint ventures;
- (b) impairment losses and reversals of impairment losses on integral associates and joint ventures; and
- (c) gains or losses on disposals of integral associates and joint ventures.

Classification of fair value gains and losses on derivatives and of exchange differences

B39 Paragraph 56 requires an entity to classify foreign exchange differences included in profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences (applying IAS 21 *The Effects of Changes in Foreign Exchange Rates*). For example, an entity classifies exchange differences on:

- (a) a trade payable not negotiated on extended credit terms denominated in a foreign currency in the same category as the expenses for the purchase of the goods – that is, normally the operating category; and
- (b) a debt instrument, issued by the entity, that is denominated in a foreign currency in the same category as the interest expenses on that liability – that is, the financing category unless one of the entity’s main business activities is providing financing to customers in which case it would be included in the operating category (see paragraph 51).

B40 Table 1 summarises the requirements in paragraphs 57–59.

Table 1—Classification of fair value gains and losses on derivatives and hedging instruments

	Gains and losses on:	
	Derivatives	Non-derivative financial instruments

continued...

...continued

Used for risk management	Designated as a hedging instrument	Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains and losses—then classify in the investing category.	
	Not designated as a hedging instrument	Apply the presentation requirements for derivatives designated as hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.	Apply requirements for classification in paragraphs 45–55.
Not used for risk management	Classify in the investing category, except when used in the course of a main business activity—then classify in the operating category.		

- B41 Paragraphs 57–58 prohibit grossing up of gains and losses on financial instruments designated as hedging instruments and derivatives not designated as hedging instruments. The grossing up of gains and losses might result when:
- an entity uses such financial instruments for risk management of a group of items with offsetting risk positions (see paragraph 6.6.1 of IFRS 9 *Financial Instruments* for designated hedging instruments); and
 - the risks managed affect line items in multiple categories of the statement of profit or loss.
- B42 For example, an entity may use a single derivative to manage the net foreign currency risk on revenue (classified in the operating category) and interest expenses (classified in the financing category). In such cases, the foreign exchange differences on the revenue are offset by the foreign exchange differences on the interest expense and the gains or losses on the derivative. However, the foreign exchange differences on the revenue are classified in a different category of the statement of profit or loss to the foreign exchange differences on the interest expense. To present the net foreign exchange difference in each category, an entity would need to present in each category a larger gain or loss than occurred on the derivative. Applying the requirements in paragraphs 57–58, an entity shall not gross up the gains or losses in this manner and would instead classify any gain or loss on the derivative in the investing category.
- B43 The requirements in paragraphs 56–59 only specify the classification of income and expenses into categories of the statement of profit or loss. They do not prescribe in which line item such income and expenses should be included nor do they override the requirements of other IFRS Standards.

Line items to be presented in the statement of profit or loss

B44 To comply with paragraph 65, an entity may need to present a required line item in more than one of the categories required by paragraph 45. For example, an entity that does not have investing or financing as a main business activity may need to present the required line item impairment losses determined in accordance with Section 5.5 of IFRS 9 in:

- (a) the operating category—if it relates to trade receivables arising from the entity’s main business activity;
- (b) the investing category—if it relates to financial assets that generate a return individually and largely independently of the other resources of the entity; and
- (c) the financing category—if it relates to cash equivalents.

Analysis of expenses classified in the operating category

B45 Paragraph 68 requires an entity to present an analysis of expenses classified in the operating category using either the nature of expense method or the function of expense method, whichever provides the most useful information. An entity shall consider, in deciding which method of expense analysis provides the most useful information:

- (a) which method provides the most useful information to users of financial statements about the key components or drivers of the entity’s profitability. For example, for a retail entity a key component or driver of profitability could be cost of sales. Presenting a cost of sales line item can provide relevant information about whether the revenue generated from the sale of goods covers what, for retailers, are mainly direct costs, and by what margin. However, cost of sales is unlikely to provide relevant information about the key components or drivers of profitability when the link between revenue and costs is less direct. For example, for a service entity, information about the expenses presented using a nature of expense analysis, such as employment costs, may be more relevant to users.
- (b) which method most closely represents the way the business is managed and how management reports internally. For example, a manufacturing entity managed on the basis of major functions might use a function of expense method for internal reporting. However, an entity that has a single predominant function, such as a financing activity, may find a more detailed analysis of expenses using a nature of expense method provides more useful information.
- (c) industry practice. The use of similar methods for an analysis of expenses would enable users to more easily compare expenses across entities in the same industry.
- (d) whether the allocation of expenses to functions would be arbitrary and therefore would not provide a sufficiently faithful representation of the line items presented. In such cases, the nature of expense method shall be used.

- B46 An entity shall not provide an analysis of expenses classified in the operating category using a mixture of the nature of expense method and the function of expense method except when required to do so by paragraph B47.
- B47 An entity shall present in the statement of profit or loss the line items required by paragraph 65 regardless of the method of analysis of expenses used.
- B48 An entity applying paragraph 72 discloses in the notes an analysis of total operating expenses using the nature of expense method and is not required to disclose an analysis of each functional line item.

Statement presenting comprehensive income

Other comprehensive income

- B49 [IAS 1.89] Some IFRS Standards specify circumstances when an entity recognises particular items outside the statement of profit or loss in the current reporting period. IAS 8 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other IFRS Standards require or permit components of other comprehensive income that meet the *Conceptual Framework for Financial Reporting's* definition of income or expense to be excluded from profit or loss (see paragraph B50).

Some ~~IFRSs~~IFRS Standards specify circumstances when an entity recognises particular items outside the statement of profit or loss in the current reporting period. IAS 8 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other ~~IFRSs~~IFRS Standards require or permit components of other comprehensive income that meet the ~~Conceptual Framework's~~ *Conceptual Framework for Financial Reporting's* definition of income or expense to be excluded from profit or loss (see paragraph ~~7~~B50).

- B50 [IAS 1.7 partial] Appendix A defines other comprehensive income. The components of other comprehensive income include:
- (a) changes in revaluation surplus (see IAS 16 and IAS 38 *Intangible Assets*);
 - (b) remeasurements of defined benefit plans (see IAS 19);
 - (c) gains and losses arising from translating the financial statements of a foreign operation (see IAS 21);
 - (d) gains and losses from investments in equity instruments designated as measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9;
 - (e) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9;

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- (f) 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);
- (g) 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);
- (h) 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);
- (i) 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);
- (j) 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 expense 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
- (k) 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.

Appendix A defines other comprehensive income. The components of other comprehensive income include:

- (a) changes in revaluation surplus (see IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*);
- (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*);
- (d) gains and losses from investments in equity instruments designated as measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9 *Financial Instruments*;

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- ~~(da)~~(e) 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)(f) 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)~~(g) 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)(h) 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);
- ~~(h)~~(i) 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);
- ~~(i)~~(j) 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 expense 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)~~(k) 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.

B51 [IAS 1.95] 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).

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).

B52 [IAS 1.96] Paragraph 77 requires an entity to present in the statement presenting comprehensive income or disclose in the notes reclassification adjustments relating to the component of other comprehensive income, income and expenses to be included in profit or loss in the future. 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 reporting periods. Changes in revaluation surplus 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.

Paragraph 77 requires an entity to present in the statement presenting comprehensive income or disclose in the notes reclassification adjustments relating to the component of other comprehensive income, income and expenses to be included in profit or loss in the future. 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 reporting periods. Changes in revaluation surplus 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.

Statement of financial position

Classification of assets and liabilities as current or non-current

B53 [IAS 1.62] Applying paragraph 84, when an entity supplies goods or services within a clearly identifiable operating cycle, 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 reporting period.

~~When Applying paragraph 84, when~~ an entity supplies goods or services within a clearly identifiable operating cycle, 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 reporting period.

- B54 [IAS 1.63] For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that faithfully represents those assets and liabilities and is more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.

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~~ faithfully represents those assets and liabilities and is more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.

- B55 [IAS 1.64] In applying paragraph 84, 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 faithfully represents those assets and liabilities and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

In applying paragraph ~~6084~~, 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~~ faithfully represents those assets and liabilities and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

- B56 [IAS 1.65] 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 analysis 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 in the notes the amount of inventories that are expected to be recovered more than twelve months after the reporting period.

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~~ analysis 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 in the notes the amount of inventories that are expected to be recovered more than twelve months after the reporting period.

Current assets

B57 [IAS 1.67] Paragraph 87 requires an entity to classify as non-current all assets not classified as current. This [draft] 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.

Paragraph 87 requires an entity to classify as non-current all assets not classified as current. This [draft] 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.

B58 [IAS 1.68] 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.

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.

Current liabilities

B59 [IAS 1.70] Paragraph 88 specifies when an entity is required to classify a liability as current.¹² 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

¹² In Quarter 1 of 2020, the Board expects to issue amendments to this section based on proposals published in Exposure Draft *Classification of Liabilities* ED/2015/1 to amend paragraphs 69–76 of IAS 1.

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.

Paragraph 88 specifies when an entity is required to classify a liability as current. 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.

- B60 [IAS 1.71] 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 period are non-current liabilities, subject to paragraphs B63–B64.

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~~B63–B64.

- B61 [IAS 1.72] 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.

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.

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B62 [IAS 1.73] 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.

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.

B63 [IAS 1.74] 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 period and before the authorisation of the financial statements for issue, 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.

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, 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.

B64 [IAS 1.75] 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.

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.

B65 [IAS 1.76] 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, 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.

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, 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.

Notes

Structure

B66 [IAS 1.114] Paragraph 97 requires an entity to present notes in a systematic manner. 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 business 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 financial performance and the statement of financial position, such as:
 - (i) statement of compliance with IFRS Standards (see paragraph 6B of IAS 8);
 - (ii) significant¹³ accounting policies applied (see paragraph 27A of IAS 8);
 - (iii) supporting information for items presented in the statements of financial position and in the statement(s) of financial performance, and in the statements of changes in equity and of cash flows, in the order in which each statement is provided and each line item is presented; and
 - (iv) other disclosures, including:
 - (1) contingent liabilities (see IAS 37) and unrecognised contractual commitments; and

¹³ Exposure Draft ED/2019/6 *Disclosure of Accounting Policies* proposes amendments to the disclosure requirements for accounting policies including replacing 'significant' with 'material'.

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- (2) non-financial disclosures, eg the entity's financial risk management objectives and policies (see IFRS 7).

Paragraph 97 requires an entity to present notes in a systematic manner. 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 business~~ 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~~ financial performance and the statement of financial position, such as:
 - (i) statement of compliance with ~~IFRSs~~ IFRS Standards (see paragraph ~~466B~~ of IAS 8);
 - (ii) significant accounting policies applied (see paragraph ~~41728A~~ of IAS 8);
 - (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~~ financial performance, and in the statements of changes in equity and of cash flows, in the order in which each statement is provided and each line item is presented; and
 - (iv) other disclosures, including:
 - (1) contingent liabilities (see IAS 37) and unrecognised contractual commitments; and
 - (2) non-financial disclosures, eg the entity's financial risk management objectives and policies (see IFRS 7).

Unusual income and expenses

- B67 Paragraph 101 requires an entity to disclose information in the notes about unusual income and expenses. An entity classifies income and expenses as unusual if and only if they have limited predictive value. Hence, income and expenses cannot be classified as unusual if it is reasonable to expect that income or expenses similar in type and amount will arise in any of several future annual reporting periods.
- B68 In determining whether income or expenses are unusual, an entity shall consider both the type of the income or expense and its amount. For example, an impairment loss resulting from a fire at an entity's factory is normally an unusual type of expense and hence would be classified as an unusual expense because in the absence of other indicators of impairment another similar expense would not reasonably be expected to recur for several future annual reporting periods.

- B69 Income and expenses that are not unusual by type may be unusual in amount. Whether an item of income or expense is unusual in amount is determined by the range of outcomes reasonably expected to arise for that income or expense in several future annual reporting periods. For example, an entity that incurs regular litigation costs that are all of a similar amount would not generally classify those litigation expenses as unusual. However, if in one reporting period, that entity incurred higher litigation costs than reasonably expected, because of a particular action, it would classify the costs from that action as unusual if litigation costs in several future annual reporting periods were not expected to be of a similar amount. The higher litigation costs are outside the range of reasonably expected outcomes and not predictive of future litigation costs.
- B70 Income or expenses are classified as unusual based on expectations about the future rather than past occurrences. Hence, it is possible for income or expenses similar to income or expenses reported in previous reporting period(s) to be classified as unusual. For example, an entity may incur an impairment loss resulting from a fire at one of its factories in one period. At the end of that period, the entity classifies the impairment as an unusual expense because it has a reasonable expectation that it will not suffer an impairment loss for several future annual reporting periods. In the next period, the entity once again incurs an impairment loss resulting from a fire at another one of its factories. If the two fires in close succession are not indicative of a developing pattern of fires and impairments, it may be possible for the entity to have a reasonable expectation at the end of the second reporting period that similar expenses will not arise for several future annual reporting periods. If this is the case, the second impairment is also classified as unusual.
- B71 Expectations about the future will depend on the facts and circumstances of an entity. For example, an entity that undertakes a restructuring programme spanning several reporting periods or that makes regular acquisitions that result in restructuring expenses would not classify these expenses as unusual. However, an entity that undertakes a restructuring programme and that does not expect to incur expenses of a similar type and amount in the next several reporting periods would classify these expenses as unusual.
- B72 Income and expenses from the recurring remeasurement of items measured at current value would not normally be classified as unusual. Income and expenses from the remeasurement of such items are expected each reporting period and are expected to vary from period to period.
- B73 When an entity identifies unusual income or expenses it does not classify related income or expenses as unusual unless those related income and expenses are themselves unusual. For example, an entity may identify a sale that gives rise to unusual revenue. In earning that revenue, the entity may incur several related costs, including employee benefit expense, inventory cost and taxes. An entity would only identify as unusual those related costs that meet the definition of unusual.

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- B74 When an entity discloses comparative information about unusual income and expenses it shall only classify amounts that met the definition of unusual income and expenses in the comparative period as unusual income and expenses.
- B75 An entity's management performance measure(s) may include some, or all, of its unusual income and expenses. In such cases, the entity may disclose the required information about those unusual income and expenses in the same note that it uses to disclose information about management performance measures provided the entity either:
- (a) includes in that note all of the information required by paragraph 101 for unusual income and expenses; or
 - (b) provides a separate note that includes all of the information required for unusual income and expenses.

Management performance measures

Identifying management performance measures

- B76 Paragraph 103 defines management performance measures. Some entities may have more than one management performance measure. However, not all entities will have management performance measures. For example, if an entity publicly communicates its financial performance to users of its financial statements, using only totals and subtotals specified by IFRS Standards, it will not have a management performance measure.
- B77 Paragraph 104 specifies subtotals that are not management performance measures. An entity is not required to provide the disclosures specified in paragraph 106 for these subtotals.
- B78 In accordance with paragraph 104(b) subtotals similar to gross profit are not management performance measures. A subtotal is similar to gross profit when it represents the difference between a type of revenue and directly related expenses incurred in generating that revenue. Examples include:
- (a) net interest income;
 - (b) net fee and commission income;
 - (c) insurance service result;
 - (d) net financial result (investment income minus insurance finance expenses); and
 - (e) net rental income.
- B79 Only subtotals that management uses in public communications outside financial statements, for example, in management commentary, press releases or in investor presentations, meet the definition of management performance measures.

- B80 A management performance measure is a subtotal of income and expenses. Examples of measures that are not management performance measures include:
- (a) individual items or subtotals of only income or expenses (for example, adjusted revenue as a stand-alone measure);
 - (b) assets, liabilities, equity or combinations of these elements;
 - (c) financial ratios (for example, return on assets);
 - (d) measures of growth;
 - (e) measures of liquidity or cash flows (for example, free cash flow); or
 - (f) non-financial performance measures.
- B81 A subtotal presented in the statement(s) of financial performance to comply with paragraph 42 may meet the definition of a management performance measure. When such a subtotal meets that definition, an entity shall disclose all the information required by paragraph 106.

Management performance measures note disclosure

- B82 All information required to be disclosed about management performance measures shall be included in a single note.
- B83 In some cases, one or more of an entity's management performance measures may be the same as part of the operating segment information disclosed by the entity in applying IFRS 8. In such cases, the entity may disclose the required information about those management performance measures in the same note that it uses to disclose information about its operating segments provided the entity either:
- (a) includes in that note all of the information required by paragraph 106 for management performance measures; or
 - (b) provides a separate note that includes all of the information required for management performance measures.
- B84 Paragraph 106(a)(i) requires an explanation of how a management performance measure is calculated. To comply with this requirement an entity shall explain the specific principles, bases, conventions, rules and practices it applies in calculating its management performance measures.
- B85 Paragraph 106(b) requires an entity to reconcile its management performance measure(s) to the most directly comparable subtotal or total specified by IFRS Standards. For example, an entity that discloses in the notes adjusted operating profit or loss as a management performance measure would reconcile to operating profit or loss as the most directly comparable subtotal. In aggregating or disaggregating the reconciling items disclosed an entity shall apply the requirements in paragraphs 25–28.

[Draft] Amendments to other IFRS Standards

This document sets out the [draft] amendments to other IFRS Standards. An entity shall apply the amendments when it applies [draft] IFRS X.

IAS 7 Statement of Cash Flows

Paragraphs 33A, 34A–34D, 38A and 62 are added, paragraphs 6, 12, 14, 16, 17, 18, 20 and 31 are amended and paragraphs 33 and 34 are deleted. New text is underlined and deleted text is struck through. Paragraphs 15, 32, 37 and 38 have not been amended but are included for ease of reference. Paragraph 6 includes text that has not been amended but is included for ease of reference.

Definitions

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

...

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents and the receipt of some interest and dividends as described in paragraphs 34A–34D.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

In relation to borrowings, financing activities involve the receipt or use of a resource from a provider of finance with the expectation that:

- (a) the resource will be returned to the provider of finance; and
- (b) the provider of finance will be appropriately compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

...

Presentation of a statement of cash flows

...

12 A single transaction may include cash flows that are classified differently. ~~For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.~~

Operating activities

...

14 Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

- (a) cash receipts from the sale of goods and the rendering of services;
- (b) cash receipts from royalties, fees, commissions and other revenue;
- (c) cash payments to suppliers for goods and services;
- (d) cash payments to and on behalf of employees;
- (e) [deleted]
- (f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; ~~and~~
- (g) cash receipts and payments from contracts held for dealing or trading purposes; ~~and~~
- (h) some cash receipts and payments of dividends and interest as described in paragraphs 34B–34C.

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of IAS 16 *Property, Plant and Equipment* are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

15 An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue-producing activity of that entity.

Investing activities

16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

GENERAL PRESENTATION AND DISCLOSURES

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; ~~and~~
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.
- (i) some cash receipts from dividends and interest as described in paragraphs 34A–34C.

When a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing activities

17 The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- (a) cash proceeds from issuing shares or other equity instruments;
- (b) cash payments to owners to acquire or redeem the entity's shares;
- (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;
- (d) cash repayments of amounts borrowed; ~~and~~

- (e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease;
- (f) cash payments of dividends as described in paragraph 33A; and
- (g) some cash payments of interest as described in paragraphs 34A–34C.

Reporting cash flows from operating activities

- 18 An entity shall report cash flows from operating activities using either:
- (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) the indirect method, whereby ~~profit or loss~~ operating profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items reflecting classification differences between income or expenses classified in operating profit or loss and cash flows classified as cash flows from operating activities of income or expense associated with investing or financing cash flows.

...

- 20 Under the indirect method, the net cash flow from operating activities is determined by adjusting ~~profit or loss~~ operating profit or loss for the effects of:
- (a) changes during the period in inventories and operating receivables and payables;
 - (b) non-cash items such as depreciation, provisions, ~~deferred taxes, and~~ unrealised foreign currency gains and losses included in operating profit or loss, and undistributed profits of associates; and
 - (c) ~~all any other items~~ income or expenses included in operating profit or loss for which the cash effects are investing or financing cash flows; ~~and~~
 - (d) any other operating cash flows, such as income tax (in accordance with paragraph 35), for which the corresponding income or expenses are not included in operating profit or loss.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses ~~disclosed in the statement of comprehensive income~~ included in operating profit or loss, ~~and~~ the changes during the period in inventories and operating receivables and payables and any other operating cash flows for which the corresponding income or expenses are not included in operating profit or loss.

...

Interest and dividends

- 31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period ~~as either operating, investing or financing activities applying paragraphs 33A and 34A–34C.~~
- 32 The total amount of interest paid during a period is disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with IAS 23 *Borrowing Costs*.
- 33 ~~[Deleted]Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.~~
- 33A An entity shall classify dividends paid as cash flows from financing activities.
- 34 ~~[Deleted]Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows.~~
- 34A An entity, other than those entities described in paragraph 34B, shall classify:
- (a) interest paid as cash flows from financing activities. This includes interest that is capitalised as part of the cost of an asset applying IAS 23.
 - (b) interest and dividends received as cash flows from investing activities.
- 34B An entity that provides financing to customers as a main business activity or invests in the course of its main business activities in assets that generate a return individually and largely independently of other resources held by the entity shall classify the following cash flows each in a single category of the statement of cash flows (that is, either as operating, investing or financing activities):
- (a) dividends received (other than those described in paragraph 38A);
 - (b) interest paid; and
 - (c) interest received.
- 34C When applying paragraph 34B, an entity shall refer to the classification of the income or expenses corresponding to such cash flows in the statement of profit or loss:

- (a) if the entity classifies related income or expenses in a single category of the statement of profit or loss, the entity shall classify the cash flows in the corresponding category in the statement of cash flows; or
- (b) if the entity classifies related income or expenses in more than one category of the statement of profit or loss, the entity shall make an accounting policy choice to classify the cash flows in one of the corresponding categories of the statement of cash flows.

34D For example, an entity applying paragraph 34C would classify interest paid:

- (a) as cash flows from financing activities if the entity classifies all its interest expenses in the financing category of the statement of profit or loss; or
- (b) in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities if the entity classifies some of its interest expenses in the operating category and some of its interest expenses in the financing category of the statement of profit or loss.

...

Investments in subsidiaries, associates and joint ventures

37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

38 An entity that reports its interest in an associate or a joint venture using the equity method includes in its statement of cash flows the cash flows in respect of its investments in the associate or joint venture, and distributions and other payments or receipts between it and the associate or joint venture.

38A An entity shall classify cash flows from the acquisition and disposal of investments in associates and joint ventures applying paragraphs 16(c)–16(d). An entity shall classify as cash flows from investing activities dividends received from associates and joint ventures accounted for using the equity method. An entity shall present cash flows in respect of its investments in integral associates and joint ventures separately from cash flows in respect of its investments in non-integral associates and joint ventures.

...

Effective date

...

62 [Draft] IFRS X General Presentation and Disclosures issued in [date] added paragraphs 33A, 34A–34D, 38A and 62, amended paragraphs 6, 12, 14, 16, 17, 18, 20 and 31 and deleted paragraphs 33 and 34. An entity shall apply those amendments when it applies [draft] IFRS X.

IFRS 12 *Disclosure of Interests in Other Entities*

Paragraphs 20A–20E and defined terms are added and paragraph 7 is amended. Paragraph 20 has not been amended but is included for ease of reference. New text is underlined and deleted text is struck through.

Significant judgements and assumptions

- 7 An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:
- (a) that it has control of another entity, ie an investee as described in paragraphs 5 and 6 of IFRS 10 *Consolidated Financial Statements*;
 - (b) that it has joint control of an arrangement or significant influence over another entity; ~~and~~
 - (c) the type of joint arrangement (ie joint operation or joint venture) when the arrangement has been structured through a separate vehicle; ~~and~~
 - (d) whether an associate or joint venture that is accounted for using the equity method is integral or non-integral to the entity's main business activities.
- ...

Interests in joint arrangements and associates

- 20 An entity shall disclose information that enables users of its financial statements to evaluate:
- (a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (paragraphs 21 and 22); and
 - (b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 23).
- 20A An entity shall classify its associates and joint ventures accounted for using the equity method as either integral associates and joint ventures or as non-integral associates and joint ventures on initial recognition.
- 20B An entity shall change the classification of an associate or joint venture as integral or non-integral if and only if the relationship between the reporting entity and the associate or joint venture changes.
- 20C When an integral or non-integral associate or joint venture is reclassified in the period, an entity shall disclose how the entity's relationship with the associate or joint venture has changed and the amount reclassified.

20D When assessing whether an associate or joint venture accounted for using the equity method is integral or non-integral to an entity's main business activities, the entity shall consider all facts and circumstances. A significant interdependency between an entity and an associate or joint venture would indicate that the associate or joint venture is integral to the main business activities of the entity. Examples of a significant interdependency between an entity and an associate or joint venture include:

- (a) having integrated lines of business with the associate or joint venture;
- (b) sharing a name or brand with the associate or joint venture so that externally it may appear as one business in relation to the activities of the associate or joint venture (although the reporting entity may have other, separate businesses); and
- (c) having a supplier or customer relationship with the associate or joint venture that the entity would have difficulty replacing without significant business disruption.

20E When applying paragraph 20 to associates and joint ventures accounted for using the equity method an entity shall disclose the information required separately for integral associates and joint ventures and non-integral associates and joint ventures.

...

New terms are added to Appendix A. New text is underlined.
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Appendix A Defined terms

...

<u>integral associates and joint ventures</u>	<u>Associates and joint ventures accounted for using the equity method that are integral to the main business activities of an entity and hence do not generate a return individually and largely independently of the other assets of the entity.</u>
--	--

...

<u>non-integral associates and joint ventures</u>	<u>Associates and joint ventures accounted for using the equity method that are not integral to the main business activities of an entity and hence generate a return individually and largely independently of the other assets of the entity.</u>
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...

Paragraphs C1E–C1F are added to Appendix C. New text is underlined.

Appendix C **Effective date and transition**

Effective date and transition

...

C1E [Draft] IFRS X *General Presentation and Disclosures* issued in [date] added paragraphs 7(d) and 20A–20E and the defined terms integral associates and joint ventures and non-integral associates and joint ventures. The date of initial application of those amendments is the date when an entity first applies the requirements of [draft] IFRS X.

C1F At the date of initial application, an entity shall classify its associates and joint ventures accounted for using the equity method as either integral associates and joint ventures or as non-integral associates and joint ventures applying paragraph 20D on the basis of the facts and circumstances that exist at that date.

...

IAS 33 Earnings per Share

Paragraphs 73–73A are deleted and paragraphs 73B–73C and 74F are added. New text is underlined and deleted text is struck through.

Disclosure

...

- 73 ~~If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of comprehensive income other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.~~
- 73A ~~Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported item of profit or loss, other than one required by this Standard.~~
- 73B An entity is permitted to disclose, in addition to basic and diluted earnings per share required by this Standard, per share measures of performance using a numerator different from that required by paragraph 10. However, such numerator(s) shall be the amount attributable to ordinary equity holders of the parent entity of:
- (a) a subtotal or total included in paragraph 104 of [draft] IFRS X *General Presentation and Disclosures*; or
 - (b) a management performance measure disclosed by the entity applying paragraph 106 of [draft] IFRS X.
- 73C If, applying paragraph 73B, an entity discloses an additional amount per share, it shall:
- (a) disclose both basic and diluted amounts per share with equal prominence;
 - (b) be calculated using the weighted average number of ordinary shares determined in accordance with this Standard; and
 - (c) be disclosed in the notes to financial statements, but not be presented in the primary financial statement(s).

Effective date

...

74E [Draft] IFRS X General Presentation and Disclosures issued in [date] added paragraphs 73B–73C and deleted paragraphs 73–73A. An entity shall apply those amendments when it applies [draft] IFRS X.

...

IAS 34 *Interim Financial Reporting*

Paragraph 16A is amended and paragraph 60 and heading for the effective date are added. New text is underlined and deleted text is struck through.

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

(a) ...

(c) ~~the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence~~the disclosures about unusual items required by paragraph 100 of [draft] IFRS X General Presentation and Disclosures.

(d) ...

(m) the disclosures about management performance measures required by paragraph 106 of [draft] IFRS X.

...

Effective date

...

60 [Draft] IFRS X General Presentation and Disclosures issued in [date] amended paragraph 16A. An entity shall apply those amendments when it applies [draft] IFRS X.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The title of IAS 8 is amended. New text is underlined and deleted text is struck through.

IAS 8 Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors

Paragraphs 1 and 3 are amended and paragraph 2 is deleted. New text is underlined and deleted text is struck through. Part of paragraph 7 of IAS 1 *Presentation of Financial Statements* is moved to paragraph 5 of IAS 8 and the reference to paragraph 7 of IAS 1 in paragraph 5 is deleted. Text moved to IAS 8 unchanged is not marked up. Deleted text is struck through.

Objective

1 The objective of this Standard is to ~~prescribe~~enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities by prescribing:

- (a) the basis of preparation of financial statements;
- (b) the criteria for selecting, ~~and~~ changing and disclosing accounting policies; ~~and~~
- (c) ~~together with~~ the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

~~The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.~~

2 ~~[Deleted] Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in IAS 1 *Presentation of Financial Statements*.~~

Scope

3 This Standard shall be applied in determining the basis of preparation of financial statements, selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

...

Definitions

5 ...

~~Material is defined in paragraph 7 of IAS 1 and is used in this Standard with the same meaning.~~

Material:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) dissimilar items, transactions or other events are inappropriately aggregated;
- (d) similar items, transactions or other events are inappropriately disaggregated; and
- (e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At

times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

...

Paragraphs 15–28 of IAS 1 are moved to IAS 8 as paragraphs 6A–6N with editorial changes. Related headings are moved from IAS 1 to IAS 8 with editorial changes. Text that was not included in IAS 1 but is included in IAS 8 is underlined, and text that was included in IAS 1 but is not included in IAS 8 is struck through. Text moved to IAS 8 that is unchanged is not marked up. Original paragraph numbers in IAS 1 are shown in brackets for ease of reference but will not be included in IAS 8.

General features of financial statements

Fair presentation and compliance with IFRSs Standards

- 6A [IAS 1.15] Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires 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 set out in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*. The application of ~~IFRSs~~IFRS Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
- 6B [IAS 1.16] An entity whose financial statements comply with ~~IFRSs~~IFRS Standards shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with ~~IFRSs~~IFRS Standards unless they comply with all the requirements of ~~IFRSs~~IFRS Standards.
- 6C [IAS 1.17] In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable ~~IFRSs~~IFRS Standards. A fair presentation also requires an entity:
- (a) to select and apply accounting policies in accordance with this Standard ~~IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. IAS 8 This Standard~~ sets out a hierarchy of authoritative guidance that management considers in the absence of an IFRS Standard that specifically applies to an item.
 - (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
 - (c) to provide additional disclosures when compliance with the specific requirements in ~~IFRSs~~IFRS Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

- 6D [IAS 1.18] An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.
- 6E [IAS 1.19] In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph ~~20-6F~~ if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
- 6F [IAS 1.20] When an entity departs from a requirement of an IFRS Standard in accordance with paragraph ~~19-6E~~, it shall disclose:
- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
 - (b) that it has complied with applicable ~~IFRSs~~ IFRS Standard, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c) the title of the IFRS Standard from which the entity has departed, the nature of the departure, including the treatment that the IFRS Standard 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 *Conceptual Framework*, and the treatment adopted; and
 - (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.
- 6G [IAS 1.21] When an entity has departed from a requirement of an IFRS Standard 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)~~ paragraphs 6F(c)–6F(d).
- 6H [IAS 1.22] Paragraph ~~24-6G~~ applies, for example, when an entity departed in a prior period from a requirement in an IFRS Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.
- 6I [IAS 1.23] In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, 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 Standard 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 *Conceptual 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.

6J [IAS 1.24] For the purpose of paragraphs 19–23–~~6E–6I~~, an item of information would conflict with the objective of financial statements when it does not represent faithfully 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. When assessing whether complying with a specific requirement in an IFRS Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual 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 *Conceptual Framework*.

Going concern

6K [IAS 1.25] When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. 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. 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.

6L [IAS 1.26] 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. 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, 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

- 6M [IAS 1.27] An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.
- 6N [IAS 1.28] 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 and recognition criteria for those elements in the *Conceptual Framework*.

...

Paragraphs 117–124 and 125–133 of IAS 1 are moved to IAS 8 as paragraphs 27A–27G and 31A–31I with editorial changes. Related headings are moved from IAS 1 to IAS 8 with editorial changes. Headings before paragraphs 27A and 28 are added. Text that was not included in IAS 1 but is included in IAS 8 is underlined, and text that was included in IAS 1 but is not included in IAS 8 is struck through. Text moved to IAS 8 that is unchanged is not marked up. Original paragraph numbers in IAS 1 are shown in brackets for ease of reference but will not be included in IAS 8.

Paragraphs 28 and 30–31 of IAS 8 are amended, added text is underlined and removed text is struck through. Paragraph 29 of IAS 8 is not amended but is included for ease of reference.

The heading before paragraph 54I is added.

Disclosure

Disclosure of selection and application of accounting policies

- 27A [IAS 1.117] An entity shall disclose in the notes its significant accounting policies¹⁴ 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.
- 27B [IAS 1.118] It is important for an entity to inform users of financial statements of the measurement basis or bases used in the financial statements (~~for example, historical cost, current cost, net realisable value, fair value or recoverable amount~~or current value) because the basis on which an entity

¹⁴ Exposure Draft ED/2019/6 *Disclosure of Accounting Policies* proposes amendments to the disclosure requirements for accounting policies.

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, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

- 27C [IAS 1.119] In deciding whether a particular accounting policy should be disclosed in the notes, management considers whether disclosure would assist users of financial statements in understanding how transactions, and other events and conditions are reflected in reported financial performance and financial position. 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~~IFRS Standards. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see IAS 40 *Investment Property*). Some ~~IFRSs~~IFRS Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 *Property, Plant and Equipment* requires disclosure of the measurement bases used for classes of property, plant and equipment.
- 27D [IAS 1.121] 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 in the notes each significant accounting policy that is not specifically required by ~~IFRSs~~IFRS Standards but the entity selects and applies in accordance with IAS ~~8~~this Standard.
- 27E [IAS 1.122] An entity shall disclose in the notes, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph ~~42~~531A), 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.
- 27F [IAS 1.123] 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)(a) when substantially all the significant risks and rewards of ownership of financial assets and, for lessors, assets subject to leases are transferred to other entities;
 - (c)(b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
 - (d)(c) 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.

27G [IAS 1.124] Some of the disclosures made in accordance with paragraph ~~12227E~~ are required by other IFRSs/IFRS Standards. For example, IFRS 12 *Disclosure of Interests in Other Entities* requires an entity to disclose in the notes the judgements it has made in determining whether it controls another entity. IAS 40 *Investment Property* requires disclosure in the notes 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.

Disclosure of changes in accounting policies

28 When initial application of an IFRS Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the title of the IFRS Standard;
- (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- (c) the nature of the change in accounting policy;
- (d) when applicable, a description of the transitional provisions;
- (e) when applicable, the transitional provisions that might have an effect on future periods;
- (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and
 - (ii) if IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;
- (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (h) if retrospective application required by paragraph 19(a) or 19(b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

29 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the nature of the change in accounting policy;
- (b) the reasons why applying the new accounting policy provides reliable and more relevant information;

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- (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - (i) for each financial statement line item affected; and
 - (ii) if IAS 33 applies to the entity, for basic and diluted earnings per share;
- (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

30 When an entity has not applied a new IFRS Standard that has been issued but is not yet effective, the entity shall disclose:

- (a) this fact; and
- (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS Standard will have on the entity's financial statements in the period of initial application.

31 In complying with paragraph 30, an entity considers disclosing:

- (a) the title of the new IFRS Standard;
- (b) the nature of the impending change or changes in accounting policy;
- (c) the date by which application of the IFRS Standard is required;
- (d) the date as at which it plans to apply the IFRS Standard initially; and
- (e) either:
 - (i) a discussion of the impact that initial application of the IFRS Standard is expected to have on the entity's financial statements; or
 - (ii) if that impact is not known or reasonably estimable, a statement to that effect.

Disclosure of sources Sources of estimation uncertainty

31A [IAS 1.125] An entity shall disclose in the notes 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.

- 31B [IAS 1.126] 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.
- 31C [IAS 1.127] The assumptions and other sources of estimation uncertainty disclosed in the notes in accordance with paragraph ~~42531A~~ relate to the estimates that require management's most difficult, subjective or complex judgements. As the number 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.
- 31D [IAS 1.128] The note disclosures in paragraph ~~42531A~~ 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 for an identical asset or liability. 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.
- 31E [IAS 1.129] An entity ~~presents~~provides the note disclosures in paragraph ~~42531A~~ in a manner that helps users 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.

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- 31F [IAS 1.130] This [draft] Standard does not require an entity to disclose in the notes budget information or forecasts in making the note disclosures in paragraph ~~425~~31A.
- 31G [IAS 1.131] Sometimes it is impracticable to disclose in the notes 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 in the notes 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 in the notes the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.
- 31H [IAS 1.132] The note disclosures in paragraph ~~422~~27E of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the note disclosures of sources of estimation uncertainty in paragraph ~~425~~31A.
- 31I [IAS 1.133] Other ~~IFRSs~~IFRS Standards require the note disclosure of some of the assumptions that would otherwise be required in accordance with paragraph ~~425~~31A. For example, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires note disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IFRS 13 *Fair Value Measurement* requires note disclosure of significant assumptions (including the valuation technique(s) and inputs) the entity uses when measuring the fair values of assets and liabilities that are carried at fair value.

...

Effective date and transition

...

- 54I [Draft] *IFRS X General Presentation and Disclosures* issued in [date] amended paragraphs 1, 3 and 5 and added paragraphs 6A–6N, 27A–27G and 31A–31I and deleted paragraph 2. An entity shall apply those amendments when it applies [draft] IFRS X.

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 3(f) is amended. New text is underlined and deleted text is struck through.

Scope

3 This IFRS shall be applied by all entities to all types of financial instruments, except:

...

- (f) instruments that are required to be classified as equity instruments in accordance with paragraphs 16A–~~16B~~ or paragraphs 16C–~~16D~~ of IAS 32. However, the disclosures required by paragraphs 19A–19B are required for such instruments.

...

Paragraphs 80A and 136A of IAS 1 *Presentation of Financial Statements* are moved to IFRS 7 as paragraphs 19A–19B and the related heading is added. Paragraph 44EE is added. Text that was not included in IAS 1 but is included in IFRS 7 is underlined, and text that was included in IAS 1 but not included in IFRS 7 is struck through. Text moved to IFRS 7 unchanged is not marked up. Original paragraph numbers in IAS 1 are shown in brackets for ease of reference but will not be included in IFRS 7.

Statement of financial position

...

Financial instruments classified as equity in accordance with paragraphs 16A–16B or paragraphs 16C–16D of IAS 32

19A [IAS 1.136A] For puttable financial instruments classified as equity instruments in accordance with paragraphs 16A–16B of IAS 32, 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.

19B [IAS 1.80A] If an entity has reclassified any of the following financial instruments 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:

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- (a) a puttable financial instrument classified as an equity instrument applying paragraphs 16A–16B of IAS 32; 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 applying paragraphs 16C–16D of IAS 32.

~~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.~~

...

Effective date and transition

...

44EE [Draft] IFRS X *General Presentation and Disclosures* issued in [date] amended paragraph 3(f) and added paragraphs 19A–19B. An entity shall apply those amendments when it applies [draft] IFRS X.

EXPOSURE DRAFT—DECEMBER 2019

This table shows how the Board proposes to amend the following references in other Standards.

Standard	Description of amendment
General	Replace references to IAS 1 <i>Presentation of Financial Statements</i> , including references to specific paragraphs in IAS 1 to refer to the corresponding paragraphs in [draft] IFRS X, IFRS 7 <i>Financial Instruments: Disclosures</i> and IAS 8 <i>Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors</i> .
General	Replace references to 'other comprehensive income items that will not be reclassified subsequently to profit or loss', including variations of the term, with 'remeasurements permanently reported outside profit or loss' (or its variation).
General	Replace references to 'other comprehensive income items that will be reclassified subsequently to profit or loss', including variations of the term, with 'income and expenses to be included in profit or loss in the future when specific conditions are met' (or its variation).
General	Replace references to 'statement of profit or loss and other comprehensive income' with 'statement(s) of financial performance'.
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Replace the references to 'presented' and 'a financing cost' in paragraph 17 of the Standard with 'classified' and 'an interest expense on liabilities not arising from financing activities', respectively.
IFRS 16 <i>Leases</i>	Replace the reference to 'finance costs' in paragraph 49 of the Standard with 'expenses from financing activities'.
IAS 8 <i>Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors</i>	Replace references to 'IFRSs' and 'IFRS' with 'IFRS Standards' and 'IFRS Standard' throughout, as shown in the revised paragraphs of IAS 8 included in this document.
IAS 12 <i>Income Taxes</i>	Replace the reference to 'operating profits' in the third paragraph in the example illustrating paragraphs 52A and 57A, shown below paragraph 52A in the Standard, with 'profits'.
IFRIC 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Replace the reference to 'a finance cost' in paragraph 8 of the Interpretation with 'an interest expense on liabilities not arising from financing activities'.
Illustrative Examples accompanying IAS 34 <i>Interim Financial Reporting</i>	Replace the reference to 'an operating loss carryforward' in paragraph B22 of the Illustrative Examples with 'a loss carryforward'.
IFRS Practice Statement 2 <i>Making Materiality Judgements</i>	Remove footnotes which made reference to paragraph 30A of IAS 1 and/or paragraph BC30F of the Basis for Conclusions on IAS 1. Update the corresponding extracts of paragraphs of [draft] IFRS X and IAS 8 that are reproduced in the Appendix to the Practice Statement 2.

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Table of concordance with IAS 1 and other IFRS Standards

The tables below show how the contents of IAS 1 Presentation of Financial Statements and [draft] IFRS X General Presentation and Disclosures or other IFRS Standards correspond.

From IAS 1 paragraph	
IAS 1 paragraph	New paragraph
1	IFRS X.1
2	IFRS X.2
3	IFRS X.4
4	IFRS X.5–6
5	IFRS X.7
6	IFRS X.8
7	IFRS X Appendix A, IFRS X.B50, IAS 8.5
8	IFRS X.12
8A	None
9	IFRS X.19
10	IFRS X.10
10A	IFRS X.13
11	IFRS X.15
12	None
13–14	IFRS X.9
15–24	IAS 8.6A–6J
25–26	IAS 8.6K–6L
27–28	IAS 8.6M–6N
29–30	None
29, 30A	IFRS X.25
31	IFRS X.24
32–33	IFRS X.29–30
34–35	IFRS X.B16–B17
36–37	IFRS X.31–32
38–38A	IFRS X.34–35
38B	IFRS X.B19
38C–38D	IFRS X.B20–B21
39–40	None
40A–42	IFRS X.36–41
43–44	IFRS X.B22–B23
45	IFRS X.33

continued...

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...continued

From IAS 1 paragraph	
IAS 1 paragraph	New paragraph
46	IFRS X.B18
47	IFRS X.3
48	None
49–51	IFRS X.16–18
52–53	IFRS X.B1–B2
54	IFRS X.82
55–55A	IFRS X.42–43
56	IFRS X.86
57	IFRS X.83
58–59	IFRS X.B12–B13
60–61	IFRS X.84–85
62–65	IFRS X.B53–B56
66	IFRS X.87
67–68	IFRS X.B57–B58
69	IFRS X.88
70–76	IFRS X.B59–B65
77	None
78	IFRS X.B14
79–80	IFRS X.114–115
80A	IFRS 7.19B
81	None
81A	IFRS X.60, 73
81B	IFRS X.67, 76
82	IFRS X.65
82A	IFRS X.74–75
83–84	None
85–85A	IFRS X.42–43
85B	None
86	IFRS X.66
87	None
88	IFRS X.44
89	IFRS X.B49
90	IFRS X.80

continued...

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...continued

From IAS 1 paragraph	
IAS 1 paragraph	New paragraph
91	IFRS X.81
92–94	IFRS X.77–79
95–96	IFRS X.B51–B52
97	None
98	IFRS X.B15
99	IFRS X.68
100–102	None
103	None
104	IFRS X.72
105	None
106	IFRS X.89
106A–109	IFRS X.91–94
110	IFRS X.90
111	IFRS X.95
112–113	IFRS X.96–97
114	IFRS X.B66
115	None
116	IFRS X.98
117–124	IAS 8.27A–27G
125–133	IAS 8.31A–31I
134–136	IFRS X.111–113
136A	IFRS 7.19A
137	IFRS X.116
138	IFRS X.99
139–139T	None
140	None

EXPOSURE DRAFT—DECEMBER 2019

From IFRS X paragraph	
IFRS X paragraph	IAS 1 paragraph
1	1
2	2
3	47
4	3
5–6	4
7–8	5–6
9	13–14
10	10
11	None
12	8
13	10A
14	None
15	11
16–18	49–51
19	9
20–23	None
24	31
25	29, 30A
26–28	None
29–30	32–33
31–32	36–37
33	45
34–35	38–38A
36–41	40A–42
42	85, 55
43	85A, 55A
44	88
45–59	None
60	81A (partial)
61–64	None
65	82
66	86
67	81B (partial)
68	99

continued...

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...continued

From IFRS X paragraph	
IFRS X paragraph	IAS 1 paragraph
69–71	None
72	104
73	81A (partial)
74–75	82A
76	81B (partial)
77–79	92–94
80–81	90–91
82	54
83	57
84–85	60–61
86	56
87	66
88	69
89	106
90	110
91–94	106A–109
95	111
96–97	112–113
98	116
99	138
100–110	None
111–113	134–136
114–115	79–80
116	137
117–120	None
B1–B2	52–53
B3–B11	None
B12–B13	58–59
B14	78
B15	98
B16–B17	34–35
B18	46
B19	38B

continued...

EXPOSURE DRAFT—DECEMBER 2019

...continued

From IFRS X paragraph	
IFRS X paragraph	IAS 1 paragraph
B20–B21	38C–38D
B22–B23	43–44
B24–B48	None
B49	89
B50	7 (partial)
B51–B52	95–96
B53–B56	62–65
B57–B58	67–68
B59–B65	70–76
B66	114
B67–B85	None

Approval by the Board of Exposure Draft *General Presentation and Disclosures* published in December 2019

The Exposure Draft *General Presentation and Disclosures* was approved for publication by all 14 members of the International Accounting Standards Board.

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