

IFRS IN BRIEF

IAS 1 *Presentation of Financial Statements*

SCOPE

IAS 1 provides the basis of preparation for general purpose financial statements to ensure comparability across periods and between entities. It is applicable to all general purpose financial statements including statements prepared in accordance with:

- IFRS 10 *Consolidated Financial Statements*
- IAS 27 *Separate Financial Statements*

Only selected requirements apply to financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*.

GENERAL CONSIDERATIONS

FAIR PRESENTATION

Financial statements shall faithfully present the effects of transactions, other events and conditions in accordance with the requirements of the *Conceptual Framework for Financial Reporting* and are required to comply with the IFRS Accounting Standards. Only in extremely rare circumstances can entities depart from the requirements of IFRS Accounting Standards.

GOING CONCERN

Financial statements should be prepared on a going concern basis, unless management either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so. 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.

ACCRUALS BASIS Financial statements shall be prepared on using an accrual basis of accounting except for cash flow information.

MATERIALITY & AGGREGATION

Material classes of items shall be presented separately in financial statements. Dissimilar items are to be presented separately unless immaterial.

OFFSETTING

Assets and liabilities, or income and expenses shall not be offset in financial statements unless expressly permitted by another IFRS Accounting Standard.

FREQUENCY OF REPORTING

A complete set of financial statements, including comparatives, shall be prepared at least annually.

COMPARATIVE INFORMATION

Financial statements shall include at a minimum comparative information for the previous reporting period.

A third statement of financial position shall be presented at the start of the comparative reporting period, if there has been a change in accounting policy, reclassification, or the restatement of an error and the change has a material impact on the statement of financial position at the start of the comparative period.

CONSISTENCY

Information shall be presented consistently from one period to the next unless it is required to change it by an IFRS Accounting Standard, or considering

the guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, another presentation or classification would be more appropriate.

CONTENTS OF FINANCIAL STATEMENTS

Financial statements should be clearly identified and distinguished from other information an entity may release at the same time as them. The entity's name, the period covered, presentation currency and level of rounding used shall be displayed prominently.

A complete set of financial statements should include:

- Statement of financial position at the end of the period
- Statement of profit or loss and other comprehensive income for the period
- Statement of changes in equity for the period
- Statement of cash flows for the period
- Notes
- Comparative information in respect of the preceding period
- If required, an opening statement of financial position at the start of the comparative period (see discussion on comparatives above)

Entities may use other names to identify their financial statements such as balance sheet and income statement.

STATEMENT OF FINANCIAL POSITION

IAS 1 provides an extensive list of items that must be disclosed on the face of the statement of financial position.

Assets and liabilities shall be classified as current or non-current in the statement of financial position unless a presentation based on liquidity is more relevant and reliable.

Current Assets

Assets shall be presented as current when an entity:

- Expects to realise, consume or sell the asset in its normal operating cycle
- Holds the asset primarily for trading
- Expects to realise the asset within 12 months after the reporting period
- The asset is cash or cash equivalent (unless restricted)

All other assets are presented as non-current

Current Liabilities

Liabilities shall be presented as current when an entity:

- Expects to settle the liability in the normal operating cycle
- Holds the liability primarily for trading
- The liability is due to be settled within twelve months after the reporting period
- The entity does not have the right at the end of the reporting period to defer settlement for at least twelve months after the reporting period

All other liabilities shall be presented as non-current.

IAS 1 requires additional information be provided either on the face of the statement of financial position, statement of changes in equity or in the notes regarding details of the type and nature of equity instruments on issued.

Disaggregated information on items presented on the face of the statement of financial position, is also required in the notes.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Entities may present the statement of profit and loss and other comprehensive income as a single combined statement, or as two separate statements.

Either way entities must include

- profit and loss
- total other comprehensive income
- total comprehensive income

This should include amounts attributable to both

- owners of the parent entity
- non-controlling interests

Profit or loss section

IAS 1 provides an extensive list of income and expense items that should be disclosed separately if material in the profit and loss section.

Where income or expense items are material they should be separately disclosed either in the statement or in a note.

Expenses shall be classified using either of the following classifications:

- **Nature of expense:**
This approach classifies expenses based on the nature of the underlying expenditure, e.g. 'raw materials and consumables used'
- **Function of expense:**
This approach classifies expenses based on what function they are used for within the business, and allows entities to present a 'cost of sales' amount. When using this approach, an entity shall disclose additional information on the nature of expenses, including depreciation/amortisation and employee benefits expense.

A mixture of the two different classification types is not permitted.

Other comprehensive income section

The other comprehensive income section shall be broken down into:

- Items that will not be subsequently reclassified to profit or loss
- Items that will subsequently be reclassified to profit or loss when specific conditions are met

This includes share of the other comprehensive income of equity accounted Joint Ventures and Associates

STATEMENT OF CHANGES IN EQUITY

The Statement of changes in equity provides a reconciliation of the movements in each component of equity for the period showing separately the impacts of:

- Profit or loss
- Other comprehensive income
- Transactions with owners in their capacity as owners

STATEMENT OF CASH FLOWS

Statement of cash flows should be presented in accordance with IAS 7 *Statement of Cash Flows*.

NOTES

Notes shall be presented in a systematic basis and cross reference each item to the face of the relevant financial statement. Disclosures shall include:

- Basis of preparation, including type of financial statements
- Details of entity being reported on
- Material accounting policies
- Significant judgements and estimates

- Capital risk management
- Dividend information
- Disclosures required by other IFRS Accounting Standards
- Information not presented elsewhere which is necessary to the understandability of the financial statements.

FUTURE DEVELOPMENTS

In 2024 the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which will supersede IAS 1. This standard will be applicable for reporting periods beginning on or after 1 January 2027.

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