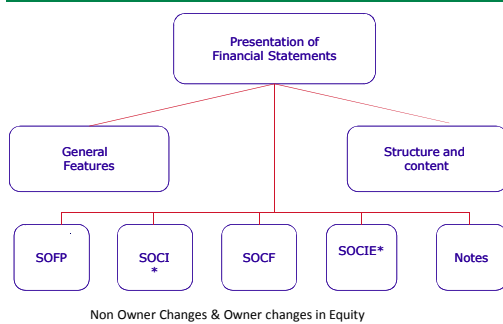


IAS 1 Presentation of Financial Statements

IAS 1 Presentation of Financial Statements



Objectives of IAS 1

- Guidelines for Structure
- Minimum requirements for the contents
- Basis & Overall requirement for Presentation of General Purpose Financial Statements



IAS 1 is intended to meet the need of users who are not in a position to demand reports tailored to specific information needs.

Objectives of the Financial Statements

To provide information about :

Financial Position – Balance Sheet

Performance – Income Statement

Changes in Financial Position – Cash Flow Statement

By Providing information about :

Elements of Financial Statements : "A-L-E-I-E"

Contribution by & Distributions to Owners in their capacity as such



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Applicability of IAS 1

Applies to all types of Business Entities

Fully Applicable to

Consolidated

Separate

Complete

Partially Applicable to

Condensed Financial Statements

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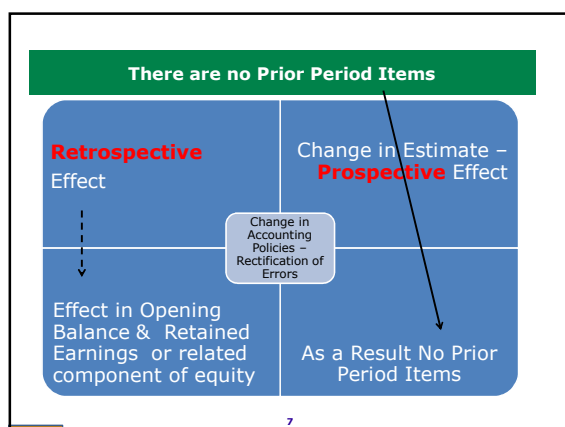
A complete set of Financial Statements is made up of:

- ☐ A Statement of Financial Position as at the end of the period
- ☐ A Statement of Changes in Equity
- ☐ A Statement of Comprehensive Income*
- ☐ A Statement of Cash Flows for the period
- ☐ Notes comprising a summary of significant accounting policies and other explanatory information
- ☐ A Statement of Financial Position as at the beginning of the earliest comparative 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.



*Statement of Profit or loss and Other Comprehensive Income (new name w.e.f. June 2011)

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Financial Statements should present fairly

the following:

- financial position
- financial performance and
- Changes in Financial Position
Viz., cash flows of an entity.

The application of IFRS, coupled with additional disclosure is presumed to result in Financial Statements that achieve a **FAIR PRESENTATION**

Mere disclosure of inappropriate policies is not a remedy - not a rectification

Fair presentation override is permitted under certain circumstances.

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What is required for Fair Presentation

Step 1 : Selection and application of accounting policies

Step 2 : Presentation of information in a manner which provides relevant, reliable, comparable and understandable information

Step 3 : Additional disclosures when required

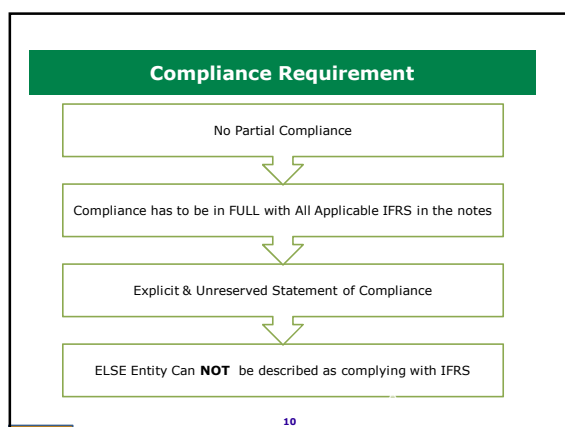
Fair presentation override

In *extremely rare circumstances*, compliance with an IFRS is so 'misleading' that conflicts with *Framework* objective of financial statements

In such circumstances, if regulations permit:


- o do not comply with the IFRS
- o choose accounting policy that results in fair presentation

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Assessment of Going Concern

- ❑ This involves an assessment of the entity's ability to continue as a going concern, and hence its ability to continue to prepare its financial statements on the basis of going concern.
- ❑ This continues until Management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- ❑ When an entity does not prepare financial statements on a going concern basis, it shall disclose :-
 - that fact,
 - the basis,
 - the reason why the entity is not regarded as a going concern.



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Other Considerations

Accrual basis

An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Materiality and aggregation

An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. If the information is not material, specific disclosure is not required


Nature or Magnitude

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Other Considerations

Offsetting
An entity shall not offset assets and liabilities or income and expenses required or permitted by an IFRS.

Permissible Offsetting
Gain – Losses on sale of Non Current assets
Netting of expenses in cases where they are reimbursed
Gains and losses on foreign exchange transactions



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Statement of Comprehensive Income

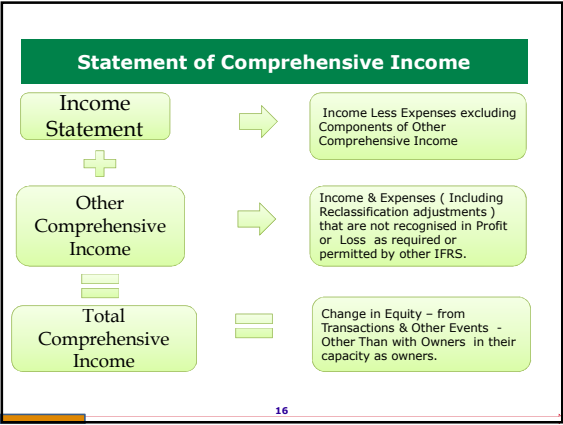
Presentation	One Statement	Two Statements
	Profit & Loss Items (+) OCI (Other Comprehensive Income)	Income Statement Other Comprehensive Income

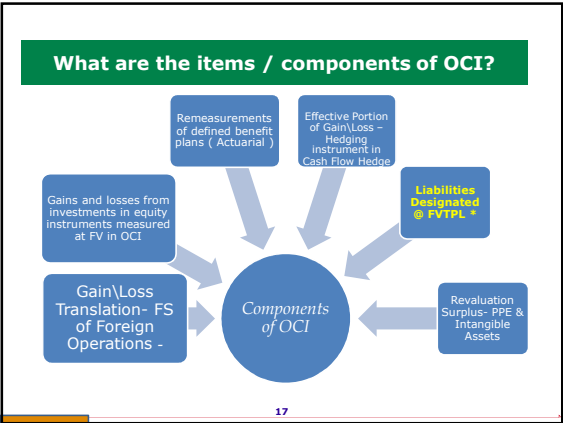
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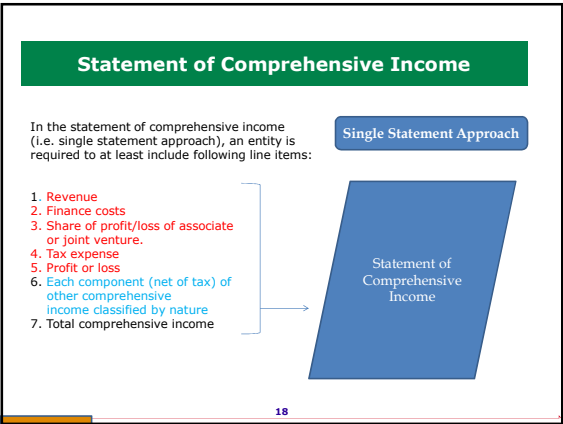
What is OCI ?

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

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Statement of Comprehensive Income

In the statement of comprehensive income (i.e. single statement approach), an entity is required to at least include some line items in Statement of Comprehensive Income that present the amounts for the period

• For example, the following amounts should be presented:

1. Revenue
2. Finance costs
3. Share of profit/loss of associate or joint venture.
4. Tax expense
5. Profit or loss
4. Each component (net of tax) of other comprehensive income classified by nature
5. Total comprehensive income

Two Statements Model

Income statement

Statement of other comprehensive income

The second statement starts with the Profit or Loss for the year.

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Two Options of Presentation

Natural	Functional
<ul style="list-style-type: none"> Revenue Other income Changes in inventories of finished goods and WIP Raw materials & consumables used Employee benefits expense Depreciation and amortisation expense Other expenses Total expenses Profit before tax 	<ul style="list-style-type: none"> Revenue Cost of sales Gross profit Other income Distribution costs Administrative expenses Other expenses Profit before tax

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Statement of Comprehensive Income


The following should be disclosed in the statement of comprehensive income:

(a) profit or loss for the period attributable to:

- (i) non-controlling interests, and
- (ii) owners of the parent.

(b) total comprehensive income for the period attributable to:


- (i) non-controlling interests, and
- (ii) owners of the parent.



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Other Comprehensive Income

- ❖ Disclose the amount of income tax relating to each component of other comprehensive income, including **reclassification adjustments**, either in the statement of comprehensive income or in the notes.
- ❖ An entity may present components 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 components.



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Information to be presented in OCI section

Since June 2011...

Para 82A of the Standard:

The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other IFRSs:

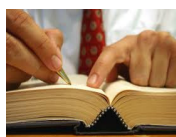
- (a) will not be reclassified (or recycled) subsequently to profit or loss; and
- (b) will be reclassified subsequently to profit or loss when specific conditions are met.



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Reclassification Adjustments

- ❖ Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.
- ❖ An entity shall disclose reclassification adjustments relating to components of other comprehensive income.
- ❖ Other IASs specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss and these are referred to as the reclassification adjustments.



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Reclassification Adjustments	
Items Reclassified to Profit or Loss	Items NOT reclassified to Profit or Loss
On disposal of a foreign operation –	Gains on property revaluation
When a hedged forecast transaction affects profit or loss – in relation to cash flow hedges	Actuarial gains or losses on defined benefit plans
	Gain on Investment in equity instruments
Income tax relating items that will be reclassified	Income tax relating to items that will not be reclassified

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Changing the Presentation or Classification

When the entity reclassifies comparative amounts, the entity shall disclose:

- a) the nature of the reclassification;
- b) the amount of each item or class of items that is reclassified;
- c) the reason for the reclassification.

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.



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Statement of Changes in Equity (Net Assets)

- ❖ "The Statement of Changes in Equity" reflects the increases and decreases in the net assets of an entity during the period.
- ❖ In accordance with IAS 1, all changes in equity from transactions with **"Owners" (in their capacity as Owners)** are to be presented separately from non-owner changes in equity.
- ❖ Includes following components on the face of the statement:
 1. Total comprehensive income for the period, segregating amounts attributable to owners and to non-controlling interest;
 2. The effects of retrospective application or retrospective restatement separately for each component of equity;
 3. Contributions from and distributions to owners; and
 4. A reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change, for each component of equity.



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Statement of Changes in Equity (Net Assets)

The following should be disclosed, either in the statement of financial position or the statement of changes in equity, or in the notes:

1. For each class of share capital
 - ☐ Number of shares authorized;
 - ☐ Number of shares issued and fully paid, and issued but not fully paid;
 - ☐ Par value per share, or that the shares have no par value;
 - ☐ Recognition of the number of shares outstanding at the beginning and at the end of the periods;
 - ☐ Any rights, preferences and restrictions attached;
 - ☐ Shares in the entity held by the entity or its subsidiaries; and
 - ☐ Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts.
2. A description of the nature and purpose of each reserve within equity

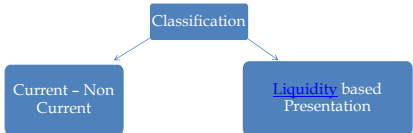
28

How should Dividend be presented?

- ☐ in the statement of changes in equity
- or,
- in the notes,
- ☐ the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

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Classification of Assets and Liabilities




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Minimum Requirement :
Presentation of Assets and Liabilities

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 approved for issue**.




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Loans classified as Current Liabilities

In accordance with IAS 10 *Events after the Reporting Period*, the following are considered as **"NON- Adjusting Events"**.

- (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.



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Statement of financial position "line items" (IAS 1)

Property, plant and equipment (IAS 16)	NCA held for sale (IFRS 5)	Investments property (IAS 40)	Intangible assets (IAS 38)	Inventories (IAS 2)
Cash and cash equivalents	Biological assets (IAS 41)	Trade and other receivables (Including IAS 11)	Investments accounted using equity method (IAS 28)	
Issued capital and reserves	Provisions (IAS 37)	Trade and other payables	Liabilities of disposal groups held for sale (IFRS 5)	Non-controlling interest
Financial liabilities, excluding those shown elsewhere (IAS 39)		Financial assets, excluding those included elsewhere (IAS 39)		Tax liabilities and assets (IAS 12) • Current • Deferred

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Disclosure on the face of Balance Sheet

- Property, plant & equipment
- Investment property
- Intangible assets
- Financial assets
- Investments accounted for under the equity method
- Biological assets
- Inventories
- Trade & other receivables
- Assets held for sale
- Cash & cash equivalents
- Financial liabilities
- Liabilities & assets for current tax
- Deferred tax liabilities & deferred tax assets
- Minority interest, within equity
- Issued capital & reserves attributable to equity holders of the Parent
- Trade & other payables
- Provisions
- Assets & liabilities included in disposal groups classified as held for sale

Additional line items are allowed when relevant to understanding of an entity's financial position

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Disclosure on the face of the Statement of Profit and Loss

- Revenue
- Finance costs
- Share of profit or loss of associates & joint ventures accounted for using the equity method
- Tax expense
- Profit or loss
- A single amount comprising the total of
 - Post-tax profit or loss on discontinued operations
 - Post-tax gain or loss recognized on measurement to fair value less costs to sell or disposal of such operations
- Disclosed as allocations of profit or loss for the period
- Profit or loss attributable to NCI - minority interest
- Profit or loss attributable to equity holders of Parent

Additional Line items are allowed when relevant to understanding of an entity's financial performance

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Extraordinary and Exceptional Items

☐ No Extraordinary Items.

Now abolished as part of the "Improvements Projects"

☐ Only Exceptional – Not Defined

☐ Additional line items, heading & subtotals presented on face where relevant to understanding


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Notes to Financial Statements

The entity should disclose in the notes the following:

- (1) basis of preparation + the specific accounting policies used;
- (2) disclose the information required by IASs that is not presented elsewhere.
- (3) Also provide information that is relevant to an understanding of any of them

Notes should be given in a systematic manner and should cross-reference each item to the Financial Statements




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Notes to Financial Statements

To Help users to understand the:

- Financial statements and to compare them with financial statements of other entities.
- Statement of compliance with IASs
- Summary of significant accounting policies applied
- Supporting information for items presented in the financial statements
- Other disclosures, including contingent liabilities and unrecognized contractual commitments;
- Non-financial disclosures (e.g., the entity's financial risk management objectives and policies).




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Other Disclosures

If not disclosed elsewhere in information published with the financial statements, the following items should be disclosed:

- (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 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.



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Other Disclosures

1. **Explicit & unreserved statement of compliance with IAS**


2. Any departures from IASs needed to ensure fair presentation of financial statements

3. **Judgment made in applying the entity's most significant accounting policies (IAS 1.113)**

4. **Key sources of estimation uncertainty (IAS 1.116)**

5. Any item of income or expenses that are material in their nature should be disclosed separately, either on the face of the income statement or in the notes.

6. New standards & interpretations issued but not effective/adopted. Indicating impact (IAS 8.30 & 31)



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Overall considerations (IAS 1)

Fair presentation

Going concern – Foreseeable future

Accrual basis – as they occur

Materiality and aggregation – based on nature & size

Offsetting – generally not allowed

Comparatives – inter-company and intra-company

Frequency of reporting – at least annually

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