

Chapter 3

PRESENTATION OF FINANCIAL STATEMENTS (IAS-1)

OBJECTIVE

The objective of this Standard is to prescribe the basis for presentation of general-purpose financial statements, to ensure comparability both with the entity's financial statement 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.

SCOPE

This Standard shall be applied to all general-purpose (individual and group) financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRSs). This IFRS is not applicable to the structure and contents of interim financial statements.

DEFINITIONS

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 reports tailored to their particular information needs.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Notes contain information in addition to that presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Notes provide narrative descriptions or dis-aggregations of items disclosed in those statement and information about items that do not qualify for recognition in those statements.

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

Owners are holders of instruments classified as equity.

Profit or loss is the total of income less expenses, excluding the components of other comprehensive income.

Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income in the current or previous periods.

Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.

GENERAL FEATURES

Fair Presentation and Compliance with IFRSs

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 Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

A fair presentation also requires an entity: -

- a) To select and apply accounting policies in accordance with IAS-8
- b) To present information in a manner that provides reliable, relevant, comparable and understandable information.
- c) To provide additional disclosures when compliance with the IFRSs is insufficient to enable users to understand the impact of particular transactions and events.

Un-reserved statement

An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs.

In-appropriate Treatment

Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.

Disagreement with IFRSs

In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement in the manner set out under IAS-1.

Going Concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared 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, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

Accrual Basis of Accounting

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

Consistency of Presentation

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

- a) Under IAS 8, when a change in accounting policy applied or prior period error is rectified retrospectively; or
- b) a Standard or an Interpretation requires a change in presentation

Materiality and Aggregation

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Offsetting

Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a Standard or an Interpretation.

Frequency of reporting

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

Comparative Information

Except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

STRUCTURE AND CONTENT

Identification of the Financial Statements

The financial statements shall be identified clearly and distinguished from other information in the same published document.

Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

- (a) the name of the reporting entity or other means of identification, and any change in that information from the preceding statement of financial position date;
- (b) whether the financial statements cover the individual entity or a group of entities;
- (c) the statement of financial position date or the period covered by the financial statements, whichever is appropriate to that component of 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 in presenting amounts in the financial statements.

STATEMENT OF FINANCIAL POSITION

Current/Non-current Distinction

An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the statement of financial position date and (b) more than twelve months

after the statement of financial position date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Current assets

An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realized within twelve months after the statement of financial position date; or
- (d) it is cash or a cash equivalent (as defined in IAS 7 Statement of Cash Flow) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial positions date

All other assets shall be classified as non-current.

Current liabilities

A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the statement of financial position date; or
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

All other liabilities shall be classified as non-current.

STATEMENT OF COMPREHENSIVE INCOME

An entity shall present all items of income and expense recognized in a period in a single statement of comprehensive income.

Information to be presented in the statement of comprehensive income

As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:

- (a) revenue;
- (b) finance costs;
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (d) tax expense;
- (e) profit or loss;
- (f) each component of other comprehensive income classified by nature;
- (h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and
- (i) total comprehensive income.

An entity shall disclose the following items in the statement of comprehensive income as allocations of profit or loss for the period:

- (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.

An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.

Other comprehensive income for the period

An entity shall 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.

An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

STATEMENT OF CHANGES IN EQUITY

An entity shall present a statement of changes in equity showing in the statement:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognized 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 disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) each item of other comprehensive income; and
 - (i) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognized as distributions to owners during the period, and the related amount per share.

Statement of Cash Flows

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 utilize those cash flows. IAS -7 sets out requirements for the presentation of statement of cash flows and related disclosures.

NOTES

Structure

The notes shall:

- (a) present information about the basis of preparation of the financial statements and the specific accounting policies used;
- (b) disclose the information required by IFRSs that is not presented on the face of the statement of financial position, statement of comprehensive income, statement of changes in equity or cash flow statement; and

- (c) provide additional information that is not presented on the face of the statement of financial position, statement of comprehensive income, statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.

Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement shall be cross-referenced to any related information in the notes.

Disclosure of Accounting Policies

An entity shall disclose in the summary of significant accounting policies:

- (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.

An entity shall disclose, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations, management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Key Sources of Estimation Uncertainty

An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing 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 statement of financial position date.

Capital

An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Other Disclosures

An entity shall disclose in the notes:

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

An entity shall disclose 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 activities; and
- (c) the name of the parent and the ultimate parent of the group.

FORMAT OF STATEMENT OF FINANCIAL STATEMENTS
ABC GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 20X9

ASSETS	\$	\$
Non-current assets		
Property, plant and equipment	X	
Goodwill	X	
Other intangible assets	X	
Investments in associates	X	
Available-for-sale investments	X	
	—	X
Current assets		
Inventories	X	
Trade receivables	X	
Other current assets	X	
Cash and cash equivalents	X	
	—	X
		—
Total assets		X
		—
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	X	
Other reserves	X	
Retained earnings	X	
	—	X
		—
Total equity		X
Non-current liabilities		
Long-term borrowings	X	
Deferred tax	X	
Long-term provision	X	
	—	X
Current liabilities		
Trade and other payables	X	
Short-term borrowings	X	
Current portion of long term borrowings	X	
Current tax payable	X	
Short-term provisions	X	

	—	X
		—
Total equity and liabilities		X
		—

FORMAT OF STATEMENT OF COMPREHENSIVE INCOME

Two formats of income statement are provided, one using the classification of expenses by function and the other using classification by nature.

Classification of expenses by function

ABC Group
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 20X9

INCOME STATEMENT

	20X9	
	\$	
Revenue	X	
Cost of sales	(X)	
	—	
Gross profit	X	
Distribution costs	(X)	
Administrative expenses	(X)	
	—	
Profit from operations	X	
Finance costs	(X)	
	—	
Profit before tax	X	
Income tax expense	(X)	
	—	
Net profit for the period (A)	<u>XX</u>	
OTHER COMPREHENSIVE INCOME		
Gain of property revaluation	X	
Available for sale financial asset	X	
Reclassification adjustment	(X)	
Income tax relating to components of other comprehensive income		<u>(X)</u>
Other comprehensive income (B)		<u>XX</u>
TOTAL COMPREHENSIVE INCOME (A+B)	<u>XXX</u>	

FORMAT OF STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity provides a comprehensive summary of all movements in the share capital and reserves during the year.

ABC Group
Statement of changes in equity
For the year ended 31 December 20X9

	<i>Share capital</i>	<i>Share premium</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Balance at 31 December 20X1	X	X	X	X	X
Changes in accounting policy				(X)	(X)
	—	—	—	—	—
Restated balance	X	X	X	X	X
Total Comprehensive income			X	X	X
Dividends				(X)	(X)
Issue of share capital	X	X			X
Bonus issue	X	(X)			--
Transfer to retained earnings			(X)	X	--
	—	—	—	—	—
Balance at 31 December 20X2	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>