

IAS 1 — Presentation of Financial Statements

Objective of IAS 1

The objective of IAS 1 (2007) is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. [IAS 1.1] Standards for recognising, measuring, and disclosing specific transactions are addressed in other Standards and Interpretations. [IAS 1.3]

Scope

Applies to all general purpose financial statements based on International Financial Reporting Standards. [IAS 1.2]

General purpose financial statements are those intended to serve users who are not in a position to require financial reports tailored to their particular information needs. [IAS 1.7]

Objective of financial statements

The objective of general purpose 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. To meet that objective, financial statements provide information about an entity's: [IAS 1.9]

- o assets
- o liabilities
- o equity
- o income and expenses, including gains and losses
- o contributions by and distributions to owners
- o cash flows

That 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.

Components of financial statements

A complete set of financial statements should include: [IAS 1.10]

- o a statement of financial position (balance sheet) at the end of the period
- o a statement of comprehensive income for the period (or an income statement and a statement of comprehensive income)
- o a statement of changes in equity for the period
- o a statement of cash flows for the period
- o notes, comprising a summary of accounting policies and other explanatory notes

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, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period.

An entity may use titles for the statements other than those stated above.

Reports that are presented outside of the financial statements – including financial reviews by management, environmental reports, and value added statements – are outside the scope of IFRSs. [IAS 1.14]

Fair presentation and compliance with IFRSs

The financial statements must "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

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application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation. [IAS 1.15]

IAS 1 requires that an entity whose financial statements comply with IFRSs 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 (including Interpretations). [IAS 1.16]

Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material. [IAS 1.16]

IAS 1 acknowledges that, in extremely rare circumstances, management may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the objective of financial statements set out in the Framework. In such a case, the entity is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons, and impact of the departure. [IAS 1.19-20]

Going concern

An entity preparing IFRS financial statements is presumed to be a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. If management concludes that the entity is not a going concern, the financial statements should not be prepared on a going concern basis, in which case IAS 1 requires a series of disclosures. [IAS 1.25]

Accrual basis of accounting

IAS 1 requires that an entity prepare its financial statements, except for cash flow information, using the accrual basis of accounting. [IAS 1.27]

Consistency of presentation

The presentation and classification of items in the financial statements shall be retained from one period to the next unless a change is justified either by a change in circumstances or a requirement of a new IFRS. [IAS 1.45]

Materiality and aggregation

Each material class of similar items must be presented separately in the financial statements. Dissimilar items may be aggregated only if they are individually immaterial. [IAS 1.29]

Offsetting

Assets and liabilities, and income and expenses, may not be offset unless required or permitted by an IFRS. [IAS 1.32]

Comparative information

IAS 1 requires that comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements, both face of financial statements and notes, unless another Standard requires otherwise. [IAS 1.38]

If comparative amounts are changed or reclassified, various disclosures are required. [IAS 1.41]

Structure and content of financial statements in general

Clearly identify: [IAS 1.50]

- o the financial statements
- o the reporting enterprise
- o whether the statements are for the enterprise or for a group
- o the date or period covered
- o the presentation currency
- o the level of precision (thousands, millions, etc.)

Reporting period

There is a presumption that financial statements will be prepared at least annually. If the annual reporting period changes and financial statements are prepared for a different period, the entity must disclose the reason for the change and a warning about problems of comparability. [IAS 1.36]

Statement of Financial Position (Balance Sheet)

An entity must normally present a classified statement of financial position, separating current and non-current assets and liabilities. Only if a presentation based on liquidity provides information that is reliable and more relevant may the current/non-current split be omitted. [IAS 1.60] In either case, if an asset (liability) category combines amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months, note disclosure is required that separates the longer-term amounts from the 12-month amounts. [IAS 1.61]

Current assets are cash; cash equivalent; assets held for collection, sale, or consumption within the entity's normal operating cycle; or assets held for trading within the next 12 months. All other assets are non-current. [IAS 1.66]

Current liabilities are those expected to be settled within the entity's normal operating cycle or due within 12 months, or those held for trading, or those for which the entity does not have an unconditional right to defer payment beyond 12 months. Other liabilities are non-current. [IAS 1.69]

When a long-term debt is expected to be refinanced under an existing loan facility and the entity has the discretion the debt is classified as non-current, even if due within 12 months. [IAS 1.73]

If a liability has become payable on demand because an entity has breached an undertaking under a long-term loan agreement on or before the reporting date, the liability is current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. [IAS 1.74] However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least 12 months after the end of the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment. [IAS 1.75]

Minimum items on the face of the statement of financial position [IAS 1.54]

- (a) property, plant and equipment
- (b) investment property
- (c) intangible assets
- (d) financial assets (excluding amounts shown under (e), (h), and (i))
- (e) investments accounted for using the equity method
- (f) biological assets
- (g) inventories
- (h) trade and other receivables
- (i) cash and cash equivalents
- (j) assets held for sale
- (k) trade and other payables
- (l) provisions
- (m) financial liabilities (excluding amounts shown under (k) and (l))
- (n) liabilities and assets for current tax, as defined in [IAS 12](#)
- (o) deferred tax liabilities and deferred tax assets, as defined in [IAS 12](#)

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- (p) liabilities included in disposal groups
- (q) non-controlling interests, presented within equity and
- (r) issued capital and reserves attributable to owners of the parent

Additional line items may be needed to fairly present the entity's financial position. [IAS 1.54]

IAS 1 does not prescribe the format of the balance sheet. Assets can be presented current then non-current, or vice versa, and liabilities and equity can be presented current then non-current then equity, or vice versa. A net asset presentation (assets minus liabilities) is allowed. The long-term financing approach used in UK and elsewhere – fixed assets + current assets - short term payables = long-term debt plus equity – is also acceptable.

Regarding issued share capital and reserves, the following disclosures are required: [IAS 1.79]

- o numbers of shares authorised, issued and fully paid, and issued but not fully paid
- o par value
- o reconciliation of shares outstanding at the beginning and the end of the period
- o description of rights, preferences, and restrictions
- o treasury shares, including shares held by subsidiaries and associates
- o shares reserved for issuance under options and contracts
- o a description of the nature and purpose of each reserve within equity

Statement of Comprehensive Income

Comprehensive income for a period includes profit or loss for that period plus other comprehensive income recognised in that period. As a result of the 2003 revision to IAS 1, the Standard is now using 'profit or loss' rather than 'net profit or loss' as the descriptive term for the bottom line of the income statement.

All items of income and expense recognised in a period must be included in profit or loss unless a Standard or an Interpretation requires otherwise. [IAS 1.88] Some IFRSs require or permit that some components to be excluded from profit or loss and instead to be included in other comprehensive income. [IAS 1.89]

The components of other comprehensive income include:

- o changes in revaluation surplus (IAS 16 and IAS 38)
- o actuarial gains and losses on defined benefit plans recognised in accordance with IAS 19
- o gains and losses arising from translating the financial statements of a foreign operation (IAS 21)
- o gains and losses on remeasuring available-for-sale financial assets (IAS 39)
- o the effective portion of gains and losses on hedging instruments in a cash flow hedge (IAS 39).

An entity has a choice of presenting:

- o a single statement of comprehensive income or
- o two statements:
 - o an income statement displaying components of profit or loss and
 - o a statement of comprehensive income that begins with profit or loss (bottom line of the income statement) and displays components of other comprehensive income [IAS 1.81]

Minimum items on the face of the statement of comprehensive income should include: [IAS 1.82]

- o revenue

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- o finance costs
- o share of the profit or loss of associates and joint ventures accounted for using the equity method
- o tax expense
- o a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the disposal of the assets or disposal group(s) constituting the discontinued operation
- o profit or loss
- o each component of other comprehensive income classified by nature
- o share of the other comprehensive income of associates and joint ventures accounted for using the equity method
- o total comprehensive income

The following items must also be disclosed in the statement of comprehensive income as allocations for the period: [IAS 1.83]

- o profit or loss for the period attributable to non-controlling interests and owners of the parent
- o total comprehensive income attributable to non-controlling interests and owners of the parent

Additional line items may be needed to fairly present the entity's results of operations. [IAS 1.85]

No items may be presented in the statement of comprehensive income (or in the income statement, if separately presented) or in the notes as 'extraordinary items'. [IAS 1.87]

Certain items must be disclosed separately either in the statement of comprehensive income or in the notes, if material, including: [IAS 1.98]

- o 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
- o restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring
- o disposals of items of property, plant and equipment
- o disposals of investments
- o discontinuing operations
- o litigation settlements
- o other reversals of provisions

Expenses recognised in profit or loss should be analysed either by nature (raw materials, staffing costs, depreciation, etc.) or by function (cost of sales, selling, administrative, etc). [IAS 1.99] If an entity categorises by function, then additional information on the nature of expenses – at a minimum depreciation, amortisation and employee benefits expense – must be disclosed. [IAS 1.104]

Statement of Cash Flows

Rather than setting out separate standards for presenting the cash flow statement, IAS 1.111 refers to IAS 7 Statement of Cash Flows

Statement of Changes in Equity

IAS 1 requires an entity to present a statement of changes in equity as a separate component of the financial statements. The statement must show: [IAS 1.106]

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- o total comprehensive income for the period, showing separately amounts attributable to owners of the parent and to non-controlling interests
- o the effects of retrospective application, when applicable, for each component
- o reconciliations between the carrying amounts at the beginning and the end of the period for each component of equity, separately disclosing:
 - o profit or loss
 - o each item of other comprehensive income
- o transactions with 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

The following amounts may also be presented on the face of the statement of changes in equity, or they may be presented in the notes: [IAS 1.107]

- o amount of dividends recognised as distributions, and
- o the related amount per share

Notes to the financial statements

The notes must: [IAS 1.112]

- o present information about the basis of preparation of the financial statements and the specific accounting policies used
- o disclose any information required by IFRSs that is not presented elsewhere in the financial statements and
- o provide additional information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them

Notes should be cross-referenced from the face of the financial statements to the relevant note. [IAS 1.113]

IAS 1.114 suggests that the notes should normally be presented in the following order:

- o a statement of compliance with IFRSs
- o a summary of significant accounting policies applied, including: [IAS 1.117]
 - o the measurement basis (or bases) used in preparing the financial statements
 - o the other accounting policies used that are relevant to an understanding of the financial statements
- o supporting information for items presented on the face of the statement of financial position (balance sheet), statement of comprehensive income (and income statement, if presented), statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented
- o other disclosures, including:
 - o contingent liabilities (see IAS 37) and unrecognised contractual commitments
 - o non-financial disclosures, such as the entity's financial risk management objectives and policies (see IFRS 7)

Disclosure of judgements. New in the 2003 revision to IAS 1, an entity must disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made

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in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. [IAS 1.122]

Examples cited in IAS 1.123 include management's judgements in determining:

- o whether financial assets are held-to-maturity investments
- o when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities
- o whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
- o whether the substance of the relationship between the entity and a special purpose entity indicates control

Disclosure of key sources of estimation uncertainty. Also new in the 2003 revision to IAS 1, an entity must disclose, in the notes, information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. [IAS 1.125] These disclosures do not involve disclosing budgets or forecasts. [IAS 1.130]

The following other note disclosures are required by IAS 1.126 if not disclosed elsewhere in information published with the financial statements:

- o domicile and legal form of the entity
- o country of incorporation
- o address of registered office or principal place of business
- o description of the entity's operations and principal activities
- o if it is part of a group, the name of its parent and the ultimate parent of the group
- o if it is a limited life entity, information regarding the length of the life

Other disclosures

Disclosures about dividends

In addition to the distributions information in the statement of changes in equity (see above), the following must be disclosed in the notes: [IAS 1.137] " the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share and " the amount of any cumulative preference dividends not recognised.

Capital disclosures

An entity should disclose information about its objectives, policies and processes for managing capital. [IAS 1.134] To comply with this, the disclosures include: [IAS 1.135]

- o qualitative information about the entity's objectives, policies and processes for managing capital, including>
- o description of capital it manages
- o nature of external capital requirements, if any
- o how it is meeting its objectives
- o quantitative data about what the entity regards as capital
- o changes from one period to another

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- o whether the entity has complied with any external capital requirements and
- o if it has not complied, the consequences of such non-compliance.

Disclosures about puttable financial instruments

IAS 1.136A requires the following additional disclosures if an entity has a puttable instrument that is classified as an equity instrument:

- o summary quantitative data about the amount classified as equity
- o the entity's 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
- o the expected cash outflow on redemption or repurchase of that class of financial instruments and
- o information about how the expected cash outflow on redemption or repurchase was determined.

Terminology

The 2007 comprehensive revision to IAS 1 introduced some new terminology. Consequential amendments were made at that time to all of the other existing IFRSs, and the new terminology has been used in subsequent IFRSs including amendments. IAS 1.8 states: "Although this Standard uses the terms 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term 'net income' to describe profit or loss." Also, IAS 1.57(b) states: "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."

Term before 2007 revision of IAS 1	Term as amended by IAS 1 (2007)
balance sheet	statement of financial position
cash flow statement	statement of cash flows
income statement	statement of comprehensive income (income statement is retained in case of a two-statement approach)
recognised in the income statement	recognised in profit or loss
recognised [directly] in equity (only for OCI components)	recognised in other comprehensive income
recognised [directly] in equity (for recognition both in OCI and equity)	recognised outside profit or loss (either in OCI or equity)
removed from equity and recognised in profit or loss ('recycling')	reclassified from equity to profit or loss as a reclassification adjustment
Standard or/and Interpretation	IFRSs

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on the face of	in
equity holders	owners (exception for 'ordinary equity holders')
balance sheet date	end of the reporting period
reporting date	end of the reporting period
after the balance sheet date	after the reporting period

June 2011: IASB issued amendments to IAS 1

On 16 June 2011, the IASB published amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9).

Amendments to IAS 1 *Presentation of Financial Statements*

- o Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single statement of comprehensive income, or separate income statement and a statement of comprehensive income — rather than requiring a single continuous statement as was proposed in the exposure draft
- o Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified
- o Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax)
- o Applicable to annual periods beginning on or after 1 July 2012, with early adoption permitted.