

**Staff Draft**  
**of**  
**Exposure Draft**  
**IFRS X**  
***FINANCIAL STATEMENT PRESENTATION***

**1 July 2010**

This staff draft of an exposure draft has been prepared by the staff of the IASB and the US FASB for the boards' joint project to develop a standard on financial statement presentation. The draft reflects the cumulative, tentative decisions made by the boards concluding with their joint meeting in April 2010. However, work on the project is continuing, and the proposals are subject to change before the boards decide to publish an exposure draft for public comment.

The boards decided to engage in additional outreach activities before finalising and publishing an exposure draft. Those activities will focus primarily on two issues: (1) the perceived benefits and costs of the proposals and (2) the implications of the proposals for financial reporting by financial services entities. After completing those outreach activities, the boards will consider whether to change any of their tentative decisions in response to the input received.

The boards are not formally inviting comments on this staff draft; however, they welcome input from interested parties. The boards expect to publish an exposure draft for public comment in early 2011.

More information about the project and contact information is available on the boards' websites [www.ifrs.org](http://www.ifrs.org) and [www.fasb.org](http://www.fasb.org)

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**[Draft]**

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#### **TABLES OF CONCORDANCE**

[Draft] International Financial Reporting Standard X *Financial Statement Presentation* ([draft] IFRS X) is set out in paragraphs 1–270 and Appendices A–C. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the [draft] IFRS. Definitions of other terms are given in the Glossary for International Financial Reporting Standards. [Draft] IFRS X should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Note

In this [draft] exposure draft, text carried forward (some with modifications) from IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows* is identified after each relevant paragraph. Proposals that will be in the IASB exposure draft but not the FASB exposure draft are identified as [IASB only].

For ease of reference, paragraphs proposed by the FASB but not the IASB are *italicised* and included as boxed text.

# **[Draft] International Financial Reporting Standard X**

## ***Financial Statement Presentation***

### **Objective**

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- 1 This [draft] IFRS prescribes the basis for presentation of *general purpose financial statements* to ensure consistency with an entity's financial statements for previous periods and to promote comparability with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, requirements for the structure of financial statements and principles for classification and disaggregation of information in the statements. [IAS 1.1]

### **Scope**

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- 2 **An entity shall apply this [draft] IFRS in preparing and presenting general purpose financial statements in accordance with *International Financial Reporting Standards (IFRSs)*.** [IAS 1.2]
- 3 Other IFRSs set out the recognition, measurement and disclosure requirements for specific transactions and other events. [IAS 1.3]
- 4 This [draft] IFRS applies equally to all entities, including those that present consolidated financial statements and those that present separate financial statements as defined in IAS 27 *Consolidated and Separate Financial Statements*. However, this [draft] IFRS does not apply to financial statements prepared by a benefit plan within the scope of IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. [IAS 1.4 with modifications]
- 5 This [draft] IFRS does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*.<sup>1</sup> However, paragraphs 19–32 and 51–56 apply to such financial statements. [IAS 1.4 with modifications]
- 6 This [draft] IFRS 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] IFRS, they may need to amend the

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<sup>1</sup> The boards plan to consider whether and when to address the presentation of interim financial information before finalising this phase of the project.

descriptions used for particular line items in the financial statements and for the financial statements themselves. [IAS 1.5]

- 7 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. [IAS 1.6]

FASB version

2. ***An entity shall apply this proposed guidance in preparing and presenting general purpose financial statements in accordance with U.S. generally accepted accounting principles (GAAP).***
3. ***This proposed guidance applies equally to all entities except as noted in paragraphs 4–6.***
4. ***This proposed guidance does not apply to financial statements prepared by:***
  - a. ***A not-for-profit entity***
  - b. ***A benefit plan within the scope of the FASB Accounting Standards Codification™ Topics 960, Plan Accounting—Defined Benefit Pension Plans; 962, Plan Accounting—Defined Contribution Pension Plans; and 965, Plan Accounting—Health and Welfare Benefit Plans.***
5. *A nonpublic entity is not required to apply paragraphs 243–254 of this proposed guidance on disclosing analyses of changes in asset and liability line items. A subsidiary of a public entity that does not access the public capital markets is a nonpublic entity for purposes of their own financial statements.*
6. *Investment companies and other entities identified in Codification paragraph 230-10-15-4 are not required to present a statement of cash flows.*
7. *This proposed guidance does not change the accounting principles and reporting practices in Codification Topic 270, Interim Reporting.*

## General features of financial statements

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### Purpose of financial statements

8 Financial statements are a structured representation of the financial position and financial performance of an entity. Financial statements provide information about an entity's:

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

This information is useful for assessing an entity's ability to generate net cash inflows and for assessing how well management has discharged its responsibilities to make efficient and effective use of the entity's resources. [IAS 1.9 with modifications]

### Complete set of financial statements

9 A complete set of financial statements comprises:

- (a) a statement of financial position as at the end of the period;
- (b) a statement of comprehensive income for the period;
- (c) a statement of cash flows for the period;
- (d) a statement of changes in equity for the period;
- (e) *notes*, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information as required by paragraphs 33–36; and
- (g) a statement of financial position as at the beginning of the required comparative period if applicable (see paragraph 37). [IAS 1.10 with modification]

10 An entity may use titles for the statements other than those used above as long as the title appropriately describes the statement: for example, 'balance sheet,' 'cash flow statement,' 'statement of profit or loss and other comprehensive income' or

‘statement of changes in shareholders’ equity’ may be used. [IAS 1.10 with modification]

- 11 **An entity shall present with equal prominence all of the financial statements in a complete set of financial statements.** [IAS 1.11]

**Identification of the financial statements** [IASB only]

- 12 **An entity shall identify clearly the financial statements and distinguish them from other information in the same published document.** [IAS 1.49]

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

- 14 **An entity shall clearly identify each financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when it is necessary to make the information presented understandable:**

- (a) **the name of the 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 amounts in the financial statements.** [IAS 1.51]

15 An entity will meet the requirements in paragraph 14 by presenting appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of presenting such information. For example, when an entity presents the financial statements electronically, separate pages are not always



- used; it then presents the items in paragraph 14 to ensure that the information included in the financial statements can be understood. [IAS 1.52]
- 16 An entity often makes financial statements more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable if the entity discloses the level of rounding and does not omit *material* information. [IAS 1.53]

### **Frequency of reporting**

- 17 **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, it shall disclose the following 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.** [IAS 1.36]
- 18 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 52/53-week period. This [draft] IFRS does not preclude that practice. [IAS 1.37 with modifications]

### **Fair presentation and compliance with IFRSs** [IASB only]

- 19 **Financial statements shall present fairly an entity's financial position, financial performance and cash flows. 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 (the Framework)*.<sup>2</sup> The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.** [IAS 1.15]

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<sup>2</sup> The boards are jointly working on a project to modify their respective conceptual frameworks. They published an exposure draft on the objective of financial reporting and the related qualitative characteristics in May 2008 (Framework exposure draft). The boards plan to finalise their work on those two chapters of the *Framework* in mid-2010.

- 20 **An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs. [IAS 1.16]**
- 21 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable IFRSs. A fair presentation also requires an entity:
- (a) to select and apply accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. IAS 8 sets out a hierarchy of authoritative guidance that management considers in the absence of an IFRS that specifically applies to an item.
  - (b) to present information, including accounting policies, in a manner that provides relevant information that is a faithful representation of the economic phenomena that it purports to represent.
  - (c) to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance. [IAS 1.17]
- 22 **An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material. [IAS 1.18]**
- 23 **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial reporting set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph 24 if the relevant regulatory framework requires such a departure, or at least does not prohibit it. [IAS 1.19 with modification]**
- 24 **When an entity departs from a requirement of an IFRS in accordance with paragraph 23, 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, except that it has departed from a particular requirement to achieve a fair presentation;**

- (c) **the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial reporting set out in the *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. [IAS 1.20 with modification]**

25 **When an entity has departed from a requirement of an IFRS 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 24(c) and (d). [IAS 1.21]**

26 Paragraph 25 applies, for example, when an entity departed in a prior period from a requirement in an IFRS 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. [IAS 1.22]

27 **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial reporting set out in the *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 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 reporting set out in the *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. [IAS 1.23 with modification]**

28 For the purpose of paragraphs 23–27, an item of information would conflict with the objective of financial reporting 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 would be so misleading that it would conflict with the objective of financial reporting set out in the *Framework*, management considers:

- (a) why the objective of financial reporting is not achieved in the particular circumstances; and
- (b) how the entity's circumstances differ from those of other reporting entities that comply with the requirement. If other reporting 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 reporting set out in the *Framework*. [IAS 1.24 with modification]

### **Going concern** [IASB only]

29 **When preparing financial statements, management shall assess the 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.** [IAS 1.25]

30 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, one year 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 it has 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. [IAS 1.26]

### **Accrual basis of accounting** [IASB only]

31 **An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.** [IAS 1.27]

32 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 *Framework*. [IAS 1.28]

### **Comparative information**

33 **Except when IFRSs permit or require otherwise, an entity shall present comparative information in respect of the previous period (the required comparative period) for all line items presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.** [IAS 1.38 with modification]

34 In some cases, narrative information provided in the financial statements for the required comparative period continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the required comparative period and that is yet to be resolved. Users benefit from the information that the uncertainty existed at the end of the required comparative period and also from information about the steps that have been taken during the period to resolve the uncertainty. [IAS 1.40 with modification]

35 **Consistently with paragraph 9, an entity presenting comparative information shall provide, as a minimum, two statements of financial position, comprehensive income, cash flows and changes in equity, and related notes.** [IAS 1.39 with modification]

36 An entity may present additional comparative information for periods prior to the required comparative period as long as that information is prepared in accordance with IFRSs. An entity may present additional comparative information in one or more statements without presenting additional comparative information in other

statements. For example, an entity presents amounts for three periods (the current period, the required comparative period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity shall present additional comparative information in the notes to financial statements related to that additional statement of comprehensive income. [IAS 1.39 with modification]

**Change in accounting policy, retrospective restatement or reclassification**

37 **An entity shall present an additional statement of financial position as at the beginning of the required comparative period if it applies an accounting principle retrospectively, restates its financial statements or reclassifies items in its financial statements.** [IAS 1.39 with modification]

38 In those circumstances an entity shall present, as a minimum, three statements of financial position and two of each of the other statements and related notes (except related note disclosures for the opening statement of financial position). An entity presents statements of financial position as at:

- (a) the end of the current period;
- (b) the end of the required comparative period; and
- (c) the beginning of the required comparative period.

The date of that opening statement of financial position shall be as at the beginning of the required comparative period regardless of whether an entity's financial statements present comparative information for earlier periods (as discussed in paragraph 36). [IAS 1.39 with modification]

39 **If an entity changes the presentation 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 as at the beginning of the required comparative period:**

- (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.** [IAS 1.41 with modification]

- 40 **If it is impracticable to reclassify comparative amounts, an entity shall disclose:**
- (a) **the reason for not reclassifying the amounts and**
  - (b) **qualitative information about the adjustments that would have been made if the amounts had been reclassified.** [IAS 1.42]
- 41 Enhancing the inter-period comparability of information helps users in making economic decisions, especially by making possible the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability 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. [IAS 1.43]
- 42 IAS 8 sets out the adjustments to comparative information required when an entity changes an accounting policy or corrects an error. [IAS 1.44]

## **General features of financial statement presentation**

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### **Purpose of financial statement presentation**

- 43 How an entity presents information in its financial statements is critical to effectively communicating that information to those outside the entity. Effective financial statement presentation provides disaggregated information organised in a manner that communicates clearly a cohesive financial picture of an entity.

### **Core principles of financial statement presentation**

- 44 **An entity shall present information in its financial statements in a manner that:**
- (a) **disaggregates information to explain the components of its financial position and financial performance; and**
  - (b) **portrays a cohesive financial picture of the entity's activities.**
- 45 **The disaggregation and cohesiveness principles work together to enhance the understandability of an entity's financial statement information.**

### **Disaggregation principle**

- 46 An entity shall present information in its financial statements so that:
- (a) the activities the entity engages in are clear;

- (b) the cash flows of the entity are clear; and
- (c) the relationships between an asset or a liability and the effects of a change in that asset or liability are faithfully represented across the statements of financial position, comprehensive income and cash flows.

47 **An entity shall use the following factors in determining the items to disaggregate and present in its financial statements:**

- (a) **the *function* of the item;**
- (b) **the *nature* of the item; and**
- (c) **the *measurement basis* of the item.**

48 In this [draft] IFRS, ‘function’ refers to the primary activities (and assets and liabilities used in those activities) in which an entity is engaged, such as selling goods, providing services, manufacturing, advertising, marketing, business development or administration.

49 In this [draft] IFRS, ‘nature’ refers to the economic characteristics or attributes that distinguish assets, liabilities, income and expense items<sup>3</sup> and cash flows that do not respond similarly to similar economic events, such as wholesale revenues and retail revenues; materials, labour, transport and energy costs; or fixed-income investments and equity investments.

50 In this [draft] IFRS, ‘measurement basis’ refers to the method or basis used to measure an asset or a liability, such as fair value or historical cost.

### ***Materiality***

51 **An entity shall present separately each material class of similar items. It shall disaggregate items of a dissimilar nature, function or measurement basis unless they are immaterial. [IAS 1.29]**

52 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their function, nature or measurement basis. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the

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<sup>3</sup> This [draft] IFRS uses the term ‘income’ to encompass both revenues and gains, and it uses the term ‘expense’ to encompass both expenses and losses.



financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate disclosure in the notes. For the purpose of this [draft] IFRS, materiality depends both on the size (ie amount) and the relative importance of the item, as assessed in the context of the surrounding circumstances. The size or relative importance of the item, or a combination of both, could be the determining factor. [IASB only; IAS 1.30 with modification]

- 53 An entity need not provide a specific disclosure required by an IFRS if the information is not material. [IASB only; IAS 1.31]

### **Offsetting**

- 54 **An entity shall not offset assets and liabilities, items of income and expense or cash inflows and cash outflows, unless an IFRS requires or permits offsetting.** [IAS 1.32 with modification]

- 55 An entity presents separately assets and liabilities, items of income and expense, and cash inflows and cash outflows. Offsetting in the financial statements, except when it reflects the substance of a particular transaction or other event, detracts from users' ability both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. [IAS 1.33 with modification]

- 56 An entity presents 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. However, an entity presents such gains and losses separately if they are material. [IAS 1.35]

### **Cohesiveness principle**

- 57 **An entity shall present information in its financial statements so that the relationship among items across the financial statements is clear.**
- 58 **To present a cohesive set of financial statements, an entity shall present disaggregated information in the sections, categories and subcategory in the statements of financial position, comprehensive income and cash flows in a manner that is consistent across those three statements.**

- 59 For the purpose of this [draft] IFRS, a *section* is the largest group of items in the financial statements, a *category* is a group of items within a section and a *subcategory* is a group of items within a category.
- 60 Financial statements that are consistent with the cohesiveness principle complement each other as much as possible. To that end, an entity shall display and label line items in a way that clearly associates related information across the statements and helps a user understand those relationships. For example, an entity aligns the line item descriptions of information presented in the statements of financial position, comprehensive income and cash flows to help users find an asset or a liability, and the related effects of a change in that asset or liability, in the same place in each financial statement. For example, an entity with long-term debt presents interest expense and *cash* paid for interest in the same section and/or category as the long-term debt and labels the line items in such a way that a user of the financial statements can understand that the amounts are related.
- 61 If a change in an asset or a liability gives rise to one item of income, expense or cash flow, cohesiveness across the financial statements may be at the line item level. If a change in an asset or a liability gives rise to multiple items of income, expense or cash flows, cohesiveness across the financial statements may be at the category level. For example, a change in trade payables could result from various expenses that are presented on separate lines in the statement of comprehensive income, thus the statements would not align at the line item level, but they would align within the category.

## **Structure of the financial statements**

### **Presenting information in sections, categories and a subcategory**

- 62 **An entity shall present information in its financial statements about its assets, liabilities, equity, income, expenses and cash flows in sections, categories and a subcategory that are cohesive across the statements of financial position, comprehensive income and cash flows. An entity's financial statements shall include the following sections, categories and subcategory if applicable:**
- (a) a business section, containing:**
    - (i) an operating category;**
    - (1) an operating finance subcategory; and**

- (ii) **an investing category.**
- (b) **a financing section, containing:**
  - (i) **a debt category; and**
  - (ii) **an equity category.**
- (c) **an income tax section.**
- (d) **a discontinued operation section.**
- (e) **a multi-category transaction section.**

63 An entity's financial statements may not include every section or category or the subcategory. A section, category or subcategory listed in paragraph 62 is included in the financial statements if an entity determines that its activities meet the criteria for segregation in that section, category or subcategory.

64 This [draft] IFRS does not prescribe the order in which an entity presents its sections or categories in the financial statements. In selecting the order in which to present sections and categories, an entity shall try to align the sections and categories across the statements. However, an entity shall choose an order that produces the most understandable depiction of its activities and allows for presentation of meaningful subtotals and totals.

#### **Classifying information in sections, categories and a subcategory**

65 **An entity shall classify items in its financial statements (assets, liabilities, equity, income, expenses and cash flows) into the sections, categories and subcategory on the basis of how those items relate to its activities (paragraphs 71–108).**

66 **An entity shall refer to the relevant IFRSs when classifying items in the equity category, the income tax section and the discontinued operation section.**

67 **An entity shall disclose in the notes to financial statements the basis for its classification of line items within the sections, categories and subcategory. In particular, an entity shall disclose the relation between the presentation of information in the financial statements and its activities.**

68 **An entity with more than one reportable segment shall classify items in its financial statements into the sections, categories and subcategory that reflect the**

**functions of the items in its reportable segments (as defined in IFRS 8 *Operating Segments*).**

- 69 For example, an entity may have three reportable segments: manufacturing, financial services and retail, each with a portfolio of financial instruments.
- (a) In the manufacturing segment, the financial liabilities are borrowings incurred for the purpose of obtaining capital and, therefore, shall be classified in the debt category of the financing section.
  - (b) In the financial services segment, the day-to-day activities consist of using that segment's resources together to earn a higher return on financial assets than is paid on financial liabilities and, therefore, those financial assets and liabilities shall be classified in the operating category of the business section. However, if the financial services segment has also entered into some financial liabilities for the purpose of obtaining capital, those financial liabilities shall be classified in the debt category of the financing section.
  - (c) In the retail segment, the financial instruments provide a return that is unrelated to the synergies between the segment's resources. As a result, the financial instruments shall be classified in the investing category of the business section.
- 70 In the example above, the entity's financial statements present financial assets and liabilities in the debt category, operating category and investing category in a way that is consistent with how those financial assets and liabilities function in each reportable segment. Because an entity classifies its assets and liabilities at the reportable segment level, the classification principles in this [draft] IFRS that refer to 'an entity' also apply to a reportable segment.

***Business section***

- 71 **An entity's business section comprises its *operating activities* and its *investing activities*, which shall be presented separately.**

***Operating category***

- 72 **An entity shall classify in the operating category:**

- (a) **assets that are used as part of the entity's day-to-day business and all changes in those assets; and**
  - (b) **liabilities that arise from the entity's day-to-day business and all changes in those liabilities.**
- 73 Operating activities generate revenue through a process that requires the interrelated use of the entity's resources. That process also requires the application of employee and management expertise. Examples of operating activities and related items that may be classified in the operating category include:
- (a) the sale of services by a consulting firm;
  - (b) research, production and sale of pharmaceuticals by a pharmaceutical company;
  - (c) deposit-taking and loan-making activities of a bank;
  - (d) cash from customers;
  - (e) costs associated with producing goods and rendering services;
  - (f) cash paid for materials;
  - (g) trade accounts receivable and trade accounts payable;
  - (h) property, plant and equipment, intangibles and other long-term assets that are used as part of an entity's day-to-day business;
  - (i) depreciation and amortisation expense; and
  - (j) commodity-based contracts (eg a forward, option or swap contract) that are related to operating assets or operating liabilities.

#### **Operating finance subcategory**

- 74 **An entity's *operating finance activities* are those that are directly related to an entity's operating activities; however, they also provide a source of long-term financing for the entity.**
- 75 **A liability shall be presented separately in the operating finance subcategory if it meets all of the following criteria:**
- (a) **the liability is incurred in exchange for a service, a right of use or a good, or is incurred directly as a result of an operating activity (rather than a**

**capital-raising activity that funds general business activities, capital expenditures or acquisition activities);**

- (b) the liability is initially long-term; and**
- (c) the liability has a time value of money component that is evidenced by either interest or an accretion of the liability attributable to the passage of time (ie the accounting for the liability requires the calculation of an interest component).**

76 Examples of liabilities that shall be classified in the operating finance subcategory include:

- (a) a net post-employment benefit obligation;
- (b) a lease obligation;
- (c) vendor financing (see paragraph 89);
- (d) a decommissioning liability;
- (e) a deferred compensation arrangement other than a share-based payment (eg a bonus earned that is to be paid at a later date); and
- (f) a structured settlement (eg a worker's compensation claim that has been settled and will be paid out over a period of time).

77 **Assets restricted for the specific purpose of eventually settling a liability described in paragraph 75, such as an asset that will settle a decommissioning liability, shall be classified in the operating finance subcategory. Similarly, for post-employment benefits, if the net defined benefit liability is negative (an asset) it shall be classified within the operating finance subcategory.**

78 Income and expenses related directly to the finance aspect of an asset or a liability classified in the operating finance subcategory, such as interest expense, accretion expense or the return on pension plan assets shall also be classified in that subcategory unless another IFRS requires the item to be presented in *other comprehensive income*.

79 The operating finance subcategory shall not include the asset or expense that the entity acquired or incurred as part of the transaction that resulted in the operating finance liability. That asset or expense shall be classified in the operating category.

For example, an entity classifies service cost related to a post-employment benefit plan in the operating category of the statement of comprehensive income.

- 80 **An entity shall present cash flows related directly to assets and liabilities classified in the operating finance subcategory of the statement of financial position and in the operating category of the statement of cash flows. The statement of cash flows shall not include an operating finance subcategory.**

*Investing category*

- 81 **An asset or a liability that an entity uses to generate a return and any change in that asset or liability shall be classified in the investing category. No significant synergies are created for the entity by combining an asset or a liability classified in the investing category with other resources of the entity. An asset or a liability classified in the investing category may yield a return for the entity in the form of, for example, interest, dividends, royalties, equity income, gains or losses.**

- 82 Examples of investing activities and related items that may be classified in the investing category include:

- (a) the purchase and sale of investments, unless the transaction is part of the business in which the entity is engaged (eg financial services entities);
- (b) dividends received on equity investments;
- (c) interest earned on debt investments;
- (d) the purchase and sale of non-financial assets, such as a real estate investment;
- (e) distributions of non-financial investments such as rents, royalties, fees and commissions;
- (f) investments in associates or joint ventures; and
- (g) investments in fixed-income securities and equity securities.

***Financing section***

- 83 **The financing section shall include items that are part of an entity's activities to obtain (or repay) capital. The financing section provides transparency about an entity's capital structure and the *financing activities* in which the entity engages.**

84 **An entity shall make its capital structure transparent by grouping its financing activities in the statements of financial position and comprehensive income into two categories that reveal how related resources and claims are used to provide capital to the entity: debt and equity.**

85 **An entity shall present cash flows related to financing activities in the financing section of the statement of cash flows. The statement of cash flows shall not include separate categories for debt or equity.**

*Debt category*

86 **Liabilities that are borrowing arrangements entered into for the purpose of obtaining (or repaying) capital and the related income effects shall be classified in the debt category.**

87 Examples of *debt activities* and related items that may be classified in the debt category include:

- (a) issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;
- (b) obtaining a mortgage on a building;
- (c) entering into a note payable;
- (d) interest payable on a note;
- (e) interest expense on debt;
- (f) deferred costs of issuing debt; and
- (g) overdrafts (see paragraph 90).

88 Any cash flows related to debt activities (eg cash repayments of amounts borrowed) shall be presented in the financing section in the statement of cash flows.

89 If an entity enters into a borrowing arrangement with its own suppliers primarily to acquire a specific good used in production or to procure a specific service, that borrowing arrangement, if initially long-term, is classified in the operating finance subcategory of the operating category (paragraph 75). If such a borrowing arrangement is not initially long-term it is classified in the operating category.



- 90 If an entity has overdrawn its cash account as at the reporting date (ie the recorded cash balance is negative), it shall present that amount in the debt category as a short-term borrowing.
- 91 An entity may have an offsetting balance arrangement whereby credit balances in cash accounts may be offset by debit balances in other cash accounts, thereby creating, in effect, one commingled account. If the sum of those accounts is a net positive cash balance, there is no overdraft.
- 92 If accounts outside of the entity are included in the offsetting balance arrangement, those accounts are excluded from the calculation used to determine whether the entity is in an overdraft position.
- 93 **Assets and liabilities and the related income effects that arise from transactions involving an entity's own equity shall be classified in the debt category and presented separately from borrowing arrangements within the debt category.**
- 94 Examples of assets and liabilities that arise from transactions involving an entity's own equity include:
- (a) a dividend payable;
  - (b) a written put option on the entity's own shares; and
  - (c) a prepaid forward purchase contract for the entity's own shares.

*Equity category*

- 95 **An entity shall present:**
- (a) **all equity items as determined in IFRSs in the equity category of the statement of financial position;**
  - (b) **all changes in equity in the statement of changes in equity; and**
  - (c) **all cash flows related to equity transactions in the financing section of the statement of cash flows.**
- 96 Examples of activities or items that may be classified in the equity category in the statement of financial position or the financing section in the statement of cash flows include:
- (a) issuing shares or other equity instruments;
  - (b) ordinary, preference, and treasury shares;

- (c) cash payments to owners to acquire or redeem the entity's shares; and
- (d) distributions to owners.

***Income tax section***

97 **The income tax section of the statement of financial position shall include all current and deferred income tax assets and liabilities that are recognised in accordance with IFRSs and any other assets or liabilities related to income taxes. An entity shall present cash flows related to those assets and liabilities in the income tax section of the statement of cash flows.**

98 In the statement of comprehensive income, an entity shall allocate income tax expense or benefit in accordance with IFRSs. Consequently, an entity may be required to present amounts of income tax expense or benefit in the discontinued operation section and in the other comprehensive income part of the statement of comprehensive income rather than in the income tax section of the statement of comprehensive income.

***Discontinued operation section***

99 **All assets and liabilities related to a discontinued operation as determined in accordance with IFRSs shall be classified in the discontinued operation section of the statement of financial position. All changes in the assets and liabilities of a discontinued operation shall be presented in the discontinued operation section of the statements of comprehensive income and cash flows.**

***Multi-category transaction section***

100 **The net effects on comprehensive income and cash flows of an acquisition that results in the recognition of assets and liabilities in more than one section or category in the statement of financial position shall be classified in the multi-category transaction section of the statements of comprehensive income and cash flows. Similarly, the net effects of a disposal transaction (that is not a disposal of a discontinued operation) resulting in the derecognition of assets and liabilities in more than one section or category in the statement of financial position shall also be classified in the multi-category transaction section of the statements of comprehensive income and cash flows.**

101 An example of a multi-category transaction is a business combination in which the acquirer acquires 100 per cent of the equity instruments of the acquiree for cash; the acquiree's assets and liabilities are then consolidated with the existing assets and liabilities of the acquirer. The acquirer classifies and presents the assets and liabilities acquired in more than one section or category in its consolidated statement of financial position. Any net gain (eg for a bargain purchase) and the net cash outflow arising from the acquisition are classified in the multi-category transaction section of the statements of comprehensive income and cash flows.

102 The aggregate cash flows arising from obtaining or losing control of a subsidiary or other business are presented separately and classified in the statement of cash flows as multi-category transactions if the assets and liabilities that give rise to the cash flows are classified in multiple sections or categories in the statement of financial position.

#### ***Other classification guidance***

##### ***Derivatives***

103 Derivatives, and the flows associated with those derivatives, shall be presented in the same section, category or subcategory as the related asset or liability. For example, a derivative that hedges interest rates on long-term debt shall be presented in the debt category and a gain or loss on a derivative that hedges the price of raw materials used in an entity's manufacturing process shall be presented in the operating category. Whether a derivative is an asset or a liability has no effect on the section, category or subcategory in which a derivative is presented.

104 A gain or a loss on a cash flow hedge that relates to an asset or a liability yet to be recognised shall be classified in the same section, category or subcategory in which the related asset or liability will be classified when the transaction occurs. For example, if a cash flow hedge relates to a forecast purchase of inventory and the inventory will be classified as an operating asset when the transaction is made, the statement of comprehensive income shall indicate that a gain (or loss) on the hedging instrument presented in other comprehensive income relates to an operating activity.

105 An entity shall classify a derivative in the same section, category or subcategory as the asset or liability being hedged regardless of whether the derivative is designated as hedging a particular asset or liability for the purposes of hedge accounting.

*Asset or liability with multiple functions*

106 An entity may use an asset or a liability for more than one function. An entity shall classify an asset or a liability used for more than one function in the section or category of predominant use. For example, an entity's headquarters building might be used as part of the entity's operating activities and it might also be a real estate investment; the building shall be classified in the section or category of predominant use.

*Interest*

107 Interest expense and cash paid for interest shall be presented in the same section, category or subcategory as the liability giving rise to the interest.

108 An entity may have financial liabilities that are presented in both (a) the operating finance subcategory of the operating category within the business section and (b) the debt category within the financing section. The interest expense and the interest paid for financial liabilities shall be shown in the same category in the statements of comprehensive income and cash flows as the liability that gave rise to the expense and cash outflow. In this example, the entity presents some interest expense in the business section (operating finance subcategory of the operating category) and some interest expense in the financing section (debt category).

**Consistency of presentation and classification**

109 **An entity shall retain the presentation of the financial statements and the classification of assets and liabilities (and changes in those items) in the financial statements from one reporting period to the next unless:**

- (a) **a change is required by an IFRS; or**
- (b) **it is apparent, following a change in the entity's activities or a review of its financial statements, that another presentation would be more appropriate, with regard to the criteria for the selection and application of accounting policies in IAS 8. [IAS 1.45 with modification]**

110 An entity may change the presentation of its financial statements only if (a) the changed presentation provides information that is more relevant to users of its financial statements and (b) the revised structure 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 39 and 40. [IAS 1.46 with modification]

- 111 **If a change in the classification of an asset or a liability (and related income and/or cash flow effects) in a section or category affects the current period's financial statements, an entity shall disclose:**
- (a) **the new function of the asset or liability;**
  - (b) **the reason for the new section or category classification; and**
  - (c) **the amount of the adjustment for each financial statement line item, category and section affected for the current period and the required comparative period.**

### **Presenting meaningful subtotals and headings**

- 112 **In the statements of financial position, comprehensive income and cash flows, an entity shall present subtotals and related headings for each section, category and subcategory. An entity may present additional subtotals and headings if such a presentation format is useful for understanding its financial position and financial performance. All headings shall be presented in each of the financial statements consistently and given the same prominence. Likewise, all subtotals shall be presented in each of the financial statements consistently and given the same prominence. [IAS 1.85 with modification]**

## **Statement of financial position**

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### **Presentation of a statement of financial position**

- 113 **A statement of financial position shall provide information about an entity's assets, liabilities and equity and their relationships to each other at a point in time.**
- 114 **An entity shall classify its assets and liabilities into the sections, categories and subcategory that are consistent with the use of those assets and liabilities as described in paragraphs 65–108.**
- 115 **An entity shall present short-term assets, long-term assets, short-term liabilities and long-term liabilities separately in each category within its statement of financial position unless a presentation based on liquidity provides information that is more relevant. If that exception applies, an entity shall present all assets**

- and liabilities within each category in order of liquidity.** [IAS 1.60 with modification]
- 116 In applying paragraph 115, an entity may present some of its assets and liabilities using a short-term/long-term classification and others in order of liquidity if that presentation provides information that is relevant. The need for a mixed basis of presentation may arise when an entity has diverse operations. For example, an entity with a manufacturing business and a consumer finance business may present the short-term and long-term operating assets and liabilities associated with its manufacturing business separately in the operating category and the operating assets and liabilities associated with its consumer finance business in order of liquidity in the operating category. [IAS 1.64 with modification]
- 117 **Cash shall be classified in the operating category in the statement of financial position.**
- 118 Cash does not include short-term investments regardless of their liquidity or nearness to maturity.

### **Disaggregating assets and liabilities in the statement of financial position**

- 119 **An entity shall disaggregate assets and liabilities and present them separately in the statement of financial position when the function, nature or measurement basis of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position.<sup>4</sup>**
- 120 An entity's total assets and total liabilities comprise individual assets and individual liabilities that may respond differently to similar economic events. Assets or liabilities that do not respond similarly to similar economic events shall be presented separately in the statement of financial position. For example, if an entity has investments in both fixed-income securities and equity securities, it disaggregates its investments by nature and presents the two types of investments separately in the statement of financial position. Although both assets are investments, they respond differently to economic events such as a change in interest rates.

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<sup>4</sup> Appendix C of this [draft] IFRS includes a list of line item requirements throughout IFRSs for the statement of financial position. This [draft] IFRS removes the minimum line item requirements in IAS 1 *Presentation of Financial Statements* for the statement of financial position (paragraph 54). Some of these requirements are duplicated in other IFRSs. However, some IFRSs will be amended to reflect these changes when IFRS X *Financial Statement Presentation* is issued.

- 121 An entity shall also disaggregate assets or liabilities of a similar nature if those assets or liabilities are measured using different bases. For example, investments measured at historical cost and investments measured at fair value have different measurement bases and are disaggregated and presented separately in the statement of financial position. If an asset in a group of assets that are otherwise measured similarly (eg at historical cost) is impaired, that impaired asset is not considered to be measured on a different basis.

## **Classification in the statement of financial position**

### **Short-term and long-term classification**

- 122 **An asset or a liability shall be classified as short-term if either its contractual maturity or its expected date of realisation or settlement is within one year of the reporting date; if not, the asset or liability is classified as long-term unless specified otherwise in other IFRSs or in paragraphs 123–128.**

FASB version

*122. An asset or a liability shall be classified as short term if either its contractual maturity or its expected date of realization or settlement is within one year of the reporting date; if not, the asset or liability is classified as long term unless specified otherwise in other Topics or Subtopics (for example, the classification of deferred taxes in Topic 740 and the classification of debt in Topic 470, Debt).*

- 123 **Deferred tax assets and liabilities shall be classified as short-term or long-term according to the classification of the related asset or liability. [IASB only]**

### **Classification of financial liabilities [IASB only]**

- 124 An entity classifies its financial liabilities as short-term 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. [IAS 1.72 with modification]

- 125 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 long-term, 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 short-term. [IAS 1.73 with modification]
- 126 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 short-term, 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 short-term 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. [IAS 1.74 with modification]
- 127 However, an entity classifies the liability as long-term 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. [IAS 1.75 with modification]
- 128 In respect of loans classified as short-term 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. [IAS 1.76 with modification]

### **Presenting subtotals and totals in the statement of financial position**

- 129 **In addition to the subtotals and totals required to be presented in the financial statements (paragraph 112), an entity shall present in the statement of financial position an amount for total assets and an amount for total liabilities.**
- 130 **If an entity classifies and presents its assets and liabilities as short-term and long-term, it shall also present in the statement of financial position total**



amounts for short-term assets, short-term liabilities, long-term assets and long-term liabilities.

- 131 An entity that classifies assets or liabilities in the operating finance subcategory shall present a subtotal in the statement of financial position of its operating assets and liabilities before that subcategory.

**Information to be presented in the statement of financial position, statement of changes in equity or the notes**

- 132 An entity shall disclose the following in the statement of financial position, the statement of changes in equity or the notes:

- (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 period;
  - (v) shares in the entity held by the entity or by its subsidiaries or associates;
  - (vi) the rights, preferences and restrictions attaching to that class of share capital, including restrictions on the distribution of dividends and the repayment of capital; 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.  
[IAS 1.79] [132(a)(vi), (a)(vii) and (b) IASB only]

- 133 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 132, showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest. [IAS 1.80]

- 134 **If an entity has reclassified the following types of 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: [IASB only]**
- (a) **a puttable financial instrument classified as an equity instrument, 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. [IAS 1.80A]**

## **Statement of comprehensive income**

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### **Presentation of a statement of comprehensive income**

- 135 A statement of comprehensive income shall present information about the recognised changes in the net assets of an entity during the reporting period that result from sources other than changes arising from investment by, and distribution to, owners of the entity acting in their capacity as owners.
- 136 **An entity shall present all items of income and expense recognised in a reporting period in a statement of comprehensive income, segregated to distinguish between:**
- (a) ***profit or loss*; and**
  - (b) **other comprehensive income** [consistent with the proposed amendment of IAS 1.81 in the IASB exposure draft *Presentation of Items of Other Comprehensive Income* published in May 2010].
- 137 **An entity shall classify items of income and expense that comprise profit or loss into the section, category and subcategory that are consistent with the classification of the related asset or liability in the statement of financial position and consistent with the related cash flows in the statement of cash flows. An item of income or expense that is not related to an asset or a liability in the statement of financial position shall be classified consistently with the activity generating the income, expense or cash flow.**
- 138 **An entity shall present foreign currency transaction gains and losses recognised in profit or loss in the same section and category as the assets and liabilities that gave rise to the gains and losses.**

- 139 **In the statement of comprehensive income, an entity shall indicate for each item of other comprehensive income, except for a foreign currency translation adjustment of a consolidated subsidiary or a proportionately consolidated joint venture, whether the item relates to an operating activity, investing activity, financing activity or a discontinued operation.**

### **Disaggregating income and expense items**

- 140 **An entity shall disaggregate and present its income and expense items by function within each section and category in the statement of comprehensive income so that the information is useful in understanding the activities of the entity and in assessing the amount, timing and uncertainty of future cash flows (see paragraph 148).**
- 141 Disaggregation by function may include disaggregating income and expense items into those generated by selling goods, research and development, manufacturing, marketing, business development and administration. For an entity that engages in both manufacturing activities and providing services, disaggregation by function also may include disaggregating revenue and expenses between manufacturing and service activities.
- 142 **An entity shall disaggregate its income and expense items by their nature within the related functional grouping to the extent that the information is useful in assessing the amount, timing and uncertainty of future cash flows. As described in paragraph 146, income and expense items disaggregated by nature shall be presented in the statement of comprehensive income or disclosed in the notes.**
- 143 Disaggregation by nature within a functional grouping may include, for example, disaggregating total cost of sales into materials, labour, transport and energy costs. Disaggregation by nature within a functional grouping may also include, for example, disaggregating revenue from selling goods into wholesale and retail components.

144 *An entity with more than one reportable segment that provides a segment disclosure in accordance with Topic 280 shall disclose its income and expense items for each segment disaggregated by nature in its segment note. An entity shall determine on a segment-by-segment basis the by-nature information that is useful in understanding the activities of the entity and in assessing the amount, timing, and uncertainty of future cash flows. Consequently, the by-nature information disclosed in the segment note may differ across reportable segments. [FASB only]*

145 *To present that by-nature information in context, an entity shall present its by-nature income and expense items grouped by function in the segment note if it disaggregates its income and expense items by function in the statement of comprehensive income. [FASB only]*

146 An entity may disclose its income and expense items disaggregated by nature in the notes to financial statements rather than present that information in the statement of comprehensive income. An entity that discloses its information by nature in the notes shall present that information grouped by the same functions as those presented in the statement of comprehensive income.

FASB version

146 *An entity that does not provide a segment disclosure in accordance with Topic 280 (either because it has only one reportable segment or is otherwise exempt from that Topic) may disclose its income and expense items disaggregated by nature in the notes to financial statements rather than present that information in the statement of comprehensive income. An entity that discloses its information by nature in the notes shall present that information grouped by the same functions presented in the statement of comprehensive income. [FASB only]*

147 **An entity that disaggregates income and expense items both by function and by nature in a note shall, as a minimum, present its information by function in the statement of comprehensive income.**

148 **An entity may choose not to disaggregate its income and expense items by function if that disaggregation is not useful to users of financial statements in understanding the entity's activities and the amount, timing and uncertainty of future cash flows. In those circumstances, an entity shall disaggregate its income and expense items by nature and present that information in the statement of comprehensive income.**

149 Disaggregation of income and expense items by function is useful in understanding the various activities required to convert an entity's resources into cash. Understanding those activities is particularly useful in assessing the amount, timing and uncertainty of future cash flows for an entity that develops and produces tangible products. However, for entities that provide services rather than develop and produce tangible products, the conversion of resources into cash happens almost

simultaneously. Therefore, for those entities disaggregation of income and expense items by function often does not provide any incremental information about the amount, timing and uncertainty of future cash flows.

### **Information to be presented in the statement of comprehensive income**

150 **In addition to the section, category and subcategory subtotals required by paragraph 112, the profit or loss part of the statement of comprehensive income shall include line items<sup>5</sup> that present the following amounts for the reporting period, if applicable:**

- (a) **revenue;**
- (b) **profit or loss from operating activities before operating finance activities;**
- (c) **profit or loss; and**
- (d) **profit or loss attributable to:**
  - (i) **non-controlling interests; and**
  - (ii) **owners of the parent.** [IAS 1.82 and 1.83 with modification]

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

- (a) **items of other comprehensive income grouped into those that, in accordance with other IFRSs,**
  - (i) **will be reclassified subsequently to profit or loss when specific conditions are met, and**
  - (ii) **will not be reclassified subsequently to profit or loss; and**
- (b) **total other comprehensive income** [consistent with paragraph 82A from the proposed amendment to IAS 1 in the IASB exposure draft *Presentation of Items of Other Comprehensive Income*].

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<sup>5</sup> Appendix C of this [draft] IFRS includes a list of line item requirements throughout IFRSs for the statement of comprehensive income. This [draft] IFRS removes the minimum line item requirements in IAS 1 for the statement of comprehensive income (paragraph 82). Some of these requirements are duplicated in other IFRSs; also, some requirements are no longer necessary because they will be replaced by the total and subtotal requirements within this [draft] IFRS. However, some IFRSs will be amended to reflect these changes when IFRS X *Financial Statement Presentation* is issued. [IASB only]

FASB version

151. ***The other comprehensive income part of the statement of comprehensive income shall include line items that present the following amounts for the period:***

- a. ***Each item of other comprehensive income***
- b. ***Total other comprehensive income.***

152 **An entity shall also present the following items in the statement of comprehensive income:**

- (a) **total comprehensive income (the sum of the profit or loss and other comprehensive income subtotals); and**
- (b) **total comprehensive income for the period attributable to:**
  - (i) **non-controlling interests, and**
  - (ii) **owners of the parent.** [IAS 1.83 with modification]

153 **An entity shall present additional line items, headings and subtotals in the statement of comprehensive income if such information is useful in understanding the entity's financial performance.** [IAS 1.85 with modification]

154 Although this [draft] IFRS uses the terms 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals if the meaning of those alternative terms is clear. For example, an entity may use the term 'net income' to describe 'profit or loss'.

155 **An entity shall present separately a material event or transaction that is *unusual* or occurs infrequently. An unusual or *infrequently occurring* event or transaction shall be presented separately in the appropriate section, category or subcategory in the statement of comprehensive income. A description of each unusual or infrequently occurring event or transaction and its financial effects shall be disclosed in the statement of comprehensive income or in the notes to financial statements.**

156 **An entity shall not describe any item of income or expense as an extraordinary item either in the statement of comprehensive income or in the notes.** [IAS 1.87 with modification]

## The parts of comprehensive income

### Profit or loss

157 **An entity shall recognise all items of income and expense in a period in profit or loss unless an IFRS requires or permits otherwise.** [IAS 1.88]

158 Some IFRSs specify circumstances when an entity recognises particular items outside 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 specify items of income or expense that are required to be presented in other comprehensive income rather than in profit or loss (see paragraph 159). [IAS 1.89 with modification]

### Other comprehensive income

159 The items of other comprehensive income include but are not limited to:

- (a) changes in revaluation surplus (see IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*);
- (b) actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of IAS 19 *Employee Benefits*;<sup>6</sup>
- (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 measured at fair value through other comprehensive income (in accordance with paragraph 5.4.4 of IFRS 9 *Financial Instruments*); and
- (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge (see IAS 39 *Financial Instruments: Recognition and Measurement*). [IAS 1.7 as amended]

[The FASB exposure draft includes a similar list that is consistent with US GAAP.]

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

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<sup>6</sup> The April 2010 IASB exposure draft *Defined Benefit Plans* proposes replacing the reference to ‘actuarial gains (losses) on defined benefit pension plans’ with ‘remeasurements of a net defined benefit liability (asset)’.

- 161 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 presented in the statement of comprehensive income for the aggregate amount of income tax relating to those items. [IAS 1.91]
- 162 If an entity elects to present items of other comprehensive income in accordance with paragraph 161(b), then it must allocate the tax between the items that might be reclassified subsequently to profit or loss and those that will not be reclassified subsequently to profit or loss [IASB only; consistent with the proposed amendment of IAS 1.91 in the IASB exposure draft *Presentation of Items of Other Comprehensive Income*].
- 163 **All items of other comprehensive income reclassified to profit or loss if and as required by IFRSs shall be reclassified into the same category as the asset or liability in the statement of financial position that gave rise to the item (see also paragraphs 104 and 138).**
- 164 **An entity shall disclose reclassification adjustments relating to each item of other comprehensive income.** [IAS 1.92]
- 165 Other IFRSs specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this [draft] IFRS as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period in which the adjustment is reclassified to profit or loss. These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income when the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice. [IASB only; IAS 1.93]
- 166 Reclassification adjustments arise, for example, on disposal of a foreign operation (see IAS 21) and when a hedged forecast transaction affects profit or loss (see paragraph 100 of IAS 39 relating to cash flow hedges). [IASB only; IAS 1.95 with modification]
- 167 Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with IAS 16 or IAS 38 or on actuarial gains and losses on



defined benefit plans recognised in accordance with paragraph 93A of IAS 19. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent 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). Actuarial gains and losses are included in retained earnings in the period in which they are recognised as other comprehensive income (see IAS 19). [IASB only; IAS 1.96]

## Statement of cash flows

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### Presentation of a statement of cash flows

- 168 **A statement of cash flows shall present information about the change in cash during the reporting period in a manner that relates the cash receipts and cash payments to information presented in the statements of financial position and comprehensive income.**
- 169 The total amounts of cash shown at the beginning and end of the period in the statement of cash flows shall be the same as the amounts shown in the cash line item in the statement of financial position (see paragraphs 117 and 118).

### Information to be presented in the statement of cash flows

- 170 **An entity shall present in the statement of cash flows its gross cash receipts and gross cash payments in sections and categories that are consistent with (a) the classification of the related asset, liability or equity in the statement of financial position and (b) the related item of income or expense in the statement of comprehensive income. Cash flows related to amounts in the operating finance subcategory in the statements of financial position and comprehensive income shall be presented in the operating category in the statement of cash flows.**
- 171 Generally, information about the gross amounts of cash receipts and cash payments during a reporting period is more relevant than information about the net amounts of those receipts and payments. However, the net amount of related cash receipts and payments provides sufficient information for some types of cash flows (see paragraphs 185–188).
- 172 **An entity shall present a reconciliation of profit or loss from operating activities to net cash flows from operating activities as an integral part of the statement of cash flows.**

- 173 The net cash flows from operating activities is reconciled by adjusting profit or loss from operating activities for the effects of:
- (a) non-cash operating income items such as depreciation or share-based remuneration;
  - (b) changes during the period in operating assets or liabilities such as inventories, receivables and payables; and
  - (c) cash flows from the purchase, sale or settlement of operating assets or liabilities (such as capital expenditures or the settlement of a decommissioning liability for cash).
- 174 **An entity shall present transactions that do not require the use of cash as a supplement to the statement of cash flows in a way that provides all relevant information about those transactions including the following, if applicable:**
- (a) **the effect on the capital structure of the entity; and**
  - (b) **the effect on the asset structure of the entity.**
- 175 Examples of non-cash transactions that shall be presented as a supplement to the statement of cash flows include:
- (a) the acquisition of assets either by assuming directly related liabilities or by means of a finance lease;
  - (b) the acquisition of an acquiree by means of an equity issue; and
  - (c) the conversion of debt to equity. [IAS 7.44 with modification]
- 176 Non-cash adjustments to profit or loss from operating activities are presented in the reconciliation of profit or loss from operating activities to net cash flows from operating activities.
- Disaggregating cash flows**
- 177 **An entity shall disaggregate cash flows in the statement of cash flows by classes of cash receipts and payments so that the statement of cash flows provides a meaningful depiction of how the entity generates and uses cash.**
- 178 A meaningful depiction of cash receipts and payments shall reflect the nature of the income or expense (or return on equity) to which the cash flow is related.

- 179 Examples of cash receipts and payments that reflect the nature of the income or expense include:
- (a) operating activities: cash received from customers, cash paid for labour and cash paid for advertising;
  - (b) investing activities: cash received from dividends, cash received from interest and cash received from rents; and
  - (c) financing activities: cash paid for interest.
- 180 An entity may aggregate related cash flows in a single line in the statement of cash flows if the resulting level of disaggregation provides a meaningful depiction of how the entity generates and uses cash. In making that assessment, an entity shall take into account the magnitude and variability of non-cash items and timing differences between current period cash flows and related amounts recognised in the statement of comprehensive income.
- 181 A meaningful depiction of cash receipts and payments shall also reflect:
- (a) the nature of assets purchased or sold;
  - (b) the nature of liabilities incurred, issued or settled; and
  - (c) the nature of equity issued or redeemed.
- 182 Examples of cash receipts and payments that incorporate the nature of the assets being purchased or sold or the nature of the liabilities being incurred, issued or settled include:
- (a) operating activities: purchase of property, plant and equipment, sale of an intangible asset and payment of a decommissioning liability;
  - (b) investing activities: purchase of fixed-income securities, sales of investments in equity securities and purchase of rental property; and
  - (c) financing activities: proceeds from issue of ordinary shares, repayments of long-term debt and proceeds from issue of preference shares.
- 183 **An entity shall disaggregate cash flows that it does not expect to occur every reporting period.**
- 184 Examples of cash flows that may not be expected to occur every reporting period include:

- (a) payment of a legal judgement;
- (b) payment of termination benefits; and
- (c) receipt of an insurance settlement.

**Presenting some cash flows on a net basis**

185 **Cash flows arising from the following activities may be presented in the statement of cash flows on a net basis:**

- (a) **cash receipts and payments on behalf of customers if the cash flows reflect the activities of the customer, rather than those of the entity; and**
- (b) **cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short.** [IAS 7.22 with modification]

186 Examples of cash receipts and payments referred to in paragraph 185(a) are:

- (a) the acceptance and repayment of demand deposits of a bank;
- (b) funds held for customers by an investment entity; and
- (c) rents collected on behalf of, and paid over to, the owners of properties. [IAS 7.23 and 23A with modification]

187 Examples of cash receipts and payments referred to in paragraph 185(b) are:

- (a) advances made for, and the repayment of, principal amounts relating to credit card customers;
- (b) the purchase and sale of some short-term investments; and
- (c) advances made for, and the repayment of, other short-term borrowings; for example, those that have a maturity period of three months or less. [IAS 7.23 and 23A with modification]

188 **In addition to the criteria in paragraph 185, a financial services entity may present cash flows arising from each of the following activities on a net basis in the statement of cash flows:**

- (a) **cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date; and**
- (b) **the placement of deposits with, and withdrawal of deposits from, other financial services entities.** [IAS 7.24 with modification]

### **Cash flows for taxes collected from customers and remitted to government authorities**

- 189 Taxes or fees that an entity collects from customers on behalf of government authorities that are not part of the entity's revenue shall be presented separately in the statement of cash flows net of the amounts remitted to the government authority. However, if a tax or fee collected from the customer is included in the entity's revenue, the collection of that tax or fee shall be included as part of cash from customers and the remittance to the government authority shall be included as a gross cash outflow.

### **Cash flows for entities that have deposit activities**

- 190 Transactions between an entity and its customers that involve amounts on deposit with the entity shall be presented as cash inflows or cash outflows of the entity in its statement of cash flows. Transactions between depositors and the entity that are presented as cash flows of the entity may include but are not limited to:

- (a) the crediting of interest to a customer's account;
- (b) the deduction of fees from a customer's account; and
- (c) the transfer of amounts between depositors' accounts and the bank for payment on a loan.

- 191 For example, a commercial bank that credits a depositor's account for interest earned or deducts a fee from a depositor's account has cash flows that do not change the entity's cash balance. Even though the total cash balance of the bank does not change, a cash flow takes place between the bank and its customer. These amounts are included in the statement of cash flows as a cash outflow (the interest credited to a customer's account) and a cash inflow (the deduction of the fee). The offset to these transactions is the net change to the deposit accounts.

### **Preparing a direct method statement of cash flows**

- 192 To present cash flows using a direct method, an entity may obtain information about gross cash receipts and gross cash payments either:
- (a) directly from the accounting records of the entity; or
  - (b) indirectly by analysing the changes in assets and liabilities (eg the change in accounts receivable) attributable to:

- (i) corresponding income and expense amounts (eg sales to customers);
- (ii) non-cash items (eg write-downs and reclassifications);
- (iii) cash transactions that change the amount of the asset or liability but are not related to income or expense (eg acquisitions or divestments); and
- (iv) other items not relevant to identifying the gross operating cash receipt or payment (eg amounts not related to transactions with customers, such as vendor rebates that are classified as trade receivables).

### **Foreign currency cash flows**

- 193 **Cash flows in a foreign currency shall be translated into the entity's presentation currency using the exchange rates at the dates of the cash flow.** [IAS 7.25 with modifications]
- 194 **The cash flows of a foreign subsidiary shall be translated into the presentation currency using the exchange rates at the dates of the cash flows.** [IAS 7.26 with modifications]
- 195 The use of an exchange rate that approximates the actual rate is permitted. For example, a weighted average exchange rate for a period may be used for presenting foreign currency transactions or for presenting the translation of the cash flows of a foreign subsidiary. [IAS 7.27 with modifications]
- 196 The effect of exchange rate changes on cash held in a foreign currency is separately presented in the statement of cash flows in order to reconcile cash at the beginning and end of the period. [IAS 7.28 with modifications]

### **Changes in ownership interests in subsidiaries and other businesses** [IASB only]

- 197 **An entity also discloses, in aggregate, in respect of both obtaining and losing control of a subsidiary or other business during the period each of the following:**
- (a) **the total consideration paid or received;**
  - (b) **the portion of the consideration consisting of cash;**
  - (c) **the amount of cash in the subsidiary or other business over which control is obtained or lost; and**

- (d) **the amount of the assets and liabilities other than cash in the subsidiary or other business over which control is obtained or lost, summarised by each category.** [IAS 7.40 with modifications]
- 198 The separate presentation of the cash flow effects of obtaining or losing control of a subsidiary or other business as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from the cash flows arising from the other activities of an entity. The cash flow effects of losing control are not deducted from those of obtaining control. [IAS 7.41]
- 199 The aggregate amount of the cash paid or received as consideration for obtaining or losing control of a subsidiary or other business is reported in the statement of cash flows net of cash acquired or disposed of as part of such transactions, events or changes in circumstances. [IAS 7.42]

## **Statement of changes in equity**

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### **Presentation of a statement of changes in equity**

- 200 **A statement of changes in equity shall present information about all changes in equity for the reporting period.**
- 201 **An entity shall include the following information in the statement of changes in equity:**
- (a) **for each component of equity, an analysis of the changes in the carrying amount from the beginning to the end of the period, presenting separately changes resulting from:**
    - (i) **profit or loss;**
    - (ii) **other comprehensive income (see paragraph 202);**
    - (iii) **transactions with owners in their capacity as owners, presenting separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control;**
  - (b) **for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and**

- (c) **total comprehensive income for the period, presenting separately the total amounts attributable to owners of the parent and those that are attributable to non-controlling interests.** [IAS 1.106]
- 202 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. [IAS 1.108]
- 203 **An entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 201(a)(ii)).**
- 204 **An entity shall present, either 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.** [IAS 1.107]
- 205 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 retrospective adjustments or restatements, transactions with owners in their capacity as owners (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 comprehensive income generated by the entity's activities during that period. [IAS 1.109]
- 206 IAS 8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another IFRS require otherwise. IAS 8 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are usually adjustments to the opening balance of retained earnings. However, the adjustment may be made to another component of equity (eg to comply with an IFRS). Paragraph 201(b) requires disclosure 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 for each prior period and the beginning of the period. [IASB only; IAS 1.110]



## Notes to financial statements

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### Structure [IASB only]

207 **The notes shall:**

- (a) **present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 212–219;**
- (b) **disclose the information required by IFRSs that is not presented elsewhere in the financial statements; and**
- (c) **provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.**  
[IAS 1.112]

208 **An entity shall, as far as practicable, present notes in a systematic manner. An entity shall cross-reference each item in the statements of financial position, comprehensive income, cash flows and changes in equity to any related information in the notes.** [IAS 1.113]

209 An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities:

- (a) statement of compliance with IFRSs (see paragraph 20);
- (b) summary of significant accounting policies applied (see paragraph 212);
- (c) supporting information for items presented in the statements of financial position, comprehensive income, cash flows and changes in equity, in the order in which each statement and each line item is presented; and
- (d) other disclosures, including:
  - (i) contingent liabilities (see IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) and unrecognised contractual commitments; and
  - (ii) non-financial disclosures, eg the entity's financial risk management objectives and policies (see IFRS 7 *Financial Instruments: Disclosures*). [IAS 1.114]

- 210 In some circumstances, it may be necessary or desirable to vary the order of specific items within the notes. For example, an entity may combine information on changes in fair value recognised in profit or loss with information on maturities of financial instruments, although the former disclosures relate to the statement of comprehensive income and the latter relate to the statement of financial position. Nevertheless, an entity retains a systematic structure for the notes as far as practicable. [IAS 1.115]
- 211 An entity may present notes providing information about the basis of preparation of the financial statements and about specific accounting policies as a separate part of the financial statements. [IAS 1.116]

### **Disclosure of accounting policies**

[IASB only except paragraphs 212 and 213]

- 212 **In the summary of significant accounting policies, an entity shall disclose:**
- (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.** [IAS 1.117]

FASB version

- 212. *In the summary of significant accounting policies, an entity shall disclose the measurement basis (or bases) used in preparing the financial statements.***

- 213 It is important for an entity to inform users 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) because the basis on which an entity prepares the financial statements significantly affects users' analysis. If 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. [IAS 1.118]
- 214 Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRSs. Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies that they allow. [IAS 1.119 with modification]

- 215 Each reporting entity considers its business activities and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, users would expect an entity subject to income taxes to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, users would expect disclosure of accounting policies for the recognition of foreign exchange gains and losses. [IAS 1.120]
- 216 An accounting policy may be significant because of the entity's business activities even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs, but that the entity selects and applies in accordance with IAS 8. [IAS 1.121]
- 217 **In the summary of significant accounting policies or other notes, an entity shall disclose the judgements, apart from those involving estimations (see paragraph 218), that management has made in the process of applying the entity's accounting policies and the judgements that have the most significant effect on the amounts recognised in the financial statements.** [IAS 1.122]
- 218 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) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
  - (b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
  - (c) whether the substance of the relationship between the entity and a special purpose entity indicates that the entity controls the special purpose entity. [IAS 1.123 with modifications]
- 219 Some of the disclosures made in accordance with paragraph 217 are required by other IFRSs. For example, IAS 27 *Consolidated and Separate Financial Statements* requires an entity to disclose the reasons why the entity's ownership interest does not constitute control, in respect of an investee that is not a subsidiary, even though more than half of its voting or potential voting power is owned directly or indirectly

through subsidiaries. IAS 40 *Investment Property* requires disclosure 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. [IAS 1.124]

### **Sources of estimation uncertainty** [IASB only]

220 **An entity shall disclose 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.** [IAS 1.125]

221 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, liabilities 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. [IAS 1.126]

222 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 220 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. [IAS 1.127]

223 The disclosures in paragraph 220 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 on the basis of recently observed market prices. Such fair values might change materially within the next financial year, but those changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period. [IAS 1.128]
- 224 An entity presents the disclosures in paragraph 220 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 that 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. [IAS 1.129]
- 225 This [draft] IFRS does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 220. [IAS 1.130]
- 226 Sometimes it is impracticable to disclose 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 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 the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption. [IAS 1.131]
- 227 The disclosures in paragraph 217 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 220. [IAS 1.132]

228 Other IFRSs require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 220. For example, IAS 37 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IFRS 7 requires disclosure of significant assumptions that the entity uses in estimating the fair values of financial assets and financial liabilities that are carried at fair value. IAS 16 requires disclosure of significant assumptions that the entity uses in estimating the fair values of revalued items of property, plant and equipment. [IAS 1.133]

### **Capital** [IASB only]

229 **An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.**  
[IAS 1.134]

230 To comply with paragraph 229, the entity discloses 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 the entity 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 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 disclosures on the information provided internally to key management personnel. [IAS 1.135]

- 231 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 would distort 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. [IAS 1.136]

### **Puttable financial instruments classified as equity instruments** [IASB only]

- 232 **For puttable financial instruments classified as equity instruments, 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.** [IAS 1.136A]

### **Information about remeasurements**

- 233 **An entity shall disclose in a note information about *remeasurements* (in addition to the disclosures required by paragraphs 243 and 246). The note shall present separately the remeasurement component of items of income and expense presented in the statement of comprehensive income. The remeasurement information shall be presented using section, category and subcategory headings and line item descriptions that are consistent with those used in the statement of comprehensive income. Subtotals or totals are not required to be displayed in the note.**

234 **A remeasurement is an amount recognised in comprehensive income that increases or decreases the net carrying amount of an asset or a liability and that is the result of:**

- (a) **a change in (or realisation of) a current price or value;**
- (b) **a change in an estimate of a current price or value; or**
- (c) **a change in any estimate or method used to measure the carrying amount of an asset or a liability.**

235 **Although the gross margin resulting from the sale of inventory meets the definition of a remeasurement, that gross margin shall not be presented as a remeasurement. Similarly, the realised income from the market-making activities of a broker-dealer shall not be presented as a remeasurement.**

236 The initial recognition of revenue or expense is not a remeasurement. However, adjustments to current period revenue or expense that arise from a reassessment of prior period performance are remeasurements and shall be disclosed in the remeasurement note. Similarly, a loss recognised on an onerous contract shall be disclosed as a remeasurement.

237 Some transactions or events result in a partial realisation or settlement of an asset or a liability but are not remeasurements. For example, a decline in the value of an equity security associated with the receipt of a dividend on that security is a partial realisation of that security's value. This decline in value would have no net effect on comprehensive income because it would be offset by the dividend income received. Therefore, this type of partial realisation is not a remeasurement. Similarly, the receipt (or payment) of interest related to debt securities and the receipt of rental income on investment property are also not remeasurements. In each of these examples, the value of the underlying asset or liability declines because some portion of the asset or liability has been realised or settled, not because of a remeasurement of the underlying asset or liability.

238 Examples of remeasurements include, but are not limited to:

- (a) changes in fair value;
- (b) asset impairments (including inventory impairments); and
- (c) the realised gain or loss on a sale of property, plant and equipment.



*[The example in paragraph 238(d) of the FASB exposure draft is not applicable to IFRSs and is not in the IASB exposure draft]*

- (d) *Changes in the method of estimating the net realizable value of accounts receivable.*

239 Remeasurements do not include items such as the following:

- (a) a change in the carrying amount of an asset or a liability attributable to the passage of time (eg the accretion of a liability), and
- (b) routine accounting allocations (eg depreciation and amortisation).

*[The example in paragraph 239(c) of the FASB exposure draft is not applicable to IFRSs and is not in the IASB exposure draft]*

- (c) *The initial recognition of an allowance if that allowance is recognized as part of the initial measurement of the underlying asset or liability (for example, the establishment of an allowance to reflect a newly originated or acquired loan).*

240 When analysing the effect that changes in assets or liabilities have on comprehensive income, it may at times be impracticable to separate the effect of remeasurements from the effects of items (such as those in paragraph 239) that are not remeasurements. In those circumstances, an entity shall include the effect of these latter amounts as part of the remeasurement.

241 **An entity shall disclose comparative information for all amounts disclosed in the remeasurement note in accordance with paragraphs 33–36.**

242 **An entity shall include in its remeasurement note qualitative information that places the remeasurement information in context. However, if that qualitative information is included in the note or notes analysing changes in assets and liabilities (paragraph 251), that information need not be repeated in the remeasurement note.**

### **Analyses of changes in assets and liabilities**

243 **An entity shall disclose analyses of changes between the opening and closing balances of those asset or liability line items (or group of line items) that management regards as important for understanding the current period change in the entity's financial position in accordance with paragraphs 244–247.**

244 **Management judges the relative importance of an asset or a liability line item (or group of line items) by comparing and evaluating:**

- (a) **the opening and closing balances of the line item in relation to total assets or total liabilities;**
- (b) **the change in the balance of the line item in relation to revenues, expenses and cash flows;**
- (c) **the activity flowing through the line item and its effect on revenues, expenses and cash flows;**
- (d) **whether assumptions or judgements are used in measuring the asset or liability and the level of uncertainty in the measurement;**
- (e) **the variability in the measurement resulting from exposure to risk and the nature of that exposure (eg credit risk, foreign exchange risk or interest rate risk); and**
- (f) **any other economic event or transaction that could affect the decision-making of a user of the financial statements.**

245 Some IFRSs require reconciliations of the opening and closing balances of specified assets and liabilities. The requirements herein related to disclosure of analyses of changes in assets and liabilities do not supersede the reconciliations required in other IFRSs. However, any reconciliation required by other IFRSs shall also comply with the requirements in paragraphs 246–255.

246 **To comply with paragraph 243, an entity shall identify and present separately each of the following, if applicable:**

- (a) **changes resulting from cash inflows and cash outflows (see paragraphs 249 and 250);**
- (b) **changes resulting from non-cash transactions that are recurring and routine (eg credit sales and interest expense);**
- (c) **changes resulting from non-cash transactions that are neither recurring nor routine (eg a business combination);**
- (d) **changes resulting from accounting allocations (eg depreciation expense);**
- (e) **changes resulting from write-downs or impairment losses; and**

- (f) **other changes resulting from remeasurements (eg fair value changes and foreign currency translations).**

*[(e) and (f) in paragraph 246 of the FASB exposure draft are slightly different from (e) and (f) above because of underlying differences in IFRSs and US GAAP.]*

- 247 **If a line item is affected by more than one change described in paragraph 246, each type of change shall be identified clearly and presented separately.**
- 248 For example, changes in different types of fixed assets that are aggregated in one line item may result from remeasurements such as an impairment or a disposal gain or loss. In that example, each remeasurement is disclosed separately in the analysis of changes.
- 249 It may be impracticable in some cases to include changes from cash inflows or outflows in an analysis of the changes in an asset or a liability line item. For example, an increase in the inventory account balance results from processing various inputs into a product. The cash paid for those inputs is likely to be disclosed in the analysis of the changes in the accounts payable or salaries payable account, not the inventory account. In that example, the change in the inventory account attributable to those cash flows likely would be explained as an increase in inventory through the production process; there would be no mention of cash flows.
- 250 The criteria for netting cash inflows and outflows in the statement of cash flows (paragraphs 185 and 188) may be applied to cash flow amounts disclosed in the analyses of changes.
- 251 **An entity shall also disclose qualitative information that is relevant to understanding the components of an analysis of changes in an asset or a liability line item.**
- 252 **An entity shall disclose comparative information with respect to the previous period for all amounts disclosed as part of the analyses of changes, in accordance with paragraphs 33–36.**
- 253 **The analysis of changes in a particular asset or liability line item may be disclosed in the relevant note specific to that asset or liability rather than in a separate note.**

254 For example, the analysis of changes in a post-employment benefit obligation line item may be included as part of an entity's note about its post-employment benefit plan.

255 **An entity shall provide an analysis of changes for the following line items in a single note and include a total for these items:**

- (a) **cash;**
- (b) **short-term investments;**
- (c) **finance leases; and**
- (d) **each line item in the debt category. [IASB only]**

### **Other disclosures**

256 **An entity shall describe its operating cycle or cycles in the notes.**

257 **An entity shall disclose, together with a narrative explanation, the amount of cash and short-term investments held by the entity that are not available for general use by the entity and an explanation of why those amounts are not available.**

258 Examples of cash that is not available for general use by an entity include cash held by a subsidiary that operates in a country with exchange controls or with other legal restrictions (such as repatriation taxes). These controls and/or restrictions make the cash unavailable for general use by the parent or other subsidiaries.

259 **An entity shall disclose the amount of undrawn borrowing facilities that may be available for future business activities and to settle capital commitments, indicating any restrictions on the use of these facilities. [IAS 7.50(a) with modification]**

260 **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 during the period, and the related amount per share, and**
- (b) **the amount of any cumulative preference dividends not recognised. [IASB only; IAS 1.137]**

- 261 **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 entity's 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.**  
[IASB only; IAS 1.138]

**Changes to segment reporting requirements** *[FASB only]*

- 262 *As required by paragraph 144, an entity with more than one reportable segment that provides a segment note in accordance with Topic 280 shall disclose its income and expense information by nature for each reportable segment in its segment note. That income and expense information by nature shall be disclosed regardless of whether it is regularly reviewed by or provided to the chief operating decision maker.*
- 263 *In addition to an overall measure of profit or loss, an entity shall report a measure of each of the following for each reportable segment regardless of whether that measure is regularly reviewed by or otherwise provided to the chief operating decision maker:*
- a. Operating profit or loss*
  - b. Operating assets*
  - c. Operating liabilities*
  - d. Operating cash flows.*
- 264 *An entity may present more than one measure of profit or loss, assets, liabilities, or cash flows for each reportable segment. Any additional measure can be presented with equal prominence but not greater prominence than the required measures of operating profit or loss, operating assets, operating liabilities, and operating cash flows by reportable segment.*
- 265 *The total of the reportable segments' operating profit or loss, operating assets,*

*operating liabilities, and operating cash flows shall be reconciled to the entity's corresponding consolidated totals.*

**266** *An entity shall present information about operating segments that are not reportable separately from all other information in the segment note and shall not aggregate that information with information about corporate or central activities.*

**267** *An entity shall disclose a measure of segment liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker.*

## **Effective date, transition and withdrawal of IAS 1 and IAS 7**

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### **Effective date and transition <sup>7</sup>**

**268** An entity shall apply this [draft] IFRS for annual periods beginning on or after [date to be inserted after exposure].

**269** The date of initial application is the beginning of the annual period for which an entity first applies the requirements in this [draft] IFRS. An entity shall apply this [draft] IFRS retrospectively, in accordance with IAS 8.

### **Withdrawal of IAS 1 and IAS 7**

**270** This [draft] IFRS supersedes the following IFRSs:

- (a) IAS 1 *Presentation of Financial Statements*, and
- (b) IAS 7 *Statement of Cash Flows*.

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<sup>7</sup> The effective date for IFRS X will be no earlier than 1 January 2013. The time between the IFRS being issued and its effective date will be adequate to prepare for and implement the new financial reporting requirements.

The boards will consider collectively the effective date and transition (including whether to permit early adoption) for the standards—including financial statement presentation—that they have targeted to issue in 2011. To that end, the boards will publish a separate consultation paper to seek comments on those matters from interested parties.

## Appendix A - Defined terms

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

|  |  |
|--|--|
| <b>cash</b>  | Cash on hand and demand deposits. [IAS 1.7]<br><br><i>The definition in the FASB exposure draft is consistent with but not the same as the above definition.</i>   |
| <b>category</b>  | A group of items within a section.   |
| <b>debt activity</b>   | An activity related to (a) a borrowing arrangement entered into for the purpose of obtaining or repaying capital or (b) a transaction involving an entity's own equity that gives rise to the creation of a liability (or an asset). |
| <b>financing activity</b>  | An activity to obtain or repay capital.  |
| <b>function</b>  | The primary activities in which an entity is engaged.  |
| <b>general purpose financial statements</b><br>( <b>'financial statements'</b> ) | Financial statements that are 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. [IASB only; IAS 1.7]                             |
| <b>impracticable</b>   | Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. [IASB only; IAS 1.7]  |
| <b>infrequently occurring</b>  | Not reasonably expected to recur in the foreseeable future given the environment in which an entity operates.  |
| <b>International Financial Reporting Standards</b><br>( <b>IFRSs</b> )           | Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:<br><br>(a) International Financial Reporting Standards;<br><br>(b) International Accounting Standards; and              |

- (c) Interpretations developed by the IFRS Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee (IFRIC), or the former Standing Interpretations Committee (SIC).

[IASB only; IAS 1.7]

**investing activity**

An activity related to an asset or a liability that (a) yields a return for the entity and (b) does not result in significant synergies for the entity.

**material**

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and relative importance of the omission or misstatement judged in the surrounding circumstances. The size or relative importance of the item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that ‘users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.’ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

[IASB only; IAS 1.7 with modification]

**measurement basis**

The method or basis used to measure an asset or a liability.



|   |  |
|---|--|
| <b>nature</b>                           | The economic characteristics or attributes that distinguish assets, liabilities and items of income, expense and cash flow that do not respond similarly to similar economic events.   |
| <b>notes</b>                            | Information in addition to that presented in the statements of financial position, comprehensive income, cash flows and changes in equity. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. [IAS 1.7 with modification] |
| <b>operating activity</b>               | An activity that generates revenue through a process that requires the interrelated use of the resources of the entity. That process also includes the application of employee and management expertise.   |
| <b>operating finance activity</b>       | An activity that is directly related to an entity's operating activities and secondarily provides a source of long-term financing for the entity.  |
| <b>other comprehensive income (OCI)</b> | Items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. [IAS 1.7]<br><br><i>The definition in the FASB exposure draft is consistent with but not the same as the above definition.</i>   |
| <b>owners</b>                           | Holders of instruments classified as equity. [IAS 1.7]<br><br><i>The definition in the FASB exposure draft is consistent with but not the same as the above definition.</i>  |
| <b>profit or loss</b>                   | The total of income less expenses, excluding the components of other comprehensive income.<br>[IASB only; IAS 1.7]   |

|                                     |  |
|-------------------------------------|--|
| <b>reclassification adjustments</b> | <p>Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. [IAS 1.7]</p> <p><i>The definition in the FASB exposure draft is consistent with but not the same as the above definition.</i></p>  |
| <b>remeasurement</b>                | <p>An amount recognised in comprehensive income that increases or decreases the net carrying amount of an asset or a liability and that is the result of:</p> <ul style="list-style-type: none"><li>(a) a change in (or realisation of) a current price or value;</li><li>(b) a change in an estimate of a current price or value; or</li><li>(c) a change in any estimate or method used to measure the carrying amount of an asset or a liability.</li></ul> |
| <b>section</b>                      | <p>The largest group of items presented in the financial statements.</p>   |
| <b>subcategory</b>                  | <p>A group of items within a category.</p>   |
| <b>unusual</b>                      | <p>Highly abnormal and only incidentally related to the ordinary and typical activities of an entity, given the environment in which the entity operates.</p>  |

## Appendix B

### [Draft] Amendments to other IFRSs

Except where otherwise stated, an entity shall apply the [draft] amendments in this appendix when it applies [draft] IFRS X Financial Statement Presentation. Amended paragraphs are shown with new text underlined and deleted text struck through.

Note: Consequential amendments regarding the statement of profit or loss and other comprehensive income are proposed in the exposure draft Presentation of Items of Other Comprehensive Income published in May 2010.

#### General amendments applicable to IFRSs

- B1 In IFRSs and the introductions to IFRSs, except where otherwise stated in this appendix,
- references to ‘IAS 1 *Presentation of Financial Statements*’ are replaced with ‘[draft] IFRS X *Financial Statement Presentation*.’
  - references to ‘IAS 7 *Statement of Cash Flows*’ are replaced with ‘[draft] IFRS X *Financial Statement Presentation*.’
  - references to ‘IAS 1 (as revised in 2007)’ are replaced with ‘[draft] IFRS X.’
  - references to ‘IAS 7’ are replaced with ‘[draft] IFRS X.’
  - the title of IFRS 5 is amended from ‘IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*’ to ‘IFRS 5 *Long-term Assets Held for Sale and Discontinued Operations*.’
- B2 In IFRSs and the introduction to IFRSs, the following terminology has been amended:
- ‘current assets’ is replaced with ‘short-term assets’
  - ‘non-current assets’ is replaced with ‘long-term assets’
  - ‘current liabilities’ is replaced with ‘short-term liabilities’
  - ‘non-current liabilities’ is replaced with ‘long-term liabilities’.
- B3 In IFRS 4 paragraph 41B, IFRS 5 paragraph 44A, IFRS 7 paragraph 44A, IFRS 8 paragraph 36A, IAS 12 paragraph 92, IAS 16 paragraph 81B, IAS 19 paragraph 161, IAS 20 paragraph 42, IAS 21 paragraph 60A, IAS 28 paragraph 41A, IAS 32 paragraphs 96A, 96C and 97A, IAS 33 paragraph 74A, IAS 34 paragraph 47, IAS 36 paragraph 140A, IAS 38 paragraph 130B, IAS 39 paragraph 103C, IAS 40 paragraph 85A, IFRIC 1 paragraph 9A, IFRIC 14 paragraph 27A, SIC-7 Effective Date section, SIC-25 Effective Date section, and SIC-32 Effective Date section, the first reference to ‘IAS 1’ or ‘IAS 1 (as revised in 2007)’ is footnoted as follows: ‘IAS 1 has been superseded by [draft] IFRS X *Financial Statement Presentation*’.
- B4 In IFRS 3 paragraph B5, the term ‘cash equivalents’ is deleted. In IFRS 5 Appendix A ‘current assets’ definition, the term ‘or a cash equivalent’ is deleted. In IAS 16 paragraph 6, IAS 18 paragraphs 5, 11 and 12, IAS 38 paragraph 8, IAS 39 paragraph 19(c), IAS 40 paragraph 5, the term ‘or cash equivalents’ is deleted. In IAS 36 paragraph 69, ‘and cash equivalents’ is deleted.
- B5 Some IFRSs reference IAS 1 paragraphs within their respective standard. Therefore, the following references to IAS 1 have been changed to the [draft] IFRS X paragraphs:

| Standard with reference | IAS 1 paragraph reference | [draft] IFRS X reference |
|-------------------------|---------------------------|--------------------------|
| IFRS 1 paragraph E2(d)  | 17(c)                     | 21(c)                    |
| IFRS 1 paragraph 36E(d) | 17(c)                     | 21(c)                    |
| IFRS 7 paragraph 21     | 117                       | 212                      |
| IFRS 7 paragraph 34     | 29-31                     | 51-53                    |

|                       |         |         |
|-----------------------|---------|---------|
| IFRS 7 paragraph B5   | 122     | 217     |
| IFRS 4 paragraph IG32 | 125-131 | 220-226 |
| IFRS 7 paragraph IG6  | 17(c)   | 21(c)   |

B6 [Draft] IFRS X removes the minimum line item requirements in IAS 1 *Presentation of Financial Statements* for the statement of financial position (paragraph 54) and for the statement of comprehensive income (paragraph 82). Some of these requirements are duplicated in other IFRSs; also, some requirements are no longer necessary because they will be replaced by the total and subtotal requirements within the [draft] IFRS. However, some IFRSs will be amended to reflect these changes, when IFRS X *Financial Statement Presentation* is issued.

Appendix C of the [draft] IFRS contains a list of line item requirements throughout IFRSs that should be included in the statement of financial position and in the statement of comprehensive income, as required by IAS 1 and by some other specific IFRSs.

B7 The following table includes minimum line item requirements for the statement of financial position currently in IAS 1 paragraph 54 that are duplicated in other IFRSs. These disclosure requirements already exist in other IFRSs.

| IAS 1 reference | Line item  | Duplicate requirement reference |
|-----------------|--|---------------------------------|
| 1.54(b)         | investment property  | IAS 40.79(c)                    |
| 1.54(c)         | intangible assets  | IAS 38.118(e)                   |
| 1.54(e)         | investments accounted for using the equity method  | IFRS 28.38                      |
| 1.54(f)         | biological assets  | IAS 41.50                       |
| 1.54(g)         | inventories  | IAS 2.36(b)                     |
| 1.54(j)         | 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 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | IFRS 5.38                       |
| 1.54(p)         | liabilities included in disposal groups classified as held for sale in accordance with IFRS 5  | IFRS 5.38                       |
| 1.54(q)         | non-controlling interests, presented within equity   | IAS 27.27                       |

B8 The following table includes minimum line item requirements for the statement of financial position currently in IAS 1 paragraph 54 that are not duplicated in other IFRSs and therefore the additional minimum line requirements will be added to the appropriate IFRS. Amendments are necessary to the IFRSs noted below.

| IAS 1 reference | Line item  | IFRS to be amended with requirement |
|-----------------|--|-------------------------------------|
| 1.54(a)         | property, plant and equipment  | IAS 16                              |
| 1.54(d)         | financial assets (excluding amounts shown under (e), (h) and (i))                | FI*                                 |
| 1.54(h)         | trade and other receivables  | FI*                                 |
| 1.54(i)         | cash <del>and cash equivalents</del>   | FI*                                 |
| 1.54(k)         | trade and other payables   | FI*                                 |
| 1.54(l)         | provisions   | IAS 37                              |
| 1.54(m)         | financial liabilities (excluding amounts shown under (k) and (l));               | FI*                                 |
| 1.54(n)         | liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i> | IAS 12                              |

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|--|--|--------|
| 1.54(o)  | deferred tax liabilities and deferred tax assets, as defined in IAS 12 | IAS 12 |
| 1.54(r)  | issued capital and reserves attributable to owners of the parent       | IFRS 3 |
| * This requirement will be maintained and will be moved to the relevant IFRS on financial instruments. |  |        |

B9 The following table includes minimum line item requirements for the statement of comprehensive income currently in IAS 1 paragraph 82 that are duplicated in other IFRSs. These disclosure requirements already exist in other IFRSs. Please note that 1.82(b) 'finance costs' is not included below. The requirement to present information about finance costs within each relevant section is within the [draft] IFRS X.

| IAS 1 reference | Line item   | Duplicate requirement reference |
|-----------------|---|---------------------------------|
| 1.82(d)         | tax expense   | IAS 12.77                       |
| 1.82(e)         | a single amount comprising the total of:<br>(i) the post-tax profit or loss of discontinued operations and<br>(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation | IFRS 5.33(a)                    |

B10 The following table includes minimum line item requirements for the statement of comprehensive income currently in IAS 1 paragraph 82 that are not duplicated in other IFRSs and therefore the additional minimum line requirements will be added to the appropriate IFRSs. Amendments are necessary to the IFRSs noted below.

| IAS 1 reference   | Line item   | IFRSs to be amended with requirement |
|---|---|--------------------------------------|
| 1.82(c)   | share of the profit or loss of associates and joint ventures accounted for using the equity method  | IAS 28/31                            |
| 1.82(h)   | share of the other comprehensive income of associates and joint ventures accounted for using the equity method  | IAS 28/31                            |
| 1.82(aa)*   | gains and losses arising from the derecognition of financial assets measured at amortised cost  | FI**                                 |
| 1.82(bb)*   | if a financial asset is reclassified so that it is measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date (as defined in IFRS 9) | FI**                                 |
| * Line items added from IFRS 9 consequential amendments to IAS 1.<br>** This requirement will be moved to the relevant IFRS on financial instruments. |   |                                      |

B11 The following table includes minimum line item requirements for the statement of comprehensive income currently in IAS 1 paragraph 82 that have been addressed within the requirements of [draft] IFRS X. Therefore, no amendments are necessary to any IFRSs.

| IAS 1 reference | Line item |
|-----------------|-----------|
| 1.82(a)         | revenue   |

|         |  |
|---------|--|
| 1.82(f) | profit or loss   |
| 1.82(g) | each component of other comprehensive income classified by nature (excluding amounts in (h)) |
| 1.82(b) | total comprehensive income   |

## **IFRS 5 Long-term Non-current Assets Held for Sale and Discontinued Operations**

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- B12 The title of IFRS 5 is amended to *Long-term Assets Held for Sale and Discontinued Operations*. Paragraph 33 is amended as follows:

### **Presenting discontinued operations**

- 33 An entity shall disclose:

...

(aa) whether an item included in other comprehensive income relates to a discontinued operation.

## **IFRS 8 Operating Segments**

---

- B13 Paragraph 23 is amended as follows:

### **Information about profit or loss, assets and liabilities**

- 23 An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:

...

(f) material items of income and expense disclosed in accordance with paragraph 51 97 of [draft] IFRS X *Financial Statement Presentation IAS 1 Presentation of Financial Statements* (as revised in 2007);

## **IAS 12 Income Taxes**

---

- B14 Paragraph IN11 is amended as follows:

### **Introduction**

- IN11 The original IAS 12 did not specify whether an entity should classify deferred tax balances as current assets and liabilities or as non-current assets and liabilities. ~~\*\* IAS 12 (revised) requires that an entity which makes the current/non-current distinction should not classify deferred tax assets and liabilities as current assets and liabilities.\*~~

~~\*This requirement has been moved to paragraph 56 of IAS 1 *Presentation of Financial Statements* (as revised in 2007).~~

~~\*\*The classification requirement is in paragraph 123 of [draft] IFRS X.~~

## **IAS 34 *Interim Financial Reporting***

---

B15 Paragraph 5 is amended as follows:

### **Content of an interim financial report**

- 5 [Draft] IFRS X IAS 1 (as revised in 2007) defines a complete set of financial statements as including the following components:
- (a) a statement of financial position as at the end of the period;
  - (b) a statement of comprehensive income for the period;
  - (c) a statement of changes in equity for the period;
  - (d) a statement of cash flows for the period;
  - (e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~
  - (f) ~~[deleted] 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.~~
  - (g) comparative information as required in paragraphs 33-36; and
  - (h) a statement of financial position as at the beginning of the required comparative period if applicable (paragraph 37).

## **IFRIC 17 *Distributions of Non-cash Assets to Owners***

---

B16 Paragraph 2 is amended as follows:

### **Background**

- 2 International Financial Reporting Standards (IFRSs) do not provide guidance on how an entity should measure distributions to its owners (commonly referred to as dividends). [Draft] IFRS X IAS 1 requires an entity to present details of dividends recognised as distributions to owners either in the statement of changes in equity or in the notes to the financial statements. Appendix A Paragraph 7 of [draft] IFRS X IAS 1 defines owners as holders of instruments classified as equity.

## Appendix C

# Line item requirements throughout IFRSs

*This appendix includes a comprehensive list of all line item requirements throughout IFRSs.*

C1 This appendix groups all line item requirements throughout IFRSs including those currently in IAS 1 and those included within other IFRSs. [Draft] IFRS X removes the minimum line item requirements on the statement of financial position from IAS 1 paragraph 54 (see \* below) and from the statement of comprehensive income from IAS 1 paragraph 82 (see \*\* below) and includes them in this appendix. Some of the line items have duplicate requirements in their respective standards. Some IFRSs will be amended to reflect these changes when IFRS X *Financial Statement Presentation* is issued (see <sup>1</sup> below). Also, some line item requirements are no longer necessary because they have been superseded by the subtotal requirements within the [draft] IFRS X (see <sup>3</sup> below). For amendments required to financial instruments IFRSs, amendments will be made to one of those IFRSs (see <sup>2</sup> below).

Refer to paragraphs B6–B11 in Appendix B for further discussion.

### **Statement of financial position:**

#### **The following are requirements within all IFRSs of line items in the statement of financial position:**

##### **Assets:**

Property, plant and equipment\* (IAS 16)<sup>1</sup>  
 Investment property\* (IAS 40.79c)  
 Goodwill (IFRS 3.B67 d)  
 Intangible assets other than goodwill\* (IAS 38.118e)  
 Other financial assets\* (FI)<sup>2</sup>  
 Other non-financial assets ([draft] IFRS X)<sup>3</sup>  
 Investments accounted for using equity method\* (IFRS 28.38)  
 Investments in subsidiaries, joint ventures and associates (IAS 27.38)  
 Biological assets\* (IAS 41.50)  
 Non-current assets or disposal groups classified as held for sale or as held for distribution to owners\* (IFRS 5.38)  
 Inventories\* (IAS 2.36b)  
 Current tax assets\* (IAS 12)<sup>1</sup>  
 Deferred tax assets\* (IAS 12)<sup>1</sup>  
 Trade and other receivables\* (FI)<sup>2</sup>  
 Cash and cash equivalents\* (FI)<sup>2</sup>  
 Total assets ([draft] IFRS X)<sup>3</sup>

##### **Liabilities:**

Trade and other payables\* (FI)<sup>2</sup>  
 Provisions\* (IAS 37)<sup>1</sup>  
 Other financial liabilities\* (FI)<sup>2</sup>  
 Other non-financial liabilities ([draft] IFRS X)<sup>3</sup>  
 Deferred income from government grants (IAS 20.24)  
 Current tax liabilities\* (IAS 12)<sup>1</sup>  
 Deferred tax liabilities\* (IAS 12)<sup>1</sup>  
 Liabilities included in disposal groups classified as held for sale\* (IFRS 5.38)  
 Total liabilities ([draft] IFRS X)<sup>3</sup>



**Equity:**

- Issued capital (IFRS 3)<sup>1</sup>
- Retained earnings ([draft] IFRS X)<sup>3</sup>
- Share premium (IFRS 3)<sup>1</sup>
- Other reserves ([draft] IFRS X)<sup>3</sup>
- Cumulative income (expense) recognised in other comprehensive income relating to non-current assets or disposal group classified as held for sale (IFRS 5.38)
- Equity attributable to owners of parent\* (IFRS 3)<sup>1</sup>
- Non-controlling interests\* (IAS 27)<sup>1</sup>
- Total equity ([draft] IFRS X)<sup>3</sup>

**The following are requirements within all IFRSs to present either in the statement of financial position or in the notes to financial statements:**

**Assets:**

- Major classes of assets classified as held for sale (IFRS 5.38)
- Financial assets at fair value through profit or loss, designated as upon initial recognition (IFRS 7.8a I)
- Financial assets at fair value through profit or loss, classified as held for trading (IFRS 7.8a ii)
- Financial assets at fair value through profit or loss, mandatorily measured at fair value (IFRS 7.8 a ii)
- Total financial assets at fair value through profit or loss (IFRS 7.8a)
- Financial assets available for sale (IFRS 7.8d)
- Held-to-maturity investments (IFRS 7.8b)
- Loans and receivables (IFRS 7.8c)
- Financial assets at fair value through other comprehensive income (IFRS 7.8h)
- Financial assets at amortised cost (IFRS 7.8f)

**Liabilities:**

- Major classes of liabilities classified as held for sale (IFRS 5.38)
- Financial liabilities at fair value through profit or loss, classified as held for trading (IFRS 7.8e ii)
- Financial liabilities at fair value through profit or loss, designated as upon initial recognition (IFRS 7.8e I)
- Total financial liabilities at fair value through profit or loss (IFRS 7.8e)
- Financial liabilities at amortised cost (IFRS 7.8g)

**Equity:**

- Treasury shares (IAS 32.34)
- Other equity interests (IFRS 3)<sup>1</sup>
- Number of shares authorised ([draft] IFRS X)<sup>3</sup>
- Number of shares issued and fully paid, and issued but not fully paid ([draft] IFRS X)<sup>3</sup>
- Par value per share, or that the shares have no par value ([draft] IFRS X)<sup>3</sup>
- Reconciliation of the number of shares outstanding at the beginning and at the end of the period ([draft] IFRS X)<sup>3</sup>
- Rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital ([draft] IFRS X)<sup>3</sup>
- Shares in the entity held by the entity or by its subsidiaries or associates ([draft] IFRS X)<sup>3</sup>
- Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts ([draft] IFRS X)<sup>3</sup>
- Description of the nature and purpose of each reserve within equity ([draft] IFRS X)<sup>3</sup>

**Statement of comprehensive income****The following are requirements within all IFRSs of line items in the statement of comprehensive income:**

Please note that IAS 1.82(b) 'finance costs' (see <sup>4</sup> below) will no longer be included as a minimum line item requirement on the statement of comprehensive income as the requirement to present finance costs within each relevant section is within the [draft] IFRS X.

**Income and expense:**

Revenue\*\* ([draft] IFRS X)<sup>3</sup>  
 Gains/(losses) arising from derecognition of financial assets measured at amortised cost\*\* (FI)<sup>2</sup>  
 Gains/(losses) on net monetary position (FI)<sup>2</sup>  
 Difference between carrying amount of assets distributed to owners of parent and carrying amount of dividend payable (IFRIC 17.15)  
 Income from government grants (IAS 20.29)  
 Share of profit (loss) of associates and joint ventures accounted for using equity method\*\* (IAS 28/31)<sup>1</sup>  
 Gains (losses) arising from difference between previous carrying amount and fair value of financial assets reclassified as measured at fair value\*\* (FI)<sup>2</sup>  
 Finance costs<sup>4</sup>  
 Dividends classified as expense (IAS 32.40)

**Tax:**

Profit (loss) before tax ([draft] IFRS X)<sup>3</sup>  
 Income tax expense\*\* (IAS 12.77)  
 Profit (loss) from continuing operations([draft] IFRS X)<sup>3</sup>

**Discontinued operations:**

Profit (loss) from discontinued operations\*\* (IFRS 5.33a)

**Profit/loss:**

Profit (loss)\*\* ([draft] IFRS X)<sup>3</sup>

**Other comprehensive income:**

Other comprehensive income, before tax, hedges of net investments in foreign operations\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, gains (losses) from investments in equity instruments\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, gains (losses) on revaluation\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, cash flow hedges\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, available-for-sale financial assets\*\* ([draft] IFRS X)<sup>3</sup>  
 Other comprehensive income, before tax, exchange differences on translation\* ([draft] IFRS X)<sup>3</sup>  
 Share of other comprehensive income of associates and joint ventures accounted for using equity method\*\* ([draft] IFRS X)<sup>3</sup>  
 Aggregated income tax relating to items of other comprehensive income\*\* ([draft] IFRS X)<sup>3</sup>  
 Total comprehensive income\*\* ([draft] IFRS X)<sup>3</sup>

**Profit attributable to:**

Profit (loss), attributable to owners of parent ([draft] IFRS X)<sup>3</sup>  
 Profit (loss), attributable to non-controlling interests ([draft] IFRS X)<sup>3</sup>

**Total comprehensive income attributable to:**

Comprehensive income, attributable to owners of parent ([draft] IFRS X)<sup>3</sup>  
 Comprehensive income, attributable to non-controlling interests ([draft] IFRS X)<sup>3</sup>

**Earnings per share:**

- Basic earnings (loss) per share from continuing operations (IAS 33.66)
- Basic earnings (loss) per share (IAS 33.66)
- Diluted earnings (loss) per share from continuing operations (IAS 33.66)
- Diluted earnings (loss) per share (IAS 33.66)

**The following are requirements within all IFRSs to present either in the statement of comprehensive income or in the notes to financial statements:**

**Income and expense:**

- Gain (loss) in accordance with IFRIC 19.9 and IFRIC 19.10 (IFRIC 19.11)
- Expense arising from equity-settled shared-based payment transactions (IFRS 2.51a)
- Gain (loss) on measurement to fair value less costs to sell (IFRS 5.33b)
- Gains (losses) on financial assets at fair value through profit or loss, designated as upon initial recognition (IFRS 7.30a I)
- Gains (losses) on financial assets at fair value through profit or loss, classified as held for trading (IFRS 7.20a I)
- Gains (losses) on financial assets at fair value through profit or loss, mandatorily measured at fair value (IFRS 7.20a I)
- Total gains (losses) on financial assets at fair value through profit or loss (IFRS 7.20a)
- Gains (losses) on financial liabilities at fair value through profit or loss, designated as upon initial recognition (IFRS 7.20a v)
- Gains (losses) on financial liabilities at fair value through profit or loss, classified as held for trading (IFRS 7.20a v)
- Total gains (losses) on financial liabilities at fair value through profit or loss (IFRS 7.20a)
- Gains (losses) on held-to-maturity investments (IFRS 7.20a iii)
- Gains (losses) on loans and receivables (IFRS 7.20a iv)
- Gains (losses) on financial liabilities at amortised cost (IFRS 7.20a v)
- Gains (losses) on financial assets at amortised cost (IFRS 7.20a vi)
- Gains (losses) on financial assets at fair value through other comprehensive income (IFRS 7.20a viii)
- Interest income for financial assets not at fair value through profit or loss (IFRS 7.20b)
- Interest expense for financial liabilities not at fair value through profit or loss (IFRS 7.20b)
- Interest income for financial assets measured at amortised cost (IFRS 7.20b)
- Fee income (expense) arising from financial assets or financial liabilities not at fair value through profit or loss (IFRS 7.20 c I)
- Fee income (expense) arising from trust and fiduciary activities (IFRS 7.20 c ii)
- Fee income arising from financial assets measured at amortised cost (IFRS 7.20 c I)
- Fee expense arising from financial liabilities not at fair value through profit or loss (IFRS 7.20c I)
- Interest income on impaired financial assets accrued (IFRS 7.20 d)
- Reclassification adjustments on exchange differences on translation, before tax ([draft] IFRS X)<sup>3</sup>
- Reclassification adjustments on available-for-sale financial assets, before tax (IFRS 7.20 a ii)
- Reclassification adjustments on cash flow hedges, before tax (IFRS 7.23d)
- Reclassification adjustments on hedges of net investments in foreign operations, before tax ([draft] IFRS X)<sup>3</sup>

**Other comprehensive income:**

- Income tax relating to exchange differences on translation of other comprehensive income ([draft] IFRS X)<sup>3</sup>
- Income tax relating to investments in equity instruments of other comprehensive income ([draft] IFRS X)<sup>3</sup>
- Income tax relating to available-for-sale financial assets of other comprehensive income ([draft] IFRS X)<sup>3</sup>
- Income tax relating to cash flow hedges of other comprehensive income ([draft] IFRS X)<sup>3</sup>
- Income tax relating to hedges of net investments in foreign operations of other comprehensive income (IAS 39.102)
- Income tax relating to changes in revaluation surplus of other comprehensive income ([draft] IFRS X)<sup>3</sup>
- Income tax relating to actuarial gains (losses) on defined benefit plans of other comprehensive income ([draft] IFRS X)<sup>3</sup>

Reclassification adjustments on income tax relating to items of other comprehensive income ([draft] IFRS X)<sup>3</sup>

**Discontinued operations:**

Analysis of profit or loss from discontinued operations (IFRS 5.33b)  
Revenue from discontinued operations (IFRS 5.33b)  
Expense from discontinued operations (IFRS 5.33b)  
Profit (loss) before tax from discontinued operations (IFRS 5.33b)  
Related income tax expense (IFRS 5.33b)  
Gain/(loss) on measurement of fair value less costs to sell (IFRS 5.33b)  
Related income tax expense (IFRS 5.33b)

**Income attributable to:**

Income from discontinued operations, attributable to owners of parent (IFRS 5.33d)  
Income from continuing operations, attributable to owners of parent (IFRS 5.33d)

**Earnings per share:**

Basic earnings (loss) per share from discontinued operations (IAS 33.68)  
Diluted earnings (loss) per share from discontinued operations (IAS 33.68)

STAFF DRAFT — SUBJECT TO CHANGE