IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

Practical Issues and Considerations

THE CLOCK IS TICKING

IFRS 18 *Presentation and Disclosures in Financial Statements*

Today's session

- Practical issues & considerations

Are you ready?

Comparatives
- Full year results

Comparatives
- Interim reporting

1 January 2027
Effective date of IFRS 18

Interim reporting/ Announcements

First set of FS under IFRS 18

RETROSPECTIVE

Transition requirements:

Interim reporting
- IFRS 18.C4 – Present totals and sub-totals expected to be used when the annual financial statements are prepared (overrides IAS 34 requirements)

Interim and full year
- Reconcile the restated amounts presented applying IFRS 18 vs. IAS 1 (e.g. Changes to groupings, sub-totals, etc.)

Annual reporting period ending	IFRS 18 mandatorily effective for first time in annual reporting period ending:
31 December	31 December 2027
31 March	31 March 2028
30 June	30 June 2028
30 September	30 September 2028

CLASSIFICATION REQUIREMENTS

Overview

IFRS 18
Income and expenses classification requirements

1. All of income and expenses
2. Whether the income or expenses are 'specified' in IFRS 18
3. Entity's main business activity

Classified income or expenses in either:

- Investing
- Financing
- Operating (residual)

Cross check by also analysing balance sheets items (i.e. PPE, trade balances, borrowings, CCE etc.)

Note: Income tax items and discontinued operation items are classified in accordance with IAS 12 or IFRS 5, as applicable. However, IFRS 18 classification requirements may have implications for these categories as well.

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Changes in profit or loss statement for a corporate entity **without** specified main business activity

Line item		Classification
Revenue	XXX	Operating
Cost of sales	XXX	
Gross profit	XXX	
Other operating income	XXX	
Selling expenses	XXX	
Research and development	XXX	
General and administrative	XXX	
Operating profit	XXX	*Mandatory* specified sub-total
Fair value gains on equity instruments	XXX	**Investing**
Share of profit from joint venture	XXX	**Investing**
Profit before financing and income taxes	XXX	*Mandatory* specified sub-total
Interest expense on borrowings and lease liabilities	XXX	Financing
Profit before income taxes	XXX	Additional sub-total
Income tax expense	XXX	Income Tax
Profit from continuing operations	XXX	Additional sub-total
Loss from discontinued operations	XXX	Discontinued operations
Profit	XXX	*Mandatory* total

INVESTING CATEGORY

General requirements - For entities that do not have SMBA

Type of assets →

Investments in associates, joint ventures and unconsolidated subsidiaries	Cash and cash equivalents	Other assets if they generate a return individually and largely independently of the entity's other resources

Specified income and expenses

Income generated by the assets

- Interest
- Dividend
- Rental income

Income and expense from initial and subsequent measurement

- Depreciation
- Impairment losses and its reversal
- Fair value gain or loss

Incremental expenses directly attributable to the acquisition and disposal of the assets

- Transaction costs on financial assets as FVTPL
- Costs to sell assets like broker commissions

FINANCING CATEGORY

General requirements - For entities that do not have SMBA

Type 1 liabilities

Liabilities that arise from transactions that involve only the raising of finance (IFRS 18.59(a))

Classification in the financing category:

- Income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities
- The incremental expenses directly attributable to the issue and extinguishment of the liabilities

Type 2 liabilities

Liabilities that arise from transactions that ***do not*** involve only the raising of finance (IFRS 18.59(b))

Classification in the financing category:

- Interest income and expenses
- Income and expenses arising from changes in interest rates

(only if the entity identifies such income and expenses applying IFRS Accounting Standards)

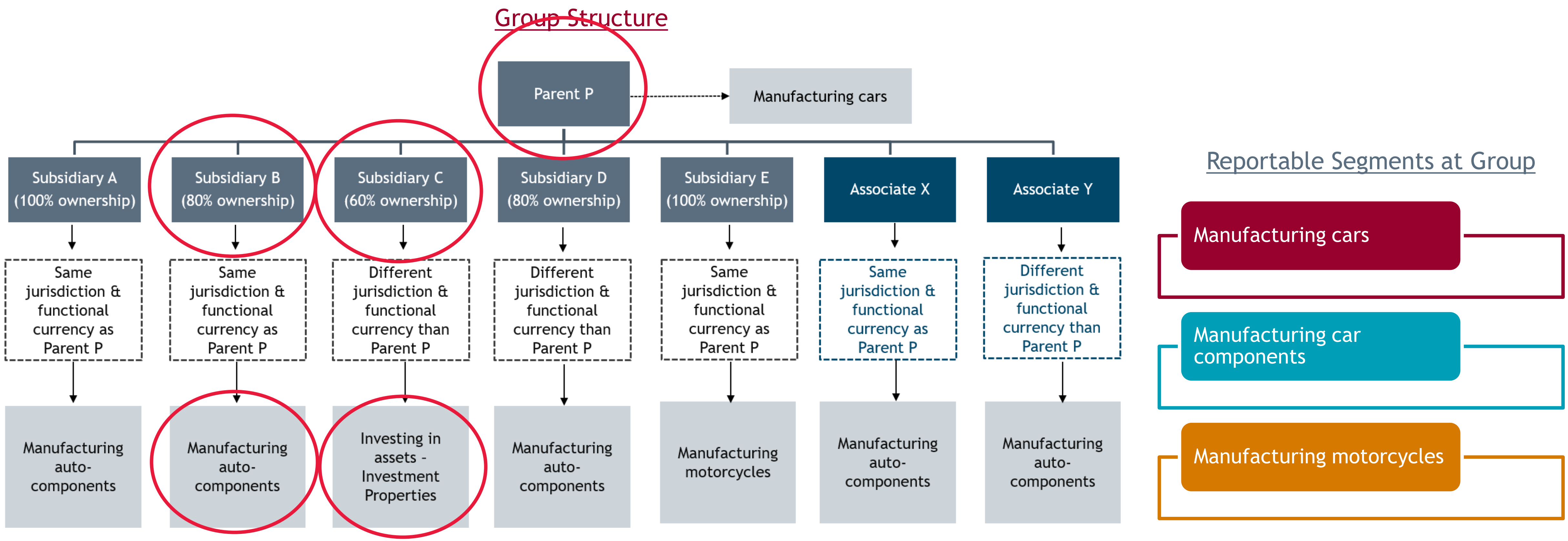
PRACTICAL ISSUES FOR TODAY'S UPDATES

- Specified main business activities ("SMBA") assessment
  - Subsidiaries/ entity level
  - Consolidation level
  - Agenda Decision on separate FS of parent entity
- Non-current assets held for sale and discontinued operations
- Change in use of assets
- Determination type of liabilities – Type 1 or Type 2
  - Bank overdraft
  - Written put option over NCI in a subsidiary
  - Convertible notes
  - Credit facility fees
- Foreign exchange differences
  - Foreign currency forward contracts
  - Intercompany loans
- Business combinations
- Statement of cash flows

CASE STUDY - GROUP STRUCTURE

GROUP STRUCTURE AND MEET THE TEAM

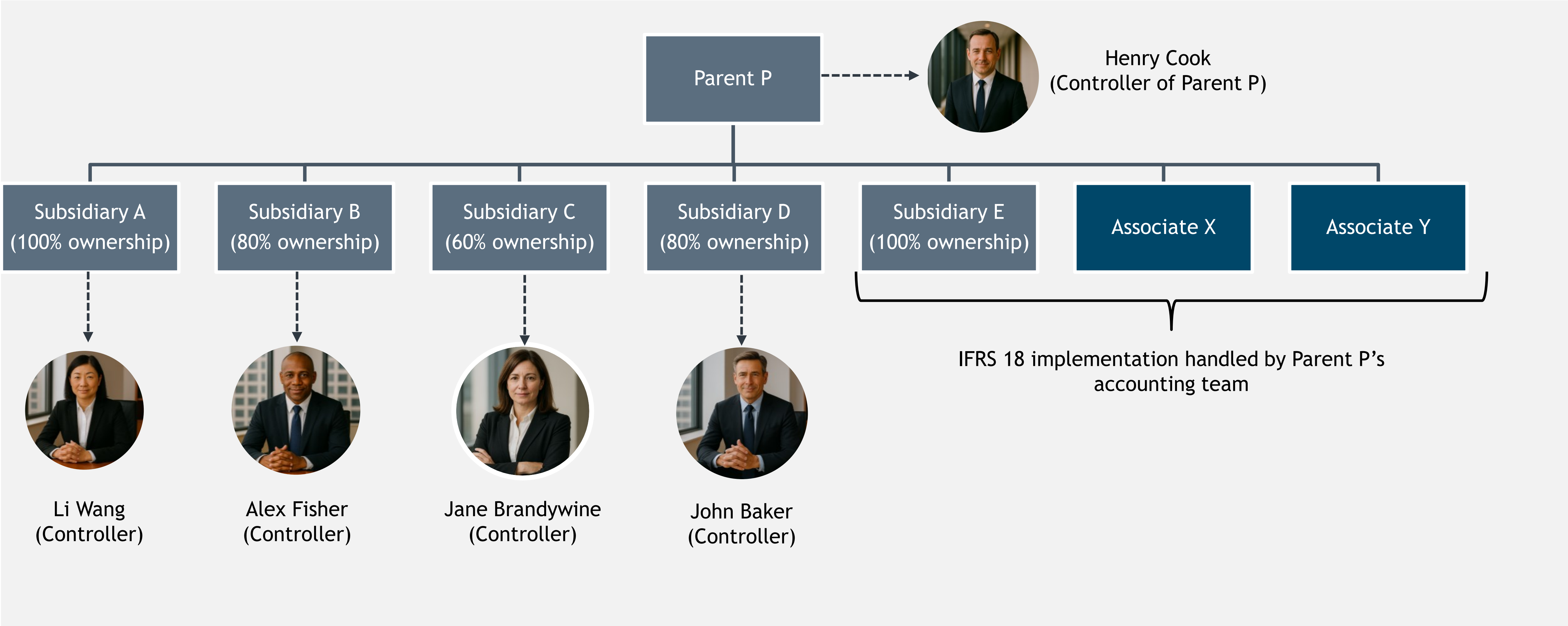
Group structure and reportable segment of the Group



Those in circles would be our focus for SMBA assessments

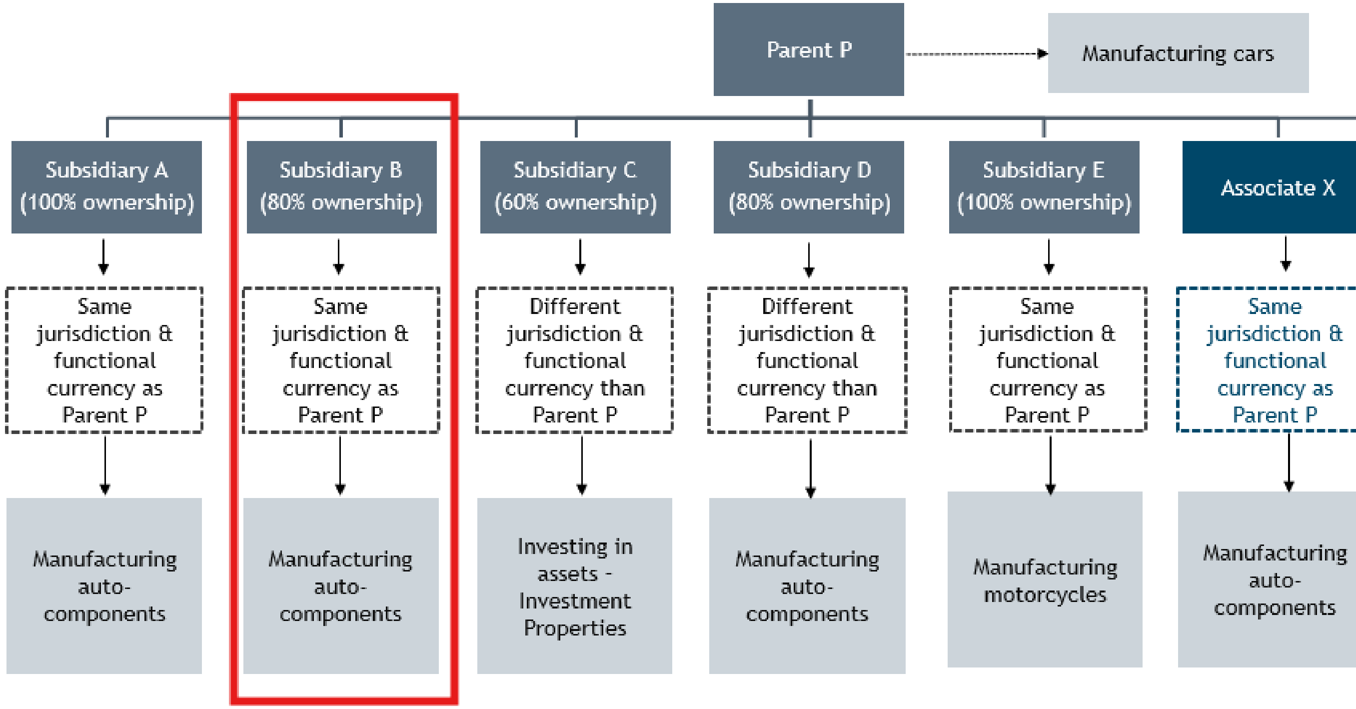
GROUP STRUCTURE AND MEET THE TEAM

Accounting team



DETERMINATION OF SPECIFIED MAIN BUSINESS ACTIVITIES ("SMBA") AND RELATED ACCOUNTING POLICY CHOICES

SUBSIDIARY B



- Main business activity is manufacturing auto-components
  - Selling to the Parent P and external customers
- Have significant investments in equity and debt instruments
  - Excess cash and reserves are invested into equity and long-term debt instruments

Question 1:

Does Subsidiary B is considered to have specified main business activity ("SMBA")?

- A. Yes
- B. No
- C. It depends

DETERMINATION OF SPECIFIED MAIN BUSINESS ACTIVITIES

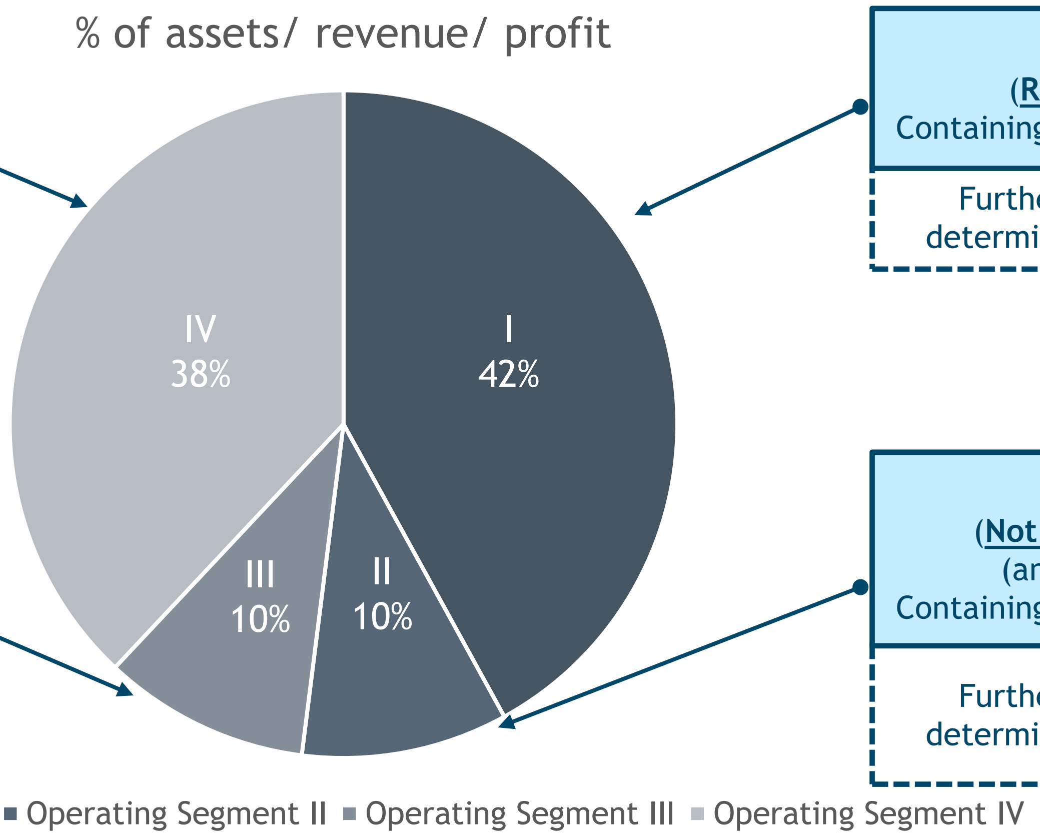
Assessment of main business activity
Information about segments (IFRS 18.B36, B34)
A simplified example – segments of Entity X

Segment IV
(**Reportable** segment):
Containing a **single** business activity

Indicates that the business activity is a main business activity (IFRS 18.B36(a))

Segment III
(**Not a reportable** segment)
(an operating segment):
Containing a **single** business activity

MBA if performance of the segment is an important indicator of the entity's operating performance (IFRS 18.B36(b), B34)



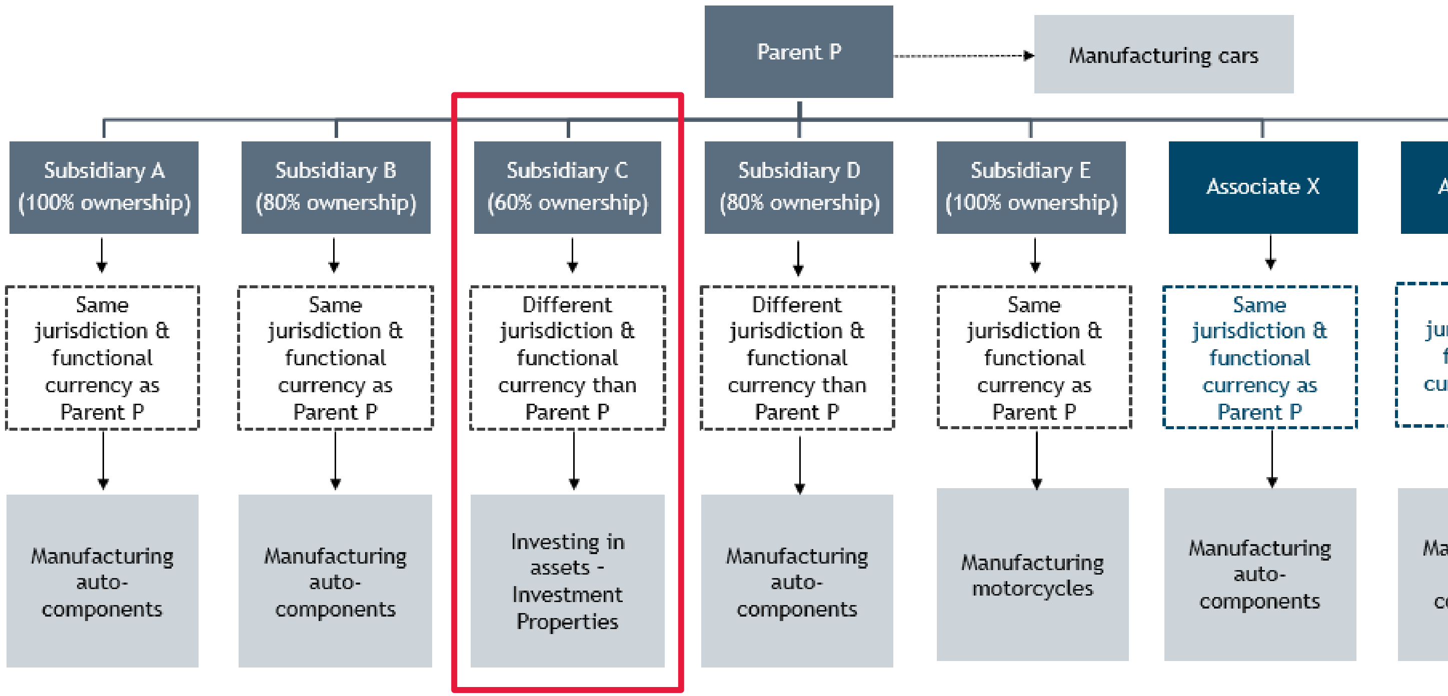
Segment I
(**Reportable** segment):
Containing **multiple** business activities

Further assessment needed to determine main business activities

Segment II
(**Not a reportable** segment)
(an operating segment):
Containing **multiple** business activities

Further assessment needed to determine main business activities

SUBSIDIARY C



- Main business activity is investing in investment properties
  - Operating performance – net rental income
  - Have an SMBA of investing in assets
- Have significant investments in equity and debt instruments as well
  - Excess cash and reserves are invested into equity and long-term debt instruments

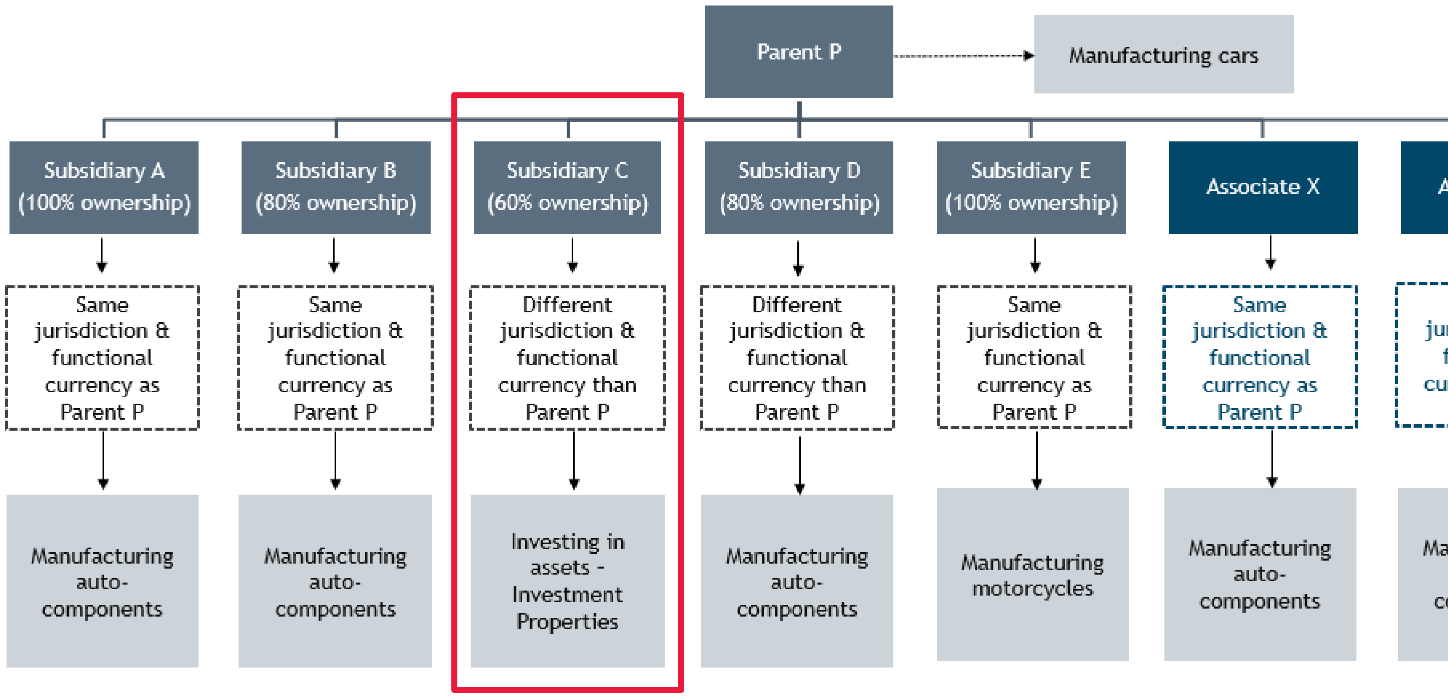
Jane Brandywine
(Controller of Subsidiary C)

Under IAS 1, we were not classifying income from these investments (equity and debt instruments) as operating, since our main operations are investment in investment property and we monitor our performance based on investments in investment property.

All our operating segments are also based on investment properties in different geographical locations.

Now, under IFRS 18, we would be able to classify income from investments in equity shares and debt instruments also as operating. It should improve our performance measures.

SUBSIDIARY C



Question 2:

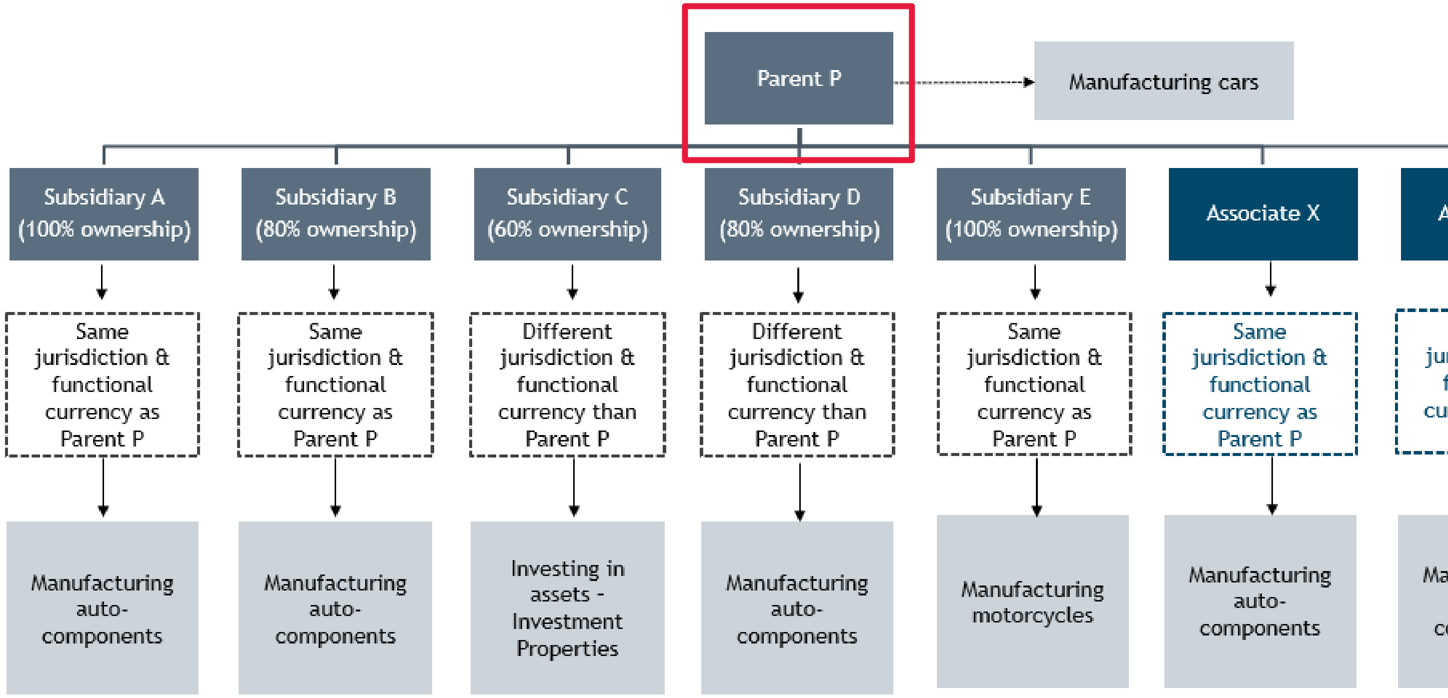
Is Jane correct in her assertion that Subsidiary C would be able to classify income from its investments in equity shares and debt instruments in the operating category?

Options:

- A. Yes, because Subsidiary C has an SMBA of investing in assets. Therefore, specified income and expenses related to any investments in assets would be classified as ‘operating’.
- B. No, Subsidiary C’s SMBA is investing in investment properties. Specified income and expenses related to investments in other assets would be classified in the ‘investing’ category.
- C. Subsidiary C has an accounting policy choice to classify specified income and expenses related to investments in equity shares and debt instruments in the operating or investing category.

PARENT P

Level of assessment



- For Parent P,
  - At separate financial statements level, Parent P does not have a SMBA.
  - At consolidation financial statements level, the reporting entity is the consolidated group, which includes Subsidiary C.

Henry Cook
(Controller of Parent P)

Therefore, Henry's view that at the consolidation level, they would be required to have SMBA of investing in assets.

PARENT P

Level of assessment

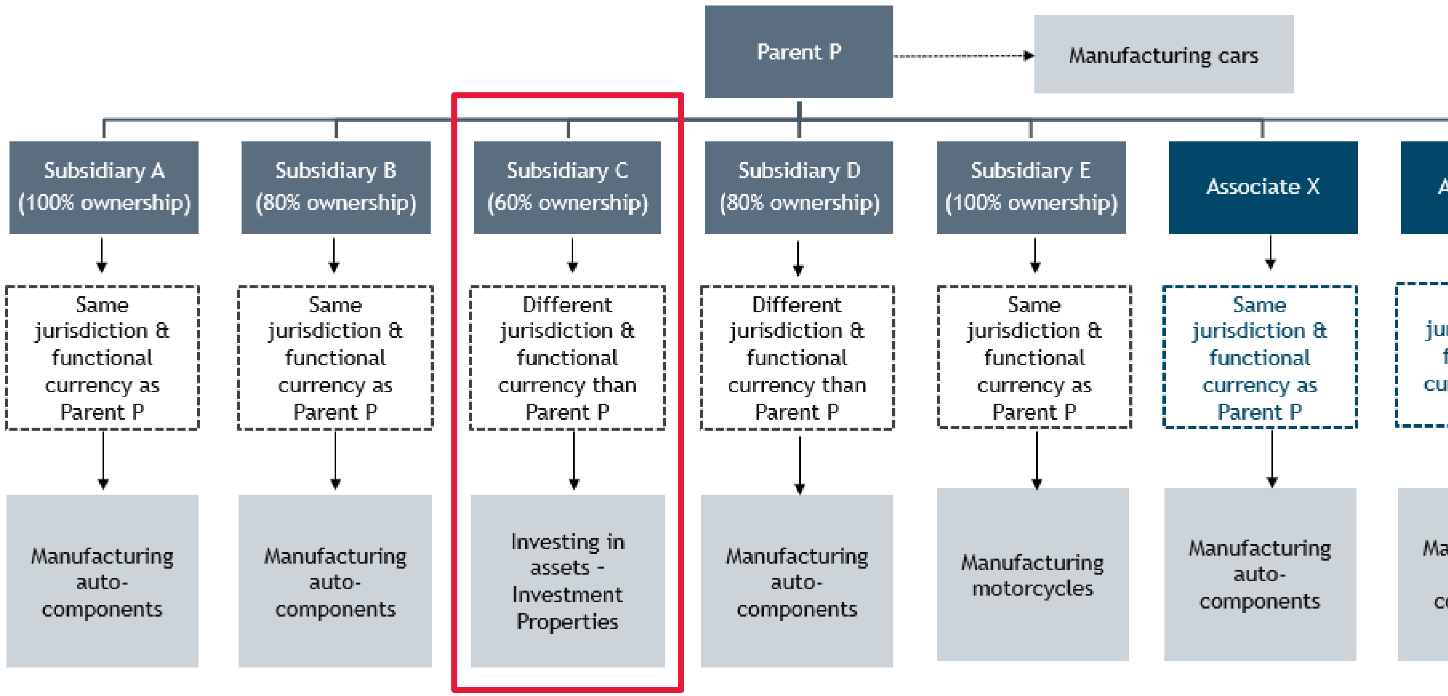
Question 3:

Is Henry correct in his assertion that Parent P would be required to have SMBA of investing in assets (i.e. in the consolidated financial statements, a parent entity is required to identify all SMBAs of all of its subsidiaries as the consolidated group's SMBAs)?

Options:

- A. Yes. In consolidated financial statements, the reporting entity is the consolidated group and all SMBAs of all the entities within the group are SMBAs for the consolidated group.
- B. No. In consolidated financial statements, the reporting entity is the consolidated group and assessment of SMBAs is required to be separately performed for the group as a whole.
- C. Parent P has an accounting policy choice to classify some of the subsidiaries' SMBAs as SMBAs of the consolidated group.

CHANGE IN SMBA ASSESSMENT



Additional facts:

- Currently, Subsidiary C is not material to the consolidated group.
- Management is planning to increase the investment in Subsidiary C and expand further.
  - Few years down the line, Subsidiary C's operations of investing in investment properties are expected to be material at the group level.

Question 4:

Can Parent P determine investment in investment properties to be an SMBA for the consolidated group when the activities of Subsidiary C become material to the consolidated group?

Options:

- A. Yes, depending on the assessment performed at that time
- B. No, the SMBA assessment is a one-time activity to be performed at the time of transition to IFRS 18

SPECIFIED MAIN BUSINESS ACTIVITY (SMBA)

RECAP/ Summary

Level of Assessment

- Performed strictly at reporting entity level
- Consolidation impact
  - MBAs determined at the consolidated group level may strategically differ from individual subsidiary level
  - Could possibly differ between consolidated group level and parent entity level on the MBAs determined

Identify 'specified' MBA

- Whether MBAs includes the 'specified' main business activity as defined by IFRS 18
  - Providing financing to customers; or
  - Investing in assets

It affects classification of income and expenses from investing or financing category into operating category

IFRIC AGENDA DECISION

Assessment of a SMBA* for the Purposes of the Separate Financial Statements of a Parent (1 of 3)

Fact pattern

- The reporting entity (Parent P) is the ultimate parent of a large group of entities.
- Its only activities are:
  - holding investments in (unconsolidated) subsidiaries
  - making decisions on the management
  - acquisition and disposal of those subsidiaries
  - distributing returns on those investments to shareholders.

- Parent P determines that it is not an investment entity as defined in IFRS 10 *Consolidated Financial Statements*.
- Parent P accounts for the investments in subsidiaries at cost in the separate financial statements.
- Parent P only provides segmental analysis or subtotals to explain operating performance for the group.
  - For Parent P's separate financial statements, such metrics are neither provided to shareholders, nor used internally.
- Parent P has not identified any specified main business activities in the consolidated financial statements.

** Specified Main Business Activity*

IFRIC AGENDA DECISION

Assessment of a SMBA* for the Purposes of the Separate Financial Statements of a Parent (2 of 3)

For the purposes of its separate financial statements, does Parent P have a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries?

If yes

Income and expenses from these investments classified in the operating category

If no

Income and expenses from these investments classified in the investing category

** Specified Main Business Activity*

IFRIC AGENDA DECISION

Assessment of a SMBA* for the Purposes of the Separate Financial Statements of a Parent (3 of 3)

Analysis

- Generally, assessing whether a parent has a main business activity of investing in subsidiaries, requires judgement
  - particularly if the parent has more than one business activity.

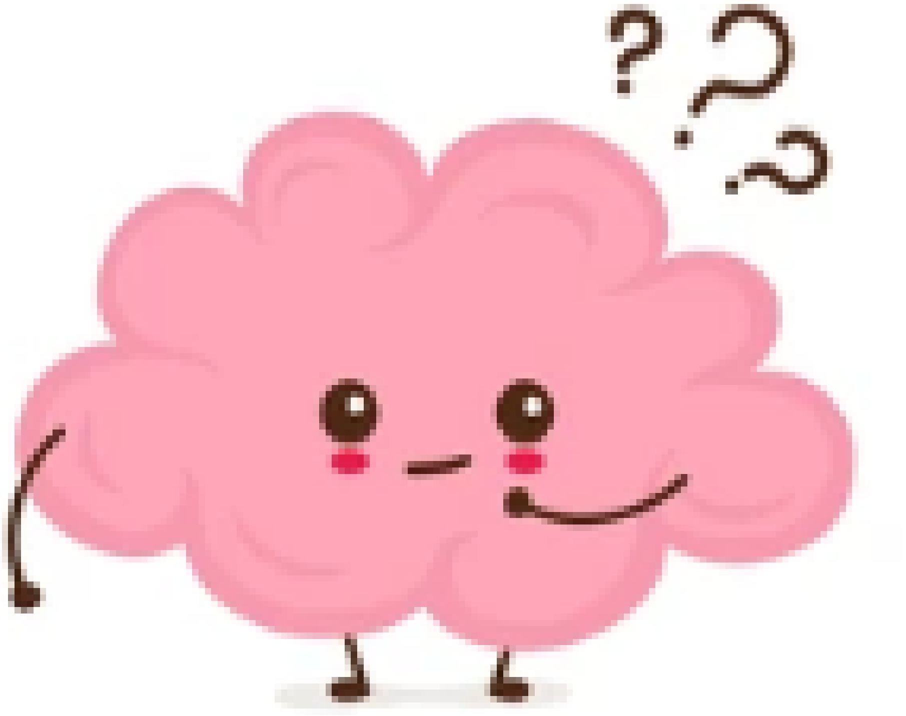
- In the fact pattern, the Committee concluded that investing in unconsolidated subsidiaries is a main business activity:
  - according to IFRS 18.55, an entity can have a main business activity of investing in unconsolidated subsidiaries
  - the indicators of an MBA as provided in IFRS 18.B34-B36 do not apply, but is not determinative
  - Parent P's only substantive business activity is holding and managing investments in subsidiaries and distributing returns from these investments
  - if investing in subsidiaries is not a main business activity, Parent P would not have any main business activities
  - not having any main business activities is inconsistent with the underlying rationale of IFRS 18

Consequently, the Committee concluded that in the fact pattern described, Parent P has a main business activity of investing in unconsolidated subsidiaries for the purpose of its separate financial statements.

CLASSIFICATION OF INCOME AND EXPENSES WHEN ENTITY HAS SMBA

There are specific requirements in IFRS 18 for entity with SMBA.

Next few slides for the specific requirements for entities with SMBA



CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Changes in profit or loss statement for a corporate entity with specified main business activity

Line item		Classification
Revenue	XXX	Operating
Cost of sales	XXX	
Gross profit	XXX	
Other operating income	XXX	
Selling expenses	XXX	
Research and development	XXX	
General and administrative	XXX	
Operating profit	XXX	*Mandatory* specified sub-total
Fair value gains on equity instruments	XXX	**Investing**
Share of profit from joint venture	XXX	**Investing**
Profit before financing and income taxes	XXX	*Mandatory* specified sub-total
Interest expense on borrowings and lease liabilities	XXX	**Financing**
Profit before income taxes	XXX	Additional sub-total
Income tax expense	XXX	**Income Tax**
Profit from continuing operations	XXX	Additional sub-total
Loss from discontinued operations	XXX	**Discontinued operations**
Profit	XXX	*Mandatory* total

For entities with specified main business activities, certain income and expenses classified in the investing and financing categories may be classified in the operating category if criteria are met.

INVESTING CATEGORY

General requirements - For entities that do not have SMBA

Type of assets →

Investments in associates, joint ventures and unconsolidated subsidiaries	Cash and cash equivalents	Other assets if they generate a return individually and largely independently of the entity's other resources

Specified income and expenses

Income generated by the assets

- Interest
- Dividend
- Rental income

Income and expense from initial and subsequent measurement

- Depreciation (*)
- Impairment losses and its reversal
- Fair value gain or loss

Incremental expenses directly attributable to the acquisition and disposal of the assets

- Transaction costs on financial assets as FVTPL
- Costs to sell assets like broker commissions

(*) Depreciation does not apply in case of Subsidiary C as Subsidiary C's investment properties are measured at fair value in accordance with the fair value model in IAS 40.

INVESTING CATEGORY

Classification requirements in case of an SMBA of investing in assets

Types of assets

	Investments in associates, joint ventures and unconsolidated subsidiaries	Cash and cash equivalents	Other assets if they generate a return individually and largely independently of the entity's other resources

Classification of specified income and expenses in case of an SMBA of investing in assets	Investing category if equity method is applied, otherwise operating category.
	
	(If equity method is applied - classification remains investing irrespective of SMBA)
	
	(IFRS 18.55)
		• SMBA of investing in financial assets: Operating category (IFRS 18.56(a))
		• SMBA of providing financing to customers, but not investing in financing assets:
		  • Related to providing financing – Operating category
		  • Others – Accounting policy choice (operating / investing category)
		(IFRS 18.56(b))
			For the assets that the entity invests in as an MBA: Operating category
			
			(IFRS 18.58)

FINANCING CATEGORY

General requirements - For entities that do not have SMBA

Type 1 liabilities

Liabilities that arise from transactions that involve only the raising of finance (IFRS 18.59(a))

Classification in the financing category:
- Income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities
- The incremental expenses directly attributable to the issue and extinguishment of the liabilities

Type 2 liabilities

Liabilities that arise from transactions that ***do not*** involve only the raising of finance (IFRS 18.59(b))

Classification in the financing category:
- Interest income and expenses
- Income and expenses arising from changes in interest rates

(only if the entity identifies such income and expenses applying IFRS Accounting Standards)

FINANCING CATEGORY

Classification requirements in case of an SMBA of providing financing to customers

Type 1 liabilities

Liabilities that arise from transactions that involve only the raising of finance

- Liabilities related to providing financing to customers: Operating category (IFRS 18.65(a)(i))
- Liabilities not related to providing financing to customers: Accounting policy choice (operating or financing category) (IFRS 18.65(a)(ii))

Type 2 liabilities

Liabilities that arise from transactions that ***do not*** involve only the raising of finance

Classification in the financing category:

- Interest income and expenses
- Income and expenses arising from changes in interest rates

(only if the entity identifies such income and expenses applying IFRS Accounting Standards)

No change in the requirements
(IFRS 18.65(b))

SUBSIDIARY C

Cash and cash equivalents

Jane Brandywine
(Controller of Subsidiary C)

At Subsidiary C, we have an SMBA of investing in assets. So, I think we will have an accounting policy choice to classify the income and expenses related to cash and cash equivalents in the operating or investing category.

I was proposing that, for Subsidiary C, we exercise this accounting policy choice and classify the income and expenses related to cash and cash equivalents in the operating category.

Question 5:

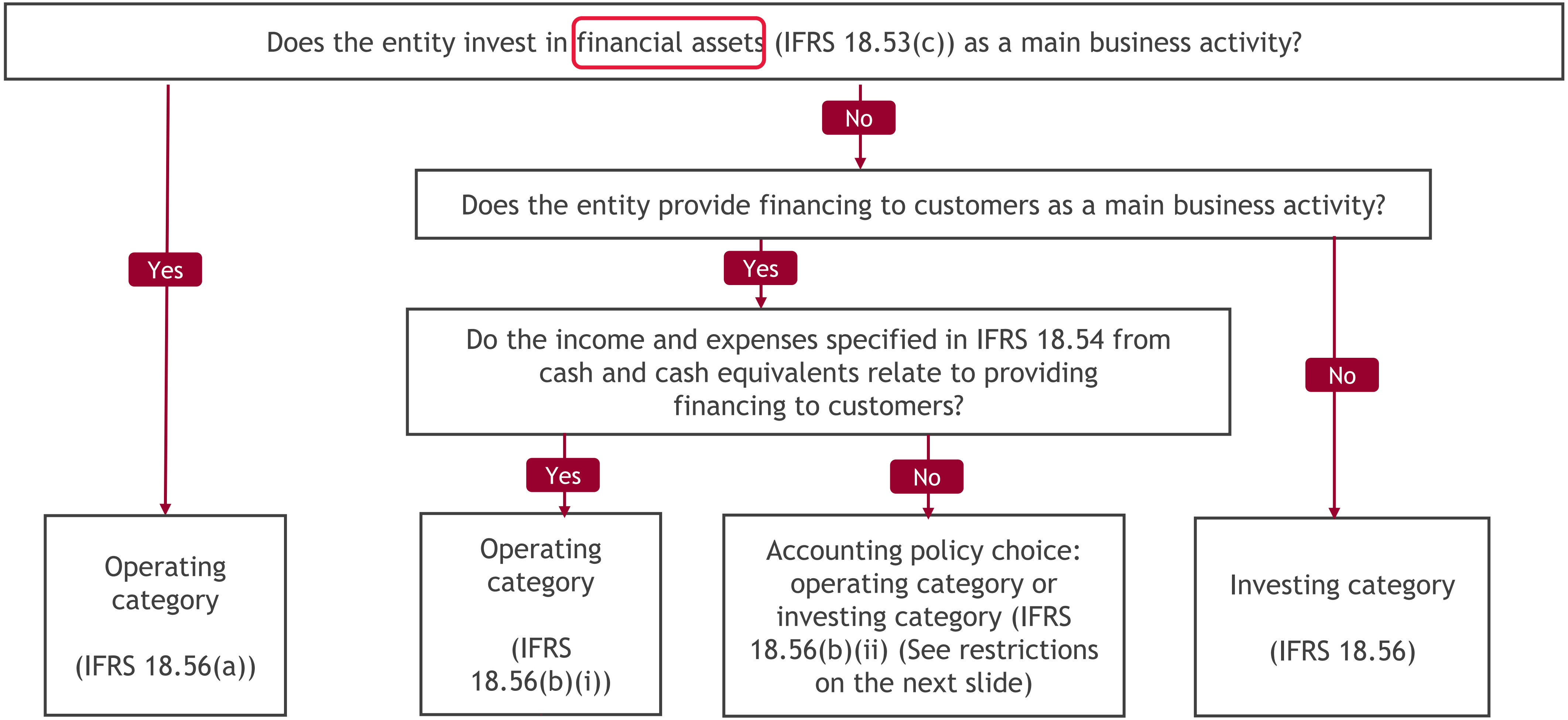
Is Subsidiary C permitted to classify income and expenses related to cash and cash equivalents in the operating category? (Subsidiary C has an SMBA of investing in investment properties).

Options:

A. Yes

B. No

CLASSIFICATION REQUIREMENTS FOR INCOME AND EXPENSES RELATED TO CASH AND CASH EQUIVALENTS



CLASSIFICATION REQUIREMENTS FOR INCOME AND EXPENSES RELATED TO CASH AND CASH EQUIVALENTS

Restrictions apply if the entity does not invest in financial assets as an MBA, but provides financing to customers as an MBA

Restriction on Accounting Policy Choice

Restriction 1

Consistency in accounting policy choices (IFRS 18.56(b)(ii))

Cash and cash equivalents not related to providing financing to customers		‘Pure financing’ liabilities not related to providing financing to customers
Operating	⟷	Operating
Investing	⟷	Financing

Restriction 2

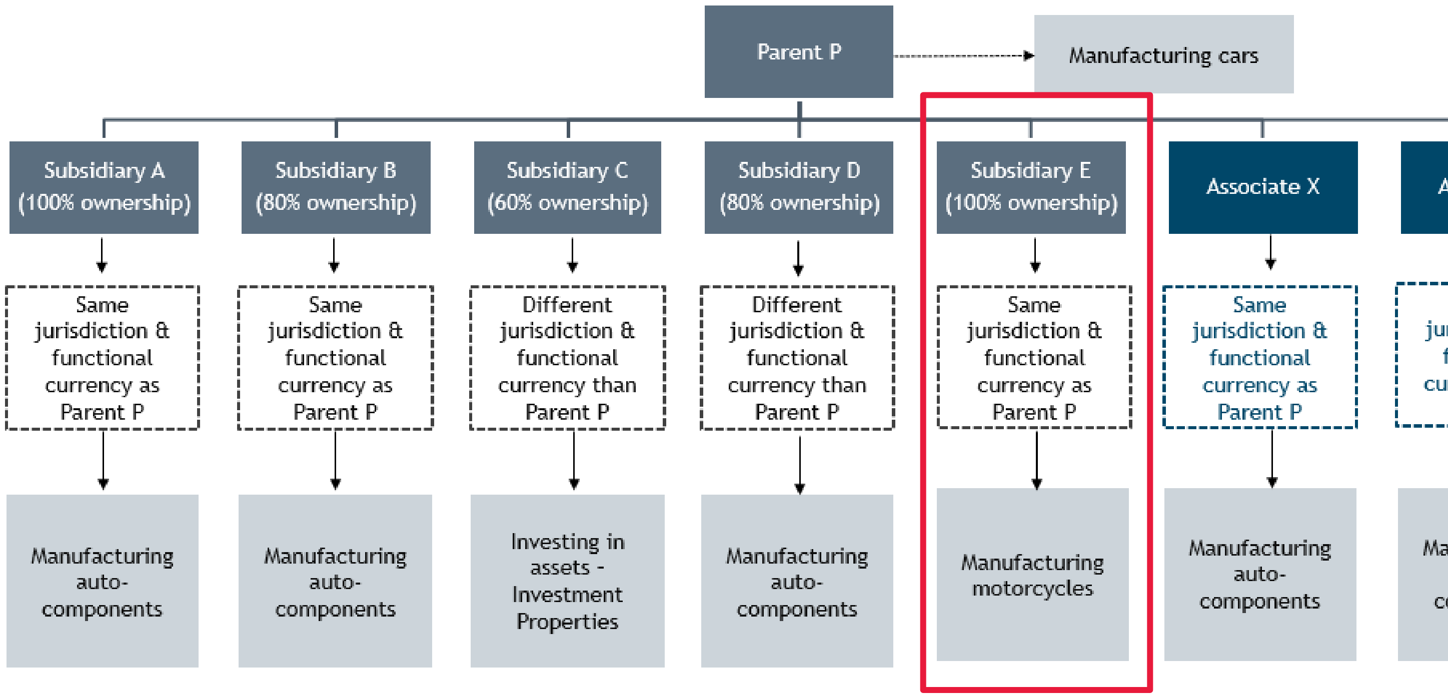
Can the entity distinguish between cash and cash equivalents that relate to providing financing to customers and those that do not?

- Yes → Accounting policy choice exists: operating category or investing category
- No → Operating category (IFRS 18.57)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

DISPOSAL OF SUBSIDIARY E

Discontinued operations



During the year, the Group planned to dispose Subsidiary E and has classified it as discontinued operations.

For current year, income and expenses from Subsidiary E will be classified in the discontinued operation category as per IFRS 18.

Question 6:

Is Parent P required to classify income and expenses from Subsidiary E in the discontinued operations category for the comparative period also (Subsidiary E was classified as a discontinued operation in the current period)?

- A. Yes, IFRS 5 requires presentation or disclosure of income and expenses of the discontinued operation as a single amount in the statement of comprehensive income for the comparative period also.
- B. No, IFRS 18 does not explicitly require classification of income and expenses from discontinued operations in the discontinued operations category for the comparative period.

NON-CURRENT ASSETS HELD FOR SALE

In last financial year, the Subsidiary B, has classified some items of PPE as held for sale.

- These assets were previously used in manufacturing process and did not meet the definition of discontinued operations.

As the time of classification as held for sale, the items of PPE were measured at the lower of their carrying amounts and fair value less costs to sell as per IFRS 5.

- The resulting loss was recognised in profit or loss.

In current year, the items of PPE were sold for a profit.

Question 7:

Where should Subsidiary B classify the profit on sale of the items PPE in the current period and the loss on remeasurement of the items of PPE on classification as assets held for sale in the comparative period?

A. Both amounts need to be classified in the operating category.

B. Both amounts need to be classified in the discontinued operations category.

C. The loss on remeasurement of the items of PPE is required to be classified in the operating category and the profit on sale of the items of PPE is required to be classified in the discontinued operations category.

NON-CURRENT ASSETS HELD FOR SALE – SINGLE ASSET

In last year, Subsidiary C also, had classified one of its investment properties as held for sale.

Subsidiary C, has an SMBA of investing in assets.

The measurement provisions of IFRS 5 do not apply to non-current assets accounted for in accordance with the fair value model in IAS 40.

- Therefore, this investment property was not measured at fair value less costs to sell on classification as held for sale.

Question 8:

In which category should Subsidiary C classify the gain on sale of investment property that was classified as held for sale in the previous year?

A. Operating category
B. Investing category
C. Discontinued operations category

NON-CURRENT ASSETS HELD FOR SALE – GROUP OF ASSETS AND LIABILITIES

Additional facts:

In the investment property that was sold, there was one floor that being used as branch office by Subsidiary C.

- That particular floor was not rented out as Subsidiary C owned the property
- That floor was separately accounted for as PPE as per IAS 40.10

After disposal, Subsidiary C has not leased back the floor by the buyer.

Question 9:

How should Subsidiary C classify the gain on the sale of investment property if one floor of the investment property was used as its branch office and accounted for as PPE immediately before derecognition.

A. Entirely in the operating category

B. Entirely in the investing category

C. Allocate between operating and investing category based on relative standalone fair values of the self-occupied floor and rented out property.

D. Accounting policy choice between operating and investing category

NON-CURRENT ASSETS HELD FOR SALE – GROUP OF ASSETS AND LIABILITIES

What would be the classification in Parent P’s consolidated financial statements?

Question 10:

How should Parent P classify the gain on the sale of investment property of Subsidiary C?

(Parent P classified the specified income and expenses from the rented-out portion in the investing category (no SMBA of investing in assets) and those from the self-occupied portion in the operating category.)

A. Entirely in the operating category
B. Entirely in the investing category
C. Allocate between operating and investing category based on relative standalone fair values of the self-occupied floor and rented out property.
D. Accounting policy choice between operating and investing category

ASSETS – CHANGE IN USE

SUBSIDIARY C WITH SMBA OF INVESTING IN ASSETS (INVESTMENT PROPERTY)

Change in use of asset

During the year, Subsidiary C terminated the lease with a tenant for one of its investment properties. The property now is being used as Subsidiary C's own office.

- The investment property was measured using the fair value model.
- Property, plant and equipment are however measured using the cost model.

The fair value of the investment property at the date of change was treated as the property's deemed cost for subsequent accounting in accordance with IAS 16 [IAS 40.60].

Question 11:

In which category in the statement of profit or loss should the following income and expenses be classified:

- the fair value adjustments of the building prior to the change of use,
- the fair value adjustment when the building is reclassified as property, plant and equipment and
- the subsequent depreciation of the property, plant and equipment.

?

A. All in the operating category
B. All in the financing category
C. The fair value adjustments in the investing category and the depreciation in the operating category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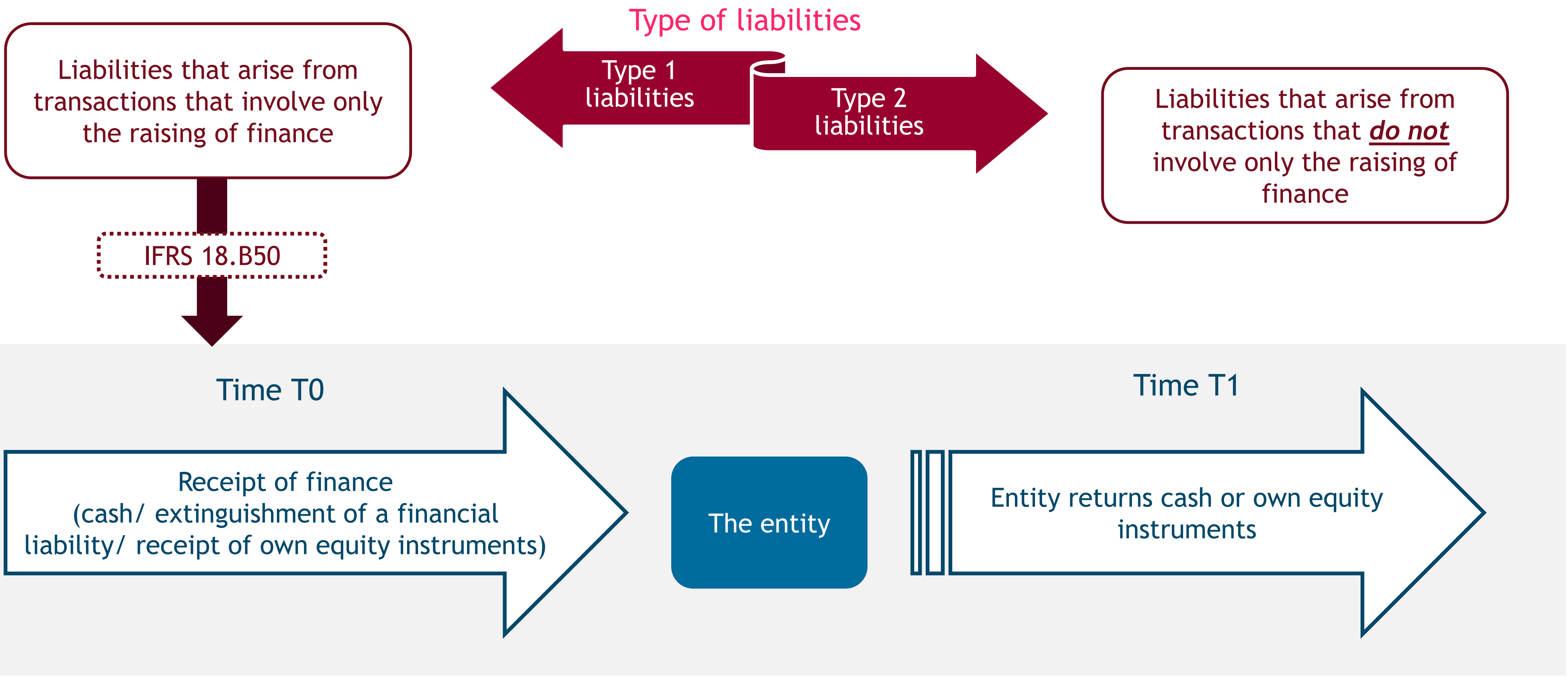
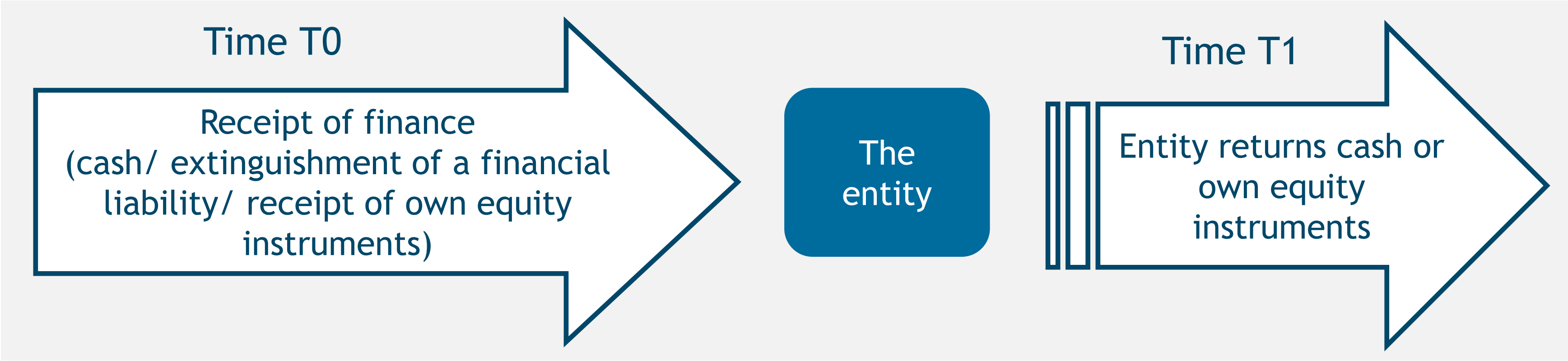
DETERMINATION TYPE OF LIABILITIES – TYPE 1 OR TYPE 2

DETERMINATION TYPE OF LIABILITIES – TYPE 1 VS TYPE 2



DETERMINATION TYPE OF LIABILITIES – TYPE 1 VS TYPE 2

Mechanism of Type 1 liabilities



Type of liability (IFRS 18.B51)	Receipt of finance in the form of:		Entity returns:
Debt instrument to be settled in cash	Cash	→	Cash
Liability under a supplier finance arrangement (payable for goods/ services is derecognised)	Extinguishment of a financial liability (trade payable for goods/ services)	→	Cash
Bond to be settled through delivery of entity’s shares	Cash	→	Own equity instruments
Obligation to purchase own equity instruments	Receipt of own equity instruments	→	Cash

DETERMINATION TYPE OF LIABILITIES – TYPE 1 VS TYPE 2

Examples of type 2 liabilities (IFRS 18.B53)

Type of liability	Receipt by entity		Return by entity	
	What does the entity receive?	Type 1 liability requirement met? (*)	What does the entity return?	Type 1 liability requirement met? (^)
Payable for goods/ services to be settled in cash	Goods/ services	✗	Cash	✓
Contract liabilities	Cash/ recognition of receivable	If cash received ✓	Goods/ services	✗
Lease liabilities	Right-of-use asset	✗	Cash	✓
Defined benefit pension liabilities	Employee services	✗	Cash	✓
Litigation provision	Legal service/ obligation as a result of past event	✗	Cash	✓

(*) Financing in the form of cash/ extinguishment of a financial liability/ receipt of own equity instruments.

(^) Entity returns cash/ own equity instruments.

DETERMINATION TYPE OF LIABILITIES – TYPE 1 VS TYPE 2

Income and expenses from type 2 liabilities

Classification in financing category

- Interest income and expenses
- Income and expenses arising from changes in interest rates

(only if the entity identifies such income and expenses applying IFRS Accounting Standards) (IFRS 18.61)

Examples (IFRS 18.B54):

- Interest expenses on payables arising from the purchase of goods or services (IFRS 9)
- Interest expenses on a contract liability with a significant financing component (IFRS 15)
- Interest expenses on a lease liability (IFRS 16)
- Net interest expense (income) on a net defined benefit liability (asset) (IAS 19)
- The increase in the discounted amount of a provision arising from the passage of time and the effect of any change in the discount rate (IAS 37)

Classification in operating category

All other income expenses
(IFRS 18.52)

Examples:

- Expenses recognised for consumption of the purchased goods or services (IFRS 18.B55(a))
- Current and past service cost arising from a defined benefit plan (IFRS 18.B55(b))
- Remeasurements of the fair value of a liability for contingent consideration in a business combination (IFRS 18.B55(c))
- Remeasurements of lease liabilities resulting in reductions in scope

BANK OVERDRAFT

Which liability category should it be classified under?

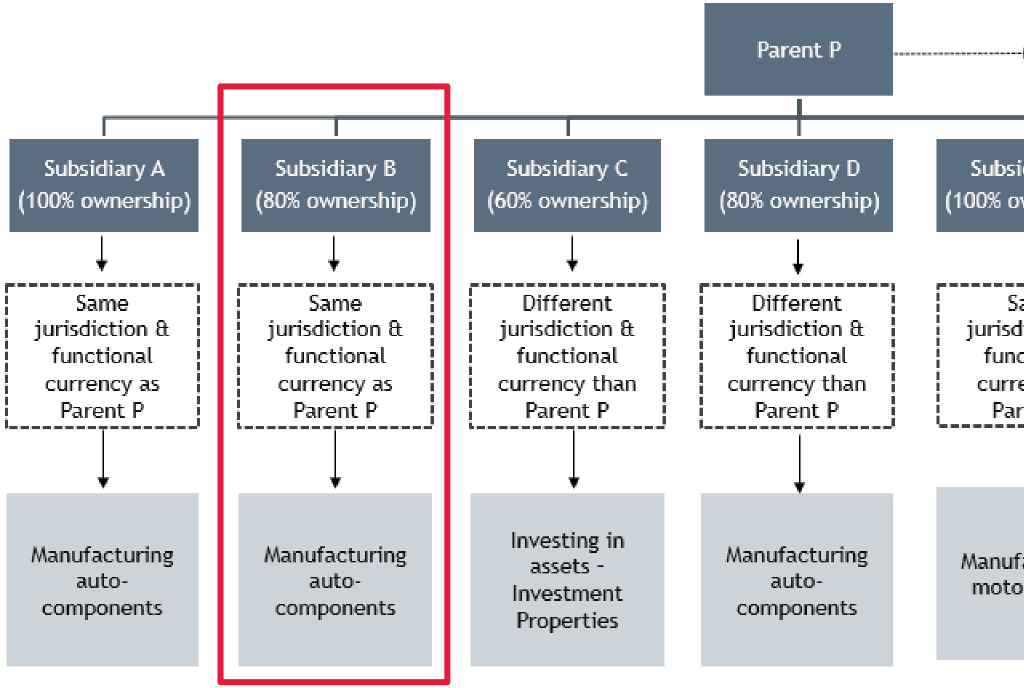
- Subsidiary D also has bank overdraft facility.
- Bank overdraft fluctuates between positive and negative throughout the year.
- Overdraft facility is part of the Subsidiary D's day to day cash management
- Applying IAS 7, the bank overdraft has been included as part of the cash and cash equivalents for the purpose of the statement of cash flows
- When balance is positive, Subsidiary D earns interest income and when the balance is negative, Subsidiary D incurs interest expense.

Question 12:

How should Subsidiary D classify this income and expense under IFRS 18?

A. Entirely in investing category
B. Split between investing and financing, if practicable
C. No clear requirements

WRITTEN PUT OPTION OVER NCI IN A SUBSIDIARY



- Parent P holds 80% equity interest in Subsidiary B. Parent P has written a put option over the remaining 20% NCI, as a result of which Parent P has an obligation to purchase the 20% shares held by minority shareholders if they exercise the option.
- The option is exercisable after 3 years from now. The exercise price is variable. It is based on Subsidiary B's EBITDA of three years.
- Parent P has not accounted for the put option over NCI as anticipated acquisition, meaning the NCI is recognised.

Entry for business combination
Dr Net assets acquired
Dr Goodwill
Cr NCI
Cr Purchase consideration

- Since the option is to purchase Subsidiary B's shares, for the purpose of consolidated financial statements, the obligation is to purchase own equity shares. This obligation is recognised as a financial liability at the present value of exercise price in accordance with IAS 32.23. The corresponding debit is recognised in parent equity.

Entry for recognition of NCI put option
Dr Parent equity
Cr Put liability (PV of exercise price)

WRITTEN PUT OPTION OVER NCI IN A SUBSIDIARY

- The written option is not a derivative since the EBITDA is specific to Subsidiary B and as you know, the definition of derivatives in IFRS 9 scopes out those instruments where the non-financial underlying is specific to a party to the contract.
- Every period end, Parent P remeasures the financial liability (IFRS 9.B5.4.6).

Remeasurement of financial liability
Dr Profit or loss (gain/ loss on remeasurement)
Cr Put liability (change in PV)

Consideration:

How should Parent P classify the gain or loss on the remeasurement of the put option over NCI?

- The requirements of IFRS 18 on the classification of gains or losses on the remeasurement of put options over NCI are not entirely clear.
- In BDO's view, the entity has an accounting policy choice to classify the gain or loss on remeasurement of the put liability in the operating category or financing category.

WRITTEN PUT OPTION OVER NCI IN A SUBSIDIARY

Classification of gains and losses on put option over NCI – possible approaches

View 1
Operating category

<u>Transactions that involve only the raising of finance (IFRS 18.B50):</u>

- An entity receives finance in the form of cash, or an extinguishment of a financial liability, or receipt of the entity's own equity instruments; and
- ***<u>At a later date</u>***, the entity will return in exchange cash or its own equity instruments

Requirement not met strictly as finance not raised at the time of recognition of put liability.

Therefore, not a type 1 liability.

Classification required - Operating

View 2
Financing category

<u>Examples of type 1 liabilities (IFRS 18.B51)</u>

d) an obligation for an entity to purchase its own equity instruments—an entity receives its own equity instruments and will return cash in exchange.

<u>IAS 32.23 (emphasis added):</u>

*…a contract that contains an **<u>obligation</u>** for an entity **<u>to purchase its own equity instruments</u>** for cash or another financial asset gives rise to a **<u>financial liability</u>** for the present value of the redemption amount…*

<u>Conclusion</u>

Liability recognised for put option over NCI is a type 1 liability.

Income and expenses from subsequent measurement classified in the financing category.

CONVERTIBLE NOTES

- Parent P, have recently issued convertible notes.
- The notes are convertible into a fixed number of equity shares of Parent P at the end of 3 years at the option of the holder.
- The notes are denominated in foreign currency. Therefore, the conversion option fails fixed-for-fixed test and is classified as a derivative.
- The embedded derivative is not closely related to the host liability and is required to be separated as per IFRS 9.
- Parent P is still evaluating whether to account for the embedded derivative separately or to apply the option in IFRS 9.4.3.5 and account for the entire hybrid contract at FVTPL.

What would be the classification of the income and expenses related to this hybrid instrument under IFRS 18 in each of the following scenarios: (i) when the embedded derivative is separated, and (ii) when it is not separated?

CONVERTIBLE NOTES – HYBRID INSTRUMENT

Classification of income and expenses in case of a hybrid contract

Embedded derivative is separated

Host liability

Embedded derivative

Apply the requirements for income and expenses from liabilities

Apply the requirements for income and expenses from derivatives

Next slide

Embedded derivative is not separated

Scenario 1

Type 1 host liability
+
Embedded derivative

Apply the requirements for income and expenses from Type 1 liabilities

No SMBA of providing financing:
Financing category

SMBA of providing financing:

- Liability relates to providing financing: Operating category
- Liability does not relate to providing financing: Accounting policy choice (operating/ financing)

Scenario 2

Type 2 host liability
+
Embedded derivative

i. The host liability is a financial liability within the scope of IFRS 9, measured at amortised cost:

- Specified income and expenses after initial recognition (IFRS 18.60) – financing category
- All other income and expenses – operating category

ii. Insurance contract within the scope of IFRS 17:

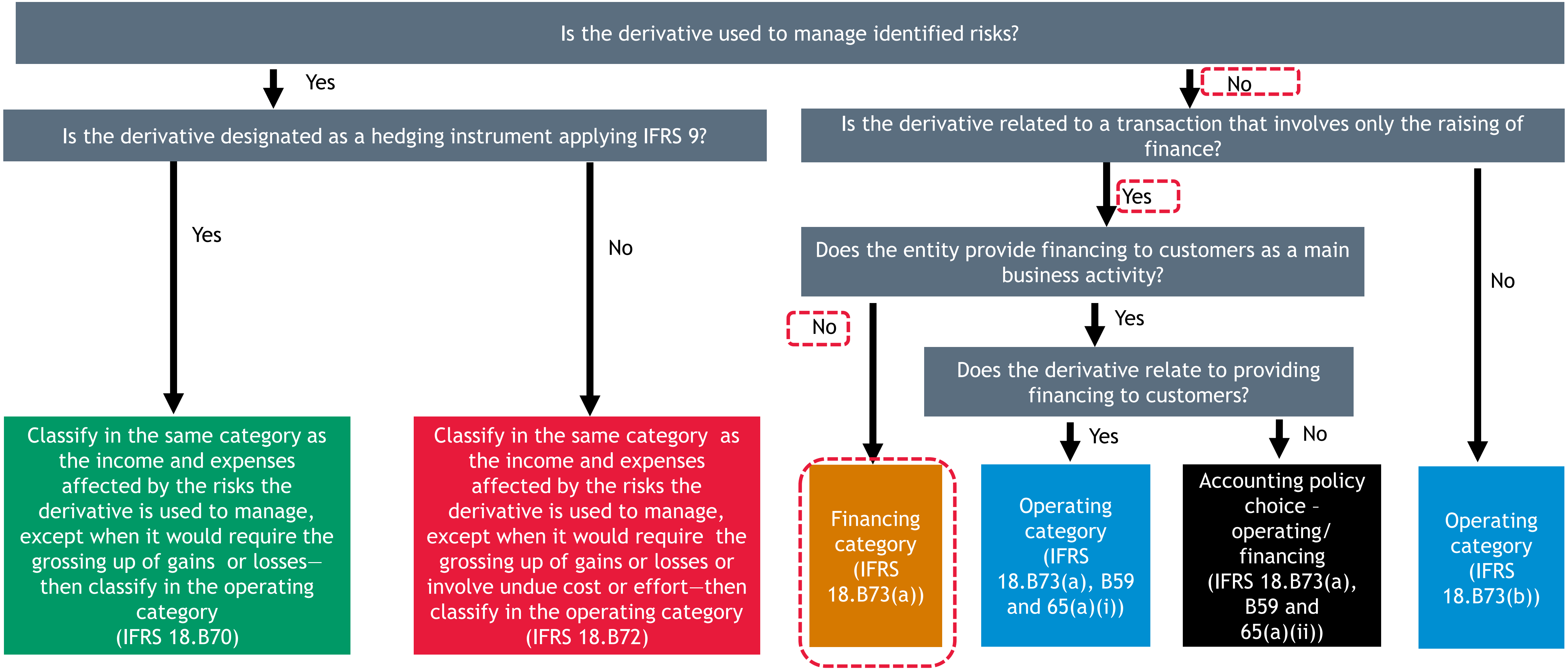
Operating category

iii. Other than (i) and (ii):

Apply the requirements for type 2 liabilities

GAINS OR LOSSES ON DERIVATIVES AND DESIGNATED HEDGING INSTRUMENTS

Embedded derivative is **separated** from host liabilities - Separate financial statements of Parent P



HYBRID CONTRACT WITH HOST LIABILITIES

Embedded derivative is **not** separated from host liabilities

No SMBA of providing financing to customers – Separate FS of Parent P

Does the hybrid contract (with a non-separated embedded derivative) arise from a transaction that involves only the raising of finance?

Yes

Income and expenses (IFRS 18.60)

Examples: interest income and expenses, incremental expenses to issuing/extinguishing liabilities, gains and losses on derecognition

Financing category

No

How is the hybrid contract (with a non-separated embedded derivative) classified?

(a) The host liability is a financial liability in the scope of IFRS 9 that is measured at amortised cost

Income and expenses after initial recognition (IFRS 18.60)

Examples: interest income and expenses, gains and losses on derecognition

Financing category

All other income and expenses

Operating category

(b) An insurance contract in the scope of IFRS 17

Operating category

Other than (a) and (b)

All other income and expenses

Operating category

(1) Interest income and expenses; and (2) Income and expenses from changes in interest rates

((1) and (2) apply only if the entity identifies such income and expenses applying IFRS Accounting Standards) (IFRS 18.61)

Financing category

CREDIT FACILITY FEES

CREDIT FACILITY FEES

Subsidiary D is presently in discussions with the bank to secure a 5-year revolving credit facility.

- Expect to draw on the facility and repay amounts multiple times during the facility period.

The revolving facility will be accounted for at amortised cost.

The facility is expected to include the following fees:

- Commitment fee (recognised in profit or loss on a straight-line basis over the commitment period)
- Annual fee (payable regardless of the amount drawn)
- Draw down fee (calculated as a percentage of the amount drawn)
- Penalty if no amounts are drawn during the year

Since all fees above are related to obtain financing, Subsidiary D believes that these fees should be classified in the financing category.

Question 13:

Is it correct to assume that all the fees should be classified in the financing category in the statement of profit or loss?

A. Yes
B. No

FOREIGN EXCHANGE DIFFERENCES

FOREIGN EXCHANGE DIFFERENCES

Requirement to classify foreign exchange gains or losses in the same category as the associated income and expense, unless doing so would involve undue cost or effort. (IFRS 18.B65)

Possible source of foreign exchange difference	Category and explanation
Trade receivables denominated in a foreign currency	Operating category, as trade receivables are assets that do not generate a return individually and largely independently of the entity's other resources, meaning associated income and expenses are classified in operating category.
Bank borrowing denominated in foreign currency – entity does not provide financing as a main business activity	Financing category, as that matches the income and expenses arising from debts (e.g. interest expenses)
Bank balances denominated in foreign currency – entity does not invests in financial assets as main business activity	Investing category, as that matches the income and expenses arising from cash and cash equivalents (e.g. interest income)

FOREIGN EXCHANGE DIFFERENCES

Undue cost or effort

How should foreign exchange sources with income or expenses that are classified across more than one category in the statement of profit or loss be treated, especially for type 2 liabilities?

For example, entity entered into consulting service contract denominated in a foreign currency with an extended credit terms (e.g. first 6 months of services paid over 18 months) could give rise to:

- Service expenses classified in the operating category; and
- Interest expenses classified in the financing category.

Judgement is required to determine how to classify these foreign exchange differences. Entity shall consider relevant facts and circumstances when assessing the most appropriate classification of foreign exchange differences. Factors to consider might include but not limited to:

- Main driver of expense
- Duration of liability

High threshold, entity is not permitted to simply classify all foreign exchange differences in the operating category by virtue of there being costs associated with modifying their systems and processes to comply with IFRS 18 requirements.

When applying the requirements involve undue cost or effort, entity shall instead classify the affected foreign exchange differences in the operating category. (IFRS 18.B68)

FOREIGN CURRENCY FORWARD CONTRACTS

CLASSIFICATION OF GAINS OR LOSSES ON FOREIGN CURRENCY FORWARD CONTRACTS

- Subsidiary B entered into foreign currency forward contracts to hedge the foreign currency risk related to the imported raw materials purchased.
- Subsidiary B however do not apply hedge accounting and account for these forward contract as financial instruments measured at fair value through profit or loss. Gains and losses per contract are kept for internal risk management and reporting purposes.
- The fair value adjustments are currently included in the ‘finance costs’ line item.

Question 14:

How should Subsidiary B classify the gains or losses related to these forward contracts in the statement of profit or loss?

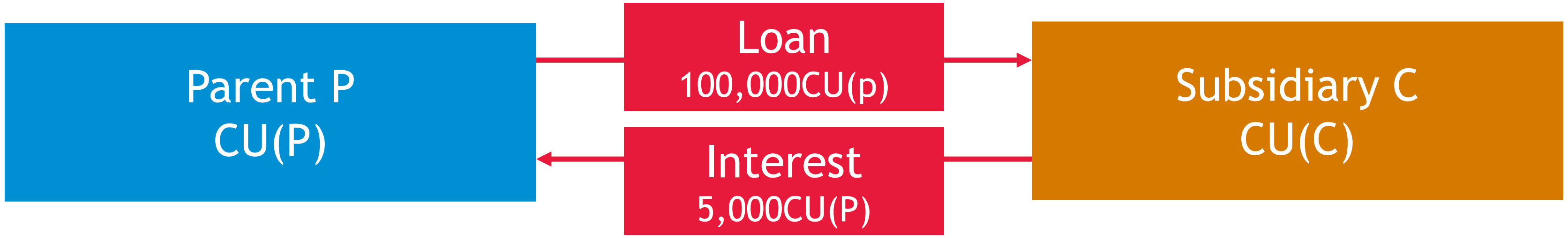
A. Operating category
B. Investing category
C. Financing category

INTERCOMPANY LOANS

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

Parent P has provided a loan to Subsidiary C of CU(P)100,000. Subsidiary C's functional currency is however CU(C). The loan is denominated in the functional and presentation currency of Parent P; CU(P). Interest of CU(P)5,000 accrued during the year. No repayments were made during the year.

On consolidation, the loan balances and related interest income and expense are eliminated, but the exchange difference remains [IAS 21.45].



Let's have a look at the separate and consolidated journals to clarify.

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

Loan details	
Loan amount	CU(P)100,000
Interest accrued	CU(P)5,000
Loan repaid	CU(P)0

Exchange rate information		
Date	CU(P)	CU(C)
Transaction date	1	1.2
Average rate for year	1	1.15
Year-end	1	1.1

Parent P - CU(P)

Dr Loan receivable	100,000	
Cr Bank		100,000
Dr Loan receivable	5,000	
Cr Interest income		5,000

Subsidiary C - CU(C)

Dr Bank	120,000	
Cr Loan payable		120,000
Dr Interest expense	5,750	
Cr Loan payable		5,750
Dr Loan payable	10,250	
Cr Foreign exchange gain		10,250

(120,000 + 5,750) - ((100,000 + 5,000) x 1.1)

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

Parent P - CU(P)

Trial balance:

Loan receivable	105,000
Interest income	(5,000)

Subsidiary C

Trial balance - CU(C):

Loan payable	(115,500)
Interest expense	5,750
Foreign exchange gain	(10,250)

Trial balance - CU(P):

Loan payable	105,000
Interest expense	(5,000)
Foreign exchange gain	(8,913)

*Foreign currency translation differences (consolidation-related) is recognised in other comprehensive income of the group.

Exchange rate information

Date	CU(P)	CU(C)
Transaction date	1	1.2
Average rate for year	1	1.15
Year-end	1	1.1

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

Parent P - CU(P)

Trial balance:

~~Loan receivable 105,000~~
~~Interest income (5,000)~~

Subsidiary C

Trial balance - CU(P):

~~Loan payable 105,000~~
~~Interest expense (5,000)~~
Foreign exchange gain (8,913)

Parent P Consolidated - CU(P)

Trial balance (CU(P)):

Foreign exchange gain (8,913)

? Classification

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

IFRIC March 2026 Agenda Decision

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)

Accounting policy choice

View 1 - Operating category

- Underlying income and expenses eliminated
- Cannot classify foreign exchange differences in same category applying IFRS 18.B65
- Classified in operating category by default applying IFRS 18.52

View 2 - Same category prior to elimination on consolidation

- Exchange difference arose from intragroup transaction prior to consolidation elimination (IAS 21.45)
- Classify the foreign exchange differences in the same category as if the related income and expenses had never been eliminated on consolidation, applying IFRS 18.B65.
- If this classification would involve undue cost or effort: classify in the operating category (IFRS 18.B68)

FOREIGN CURRENCY DIFFERENCES ON INTERCOMPANY LOANS

Parent P

Accounting policy choice

View 1 - Operating category

Classified in operating category by default applying IFRS 18.52

View 2 - Same category prior to elimination on consolidation

Perspective of subsidiary – liability arises from a transaction that involves only the raising of finance (type 1 liability)

Subsidiary C - no SMBA of providing financing to customers
Financing category

Undue cost or effort: operating category

BARGAIN PURCHASE AND CONTINGENT CONSIDERATION

BARGAIN PURCHASE AND REMEASUREMENT OF CONTINGENT CONSIDERATION

- Parent P acquired Subsidiary D during the year.
- Parent P is required to pay contingent consideration to the selling shareholders 3 years after the date of acquisition based on the defined multiple of EBITDA of the third year.
- Parent P recognised the following income and expense related to the business combination during the year:

Item	Currency unit
Gain on bargain purchase	x
Loss on remeasurement of the fair value of liability for contingent consideration	(x)

Question 15:

In which category should the gain on bargain purchase and remeasurement of the contingent consideration be classified in the consolidated statement of profit or loss?

?	Option 1	Option 2	Option 3	Option 4
Gain on bargain purchase	Investing	Operating	Investing	Operating
Remeasurement of contingent consideration	Investing	Operating	Operating	Investing

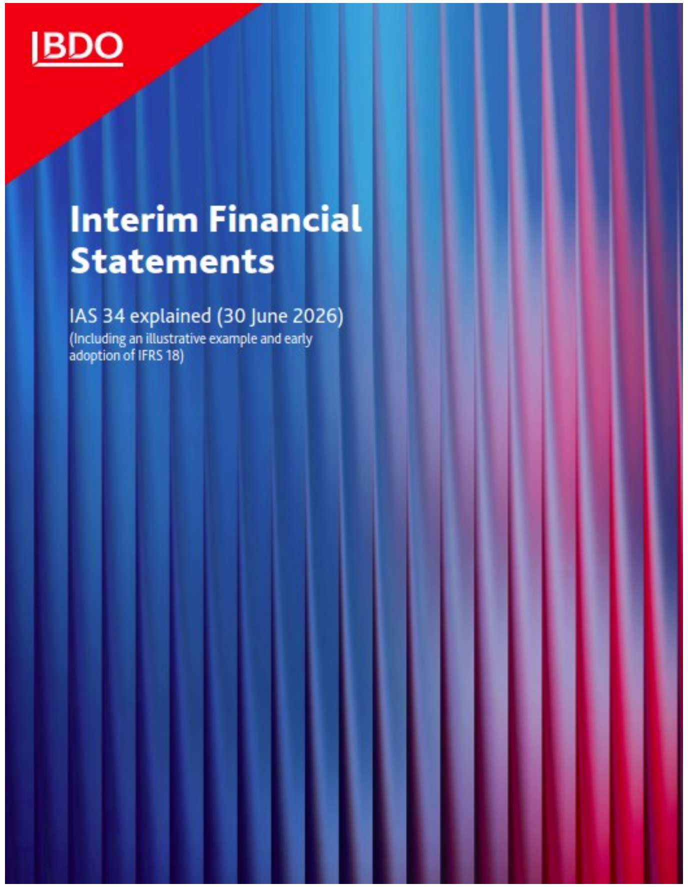
ILLUSTRATIVE PROFIT OF LOSS STATEMENT UNDER IFRS 18

ILLUSTRATIVE STATEMENT OF PROFIT OR LOSS

Assuming IFRS 18 has been early adopted, no SMBA

	Note	2026 CU'000	2025 CU'000 Restated – see note 15.1
Revenue	6	x	x
Cost of sales[3]		(x)	(x)
Gross profit[2]		**x**	**x**
General and administrative expenses[3]		(x)	(x)
Selling and distribution expenses[3]		(x)	(x)
Operating foreign exchange differences[3]		x	(x)
Fair value adjustment of contingent consideration[3]		(x)	(x)
Loss on remeasurement - disposal group held for sale[3]	7	x	-
Operating profit[1]		**x**	**x**
Rental income		x	x
Fair value adjustment - investment properties		x	x
Interest income		x	x
Expected credit loss allowance movement on lease and loan receivables		(x)	(x)
Share of post-tax profits from investments accounted for using the equity method		x	x
Profit before financing and income taxes[1]		**x**	**x**
Interest expense		(x)	(x)
Foreign exchange differences on interest-bearing leases and borrowings		(x)	x
Profit before tax[2]		**x**	**x**
Income tax expense	8	(x)	(x)
Profit from continuing operations[2]		**x**	**x**
Loss on discontinued operation, net of tax	5	-	(x)
Profit for the period[1]		**x**	**x**
Profit for the period attributable to:			
Owners of the parent		x	x
Non-controlling interest		x	x

To identify potential changes, you may refer to the illustrative interim financial statements published by BDO Global while awaiting the release of the full-year illustrative financial statements under IFRS 18.



STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

Categories between the statement of profit or loss and the statement of cash flows **do not align**.

The income and expenses related to a transaction would not necessarily be classified in the same category as the cash flows related to the same transaction.

- For example, income and expenses related to property, plant and equipment will be classified in the operating category in the statement of profit or loss. In contrast, cash flows related to acquisition and disposal of property, plant and equipment will be classified as investing activities in the statement of cash flows.

What differences do IFRS 18 then bring to the statement of cash flows?

- Indirect method: starts with operating profit/loss
- Different classification requirements for dividends cash flows
- Different classification requirements for interest cash flows

STATEMENT OF CASH FLOWS

Statement of cash flows before IFRS 18	
Operating activities	
Profit for the period	x
Adjustments for:	x
• non-cash items	x
• items for which cash effects are investing of financing cash flows	x
• Changes in working capital	x

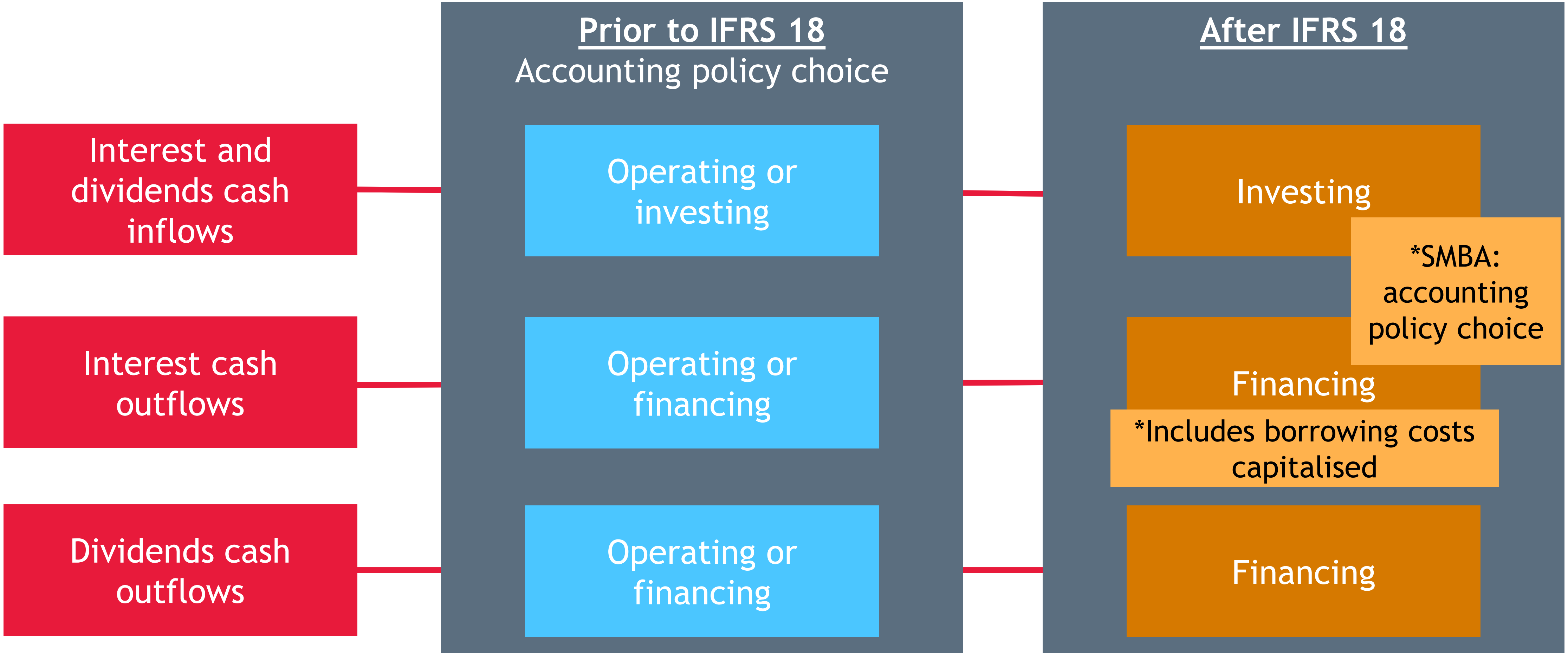
Statement of cash flows after IFRS 18		
Operating activities		
Operating profit	x	
Adjustments for:	x	
• non-cash items	x	
• items for which cash effects are investing of financing cash flows	x	1
• Changes in working capital	x	2
• Operating cash flows for which related income and expenses are not classified in the operating category	x	3

1 Can only adjust for items included in operating profit subtotal

2 Can only adjust for working capital balances whose income and expenses are included in operating profit or loss

3 Include operating cash flows not included in operating profit or loss (not included in the operating category of the SPL)

STATEMENT OF CASH FLOWS



ILLUSTRATIVE STATEMENT OF CASH FLOWS

Assuming IFRS 18 has been early adopted, no SMBA

	Note	2026 CU'000	2025 CU'000 Restated – see note 15.4	IAS 34.8(d), 34.20(d) IFRS 18.27(a), (b), (c) IFRS 18.27(d), (e)
Operating activities				IAS 27.10, 18(b)
Operating profit from continuing operations		x	x	IAS 7.20
Operating profit from discontinued operations		-	x	
Total operating profit		x	x	
Adjustments for non-cash items included in operating profit:				IAS 7.18(b)(ii), 20(b)
Depreciation of property, plant and equipment and right-of-use assets		x	x	
Amortisation of intangible assets		x	x	
Gain on sale of property, plant and equipment		(x)	(x)	IAS 7.20(c)
Share-based payment expense		x	x	
Change in estimate of provision		x	x	
Loss on remeasurement on disposal group held for sale		x	-	
Operating foreign exchange differences		x	x	
Fair value movements recognised in profit and loss related to derivatives and contingent consideration		x	x	
		x	x	
Changes in working capital:				IAS 7.18(b)(iii), 20(a)
Decrease/(increase) in trade and other receivables		x	(x)	
Increase in inventories		(x)	(x)	
Increase/(decrease) in trade and other payables		x	(x)	
Increase in current employee benefits		x	x	
		x	x	
Operating cash flows not included in operating profit				IAS 7.18(b)(iv), 20(d)
Rental income received		x	x	
Income taxes paid		(x)	(x)	IAS 7.35
Net cash flows from operating activities		x	x	IAS 7.10

	Note	2026 CU'000	2025 CU'000 Restated – see note 15.4	IAS 34.8(d), 34.20(d) IFRS 18.27(a), (b), (c) IFRS 18.27(d), (e)
Investing activities				IAS 7.10, 21
Purchases of property, plant and equipment		(x)	(x)	IAS 7.16(a)
Sale of property, plant and equipment		x	x	IAS 7.16(b)
Purchase of intangibles		(x)	(x)	IAS 7.16(a)
Purchases of equity investments designated as FVOCI		(x)	(x)	IAS 7.16(d)
Disposal of derivative financial assets		x	x	IAS 7.16(g)
Interest received		x	x	IAS 7.16, 31, 34A(b)
Dividends received from associates		x	x	IAS 7.16, 31, 34A(b)
Net cash (used)/from investing activities		(x)	x	
Financing activities				IAS 7.10, 21
Proceeds from bank borrowings		x	x	IAS 7.17(c)
Repayment of bank borrowings		(x)	(x)	IAS 7.17(d)
Principal paid on lease liabilities		x	x	IAS 7.17(e)
Interest paid		x	x	IAS 7.34A(a)
Dividends paid on shares classified as liabilities		(x)	(x)	IAS 7.33A
Dividends paid to the holders of the parent		(x)	(x)	IAS 7.33A
Net cash (used in)/from financing activities		x	(x)	
Net increase in cash and cash equivalents		x	x	IAS 7.45
Cash and cash equivalents at beginning of the period		x	x	IAS 7.45
Exchange losses on cash and cash equivalents		x	x	IAS 7.28
Cash and cash equivalents at end of the period		x	x	IAS 7.45

TRANSITION REQUIREMENTS

Where the rubber meets the road

Reminders

Retrospective application

First annual financial statements under IFRS 18	Condensed interim financial statements
• Relief from disclosure as required by IAS 8.28(f) • Application of IFRS 18-specific transition disclosures – reconciliation in each item in P&L statement between restated amounts under IFRS 18 and amounts previously presented under IAS 1 (IFRS 18.C3)	• Modifies IAS 34.10 to require entities to present in condensed interim financial statements in the transition year, each heading it expects to use and subtotals in applying IFRS 18 (IFRS 18.C4) • Prepare reconciliation in each item in P&L statement between restated amounts under IFRS 18 and amounts previously presented under IAS 1

ILLUSTRATIVE ON RECONCILIATION ON PL STATEMENT

Assuming IFRS 18 has been early adopted, no SMBA

The following adjustments were made for the comparative period, the six months ended 30 June 2025. The rows highlighted in grey indicate new or relabelled line items and rows highlighted blue indicate new or relabelled subtotals.

	IAS 1	Adjustments	IFRS 18	Note
	CU'000	CU'000	CU'000	
Revenue	x	-	x	
Cost of sales	x	-	x	
Gross profit	**x**	-	**x**	
Other operating income	x	(x)	-	a
Administrative expenses (IAS 1)/ General and administrative expenses (IFRS 18)	(x)	(x)	(x)	b
Selling and distribution expenses	(x)	-	(x)	
Other expenses	(x)	x	-	b
Operating foreign exchange differences	-	x	x	b, d
Fair value adjustment of contingent consideration	-	x	x	b
Loss on remeasurement - disposal group held for sale	(x)	-	(x)	
Profit from operations (IAS 1)/ Operating profit (IFRS 18)	x	(x)	x	
Rental income	-	x	x	a
Fair value adjustment related to investment properties	-	x	x	a
Interest income	x	-	x	
Share of post-tax profits from investments accounted for using the equity method	x	-	x	
Expected credit loss allowance movement on lease and loan receivables	-	(x)	x	b
Share of post-tax profits from investments accounted for using the equity method	x	-	x	
Profit before financing and income taxes	-	x	x	
Finance expenses (IAS 1)/ Interest expense (IFRS 18)	(x)	x	x	c, e
Foreign exchange differences on interest-bearing leases and borrowings	-	x	x	c, d
Profit before tax	**x**	-	**x**	

The following adjustments have been made to the comparative figures presented in the statement of profit or loss:

(a) Other operating income to the investing category

IFRS 18.41, 43, 53(c), 54(a), 78(b), B78(a)

Income and expenses that were previously presented as 'other operating income' relate to investment properties and have been reclassified to the 'rental income' and 'fair value adjustment related to investment properties' line items outside of operating profit because A Layout does not invest in investment properties as a main business activity. Therefore, they are classified in the investing category. Additionally, the income and expenses related to the investment properties were further disaggregated based on their different natures and presented with more descriptive labels.

(b) Operating expense presentation

IFRS 18.41, 78, B78

A Layout determined that to provide the most useful structured summary of operating expenses, they should be presented as a mixture of expenses by nature and by function.

Income and expenses previously reported in 'other expenses' have been reclassified as follows:

- changes in estimates of provisions, expected credit loss movements (classified in the operating category) to 'general and administrative expenses';
- fair value adjustments relating to contingent consideration to 'fair value adjustments of contingent considerations';
- expected credit loss allowance movements (classified in the investing category) to 'Expected credit loss allowance movement on lease and loan receivables'; and
- foreign exchange differences (classified in the operating activities – see note (d)) to 'foreign exchange differences'.

(c) Finance expense

IFRS 18.41, B78

Foreign exchange differences classified in the financing category (see note (d)) have been disaggregated from 'finance expense'. 'Finance expense' now includes interest expense and income and expenses from derivatives used to manage interest rate risks (relating to loans and borrowings) recognised in profit or loss – see note (e).

(d) Foreign exchange differences

IFRS 18.B65 - B67

Foreign exchange differences are classified in the same category as the income and expenses from the items that gave rise to the foreign exchange differences.

Management has assessed that foreign exchange differences arising from liabilities other than those relating to the raising of finance should be classified based on the primary driver of the related income or expenses. For example, foreign exchange differences related to lease liabilities are classified in the financing category since the related interest expenses (the main driver of the lease liability-related expenses) are also classified in the financing category.

OTHER CONSIDERATIONS

Possible impact to Statement of Financial Position

Statement of Financial Position As at		
31 December 2027	31 December 2026	1 January 2026
	(Restated)	(Restated)
CU	CU	CU

IFRS 18.37

An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the comparative information required in paragraphs 31–32 if:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position as at the beginning of the preceding period.

IMPLEMENTATION CONSIDERATIONS

Systems and processes may need to be developed around the following areas:

- Classifying all items of income and expense into five categories, including assessing the effect of the more complex areas (i.e. hybrid instruments, derivatives)
- Assessing the impact of new requirements of IFRS 18 – presentation of exchange differences
- Determining appropriate level of aggregation and disaggregation in the primary financial statements and the notes to the financial statements
- Accessing the effect of other requirements of IFRS 18 (e.g. management-defined performance measures, and other consequential amendments to IAS 33 and IAS 7)

Stay tuned!
Our upcoming webinar on MPMs


Q&A