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IAS 1
Presentation of Financial Statements

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IAS 1: Presentation of Financial Statements

PURPOSE OF FINANCIAL STATEMENTS

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Purpose of financial statements

Financial Position

- Statement of Financial Position

Financial Performance

- Statement of Profit or Loss & Other Comprehensive Income
- Statement of Changes in Equity

Cash Flows

- Cash Flow Statement

NOTES TO THE FINANCIAL STATEMENTS

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Purpose of financial statements

- Provide information about
  - financial position
  - financial performance
  - cash flows

  of an entity that is useful to wide range of users in making economic decisions
- To meet objective, financial statements provide information about entity's:
  - assets
  - liabilities
  - equity
  - income and expenses, including gains and losses
  - contributions by and distributions to owners (in their capacity as owners)
  - cash flows
- Above information, along with other information in notes,
  - assists users of financial statements in predicting entity's future cash flows AND
  - timing and certainty of cash flows

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Complete set of Financial Statements

A complete set of financial statements comprises:

a) a statement of financial position as ***at the end of the period*;**

b) a statement of profit or loss and other 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) 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.

- An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.

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GENERAL FEATURES

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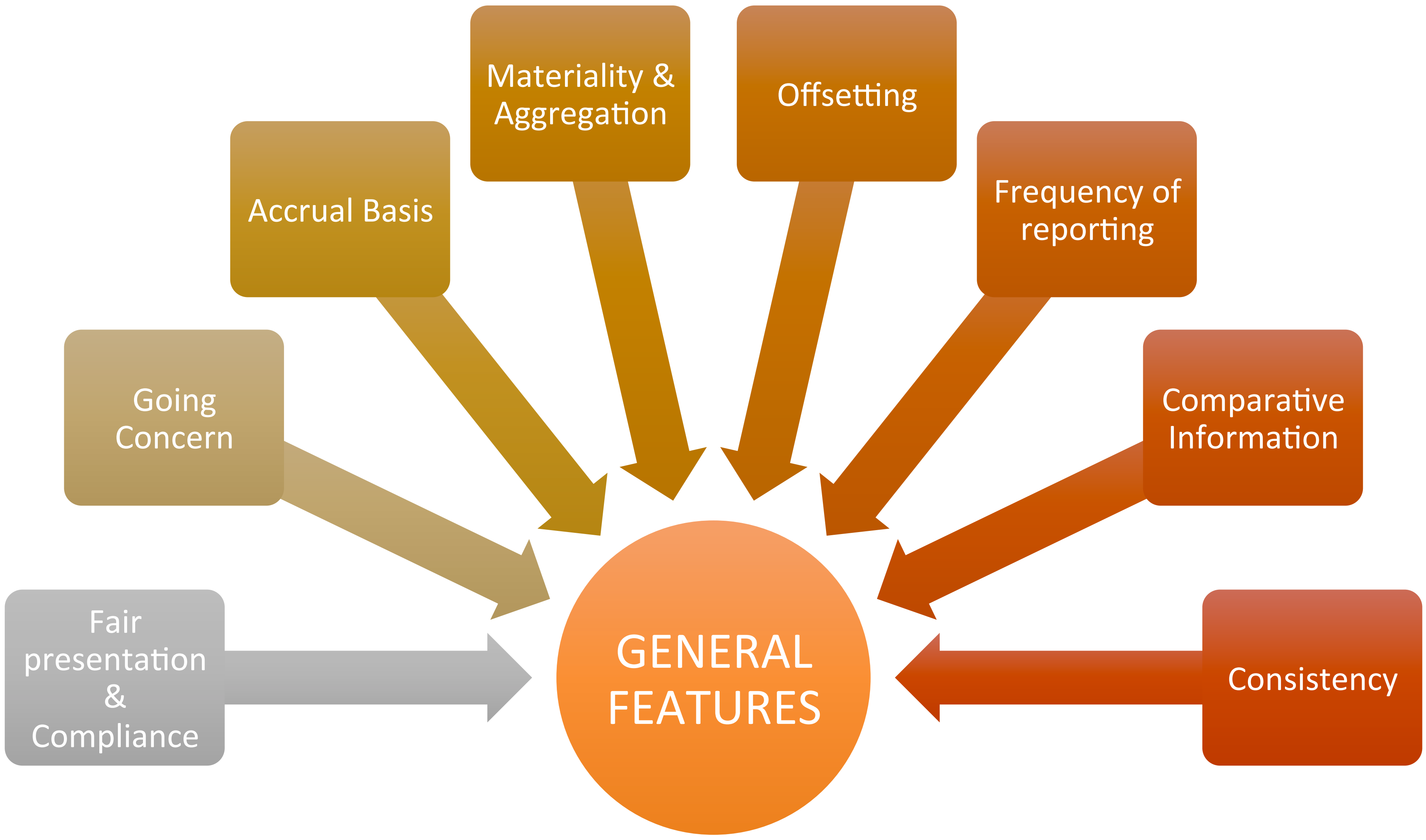

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Fair presentation

- Entity financial statements must "present fairly“
  - financial position
  - financial performance
  - cash flows
- Fair presentation requires faithful representation of effects of
  - transactions
  - other events
  - conditions

  in accordance with definitions & recognition criteria in Framework
- Application of IFRSs is presumed to result in financial statements that achieve fair presentation

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Compliance of financial statements

- AFS that claim compliance with IFRS must comply with
  - ALL standards and related interpretations

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Going concern

- Entity preparing IFRS financial statements presumed to be a going concern
- If management has significant concerns about entity's ability to continue as a going concern
  - uncertainties must be disclosed
- If management concludes that entity ≠ a going concern
  - financial statements ≠ prepared on a going concern basis
  - IAS 1 requires series of disclosures

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Accrual basis

- Entity prepares financial statements using accrual basis
  - except for cash flow information

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Materiality and aggregation

- Each material class of similar items must be presented separately in financial statements
- Dissimilar items may be aggregated only if individually immaterial

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Offsetting

- Assets and liabilities, and income and expenses, may NOT be offset
  - unless required or permitted by an IFRS

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Frequency of reporting

- Financial Statements must be prepared at least annually
- If the annual reporting period changes and financial statements are prepared for different period
  - entity must disclose reason for change and a warning about problems of comparability

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Comparative information

- Comparative information must be disclosed in respect of the current and the previous period (comparative period) for all amounts reported in financial statements
  - both face of financial statements and notes, unless another Standard requires otherwise
- If comparative amounts are changed or reclassified
  - various disclosures are required

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Consistency of presentation

- Presentation and classification of items in financial statements shall be retained from one period to next
  - unless a change is justified either by a change in circumstances or a requirement of a new IFRS

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STRUCTURE AND CONTENTS OF FINANCIAL STATEMENTS

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Structure and Contents of AFS

- Refer to illustrative financial statement download and the relevant lecture.

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CURRENT VS NON CURRENT CLASSIFICATION

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Classification of asset Current or non-current?

It is appropriate to consider intention in the case of an asset

- Lender (asset)
  - Current if (IAS 1.66):
    - Expected to be realised in, or is intended for sale or consumption in, entity's
    - normal operating cycle
    - Held primarily for purpose of being traded
    - Expected to be realised within 12 months after reporting date or
    - Cash or cash equivalents (unless restricted from being used for at least 12 months after reporting date)
  - ∴ non-current if don't expect to realise within 12 months after reporting date

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Classification of liability
Current or non-current?

- Borrower (liability)

Why are intentions and expectations not considered?

- Not based on intentions or expected cash flows
  - Current if (IAS 1.69):
    - Expected to be settled in entity's normal operating cycle
    - Held primarily for purpose of being traded
    - Due to be settled within 12 months after reporting date or
    - Entity does not have unconditional right to defer settlement for at least 12 months after reporting date
  - ∴ non-current if borrower has unconditional right to defer
  - settlement for at least 12 months after reporting date