
IFRS 18 Presentation and Disclosure in Financial Statements

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IFRS 18 – the new requirements



New required subtotals in statement of profit or loss, including ‘operating profit’



Disclosures about management-defined performance measures (MPMs)



Enhanced requirements on grouping of information (aggregation and disaggregation)

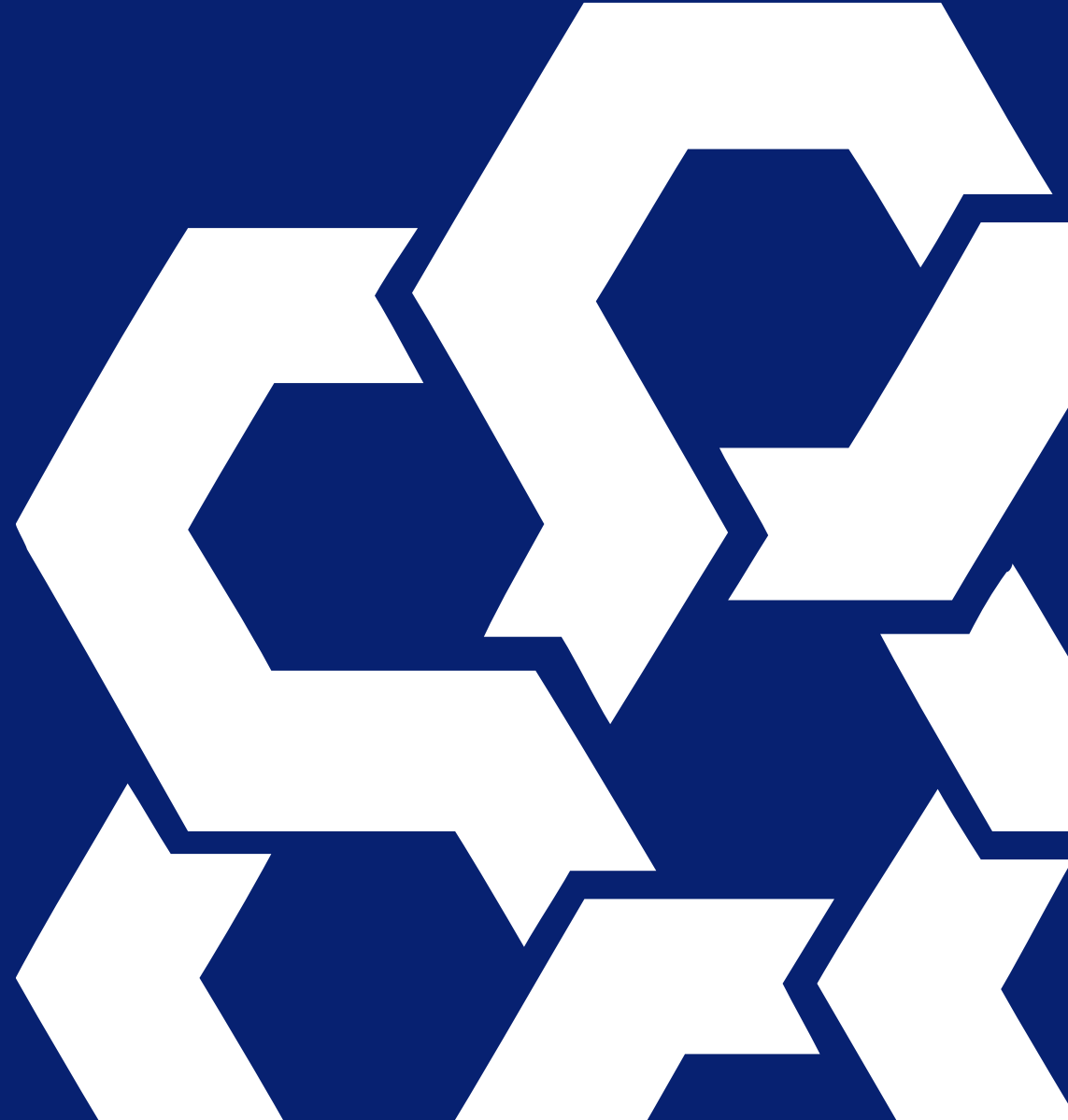
Better information for better decisions

– increases comparability, transparency and usefulness of information



Effective date: 1 January 2027

Categories and Subtotals



Categories and subtotals in the statement of profit or loss

Investors' concerns

- Difficulty comparing financial performance because companies' statement of profit or loss vary in content and structure

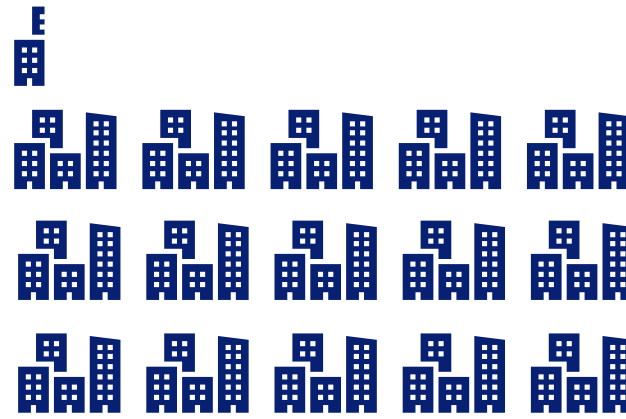
IFRS 18 introduces

- Three new defined categories to provide a consistent structure of the statement of profit or loss:
 - operating
 - investing
 - financing
- Two new required subtotals to enable analysis:
 - operating profit
 - profit before financing and taxes

Operating profit today – not defined by IFRS Accounting Standards



100
companies



61
reported
'operating profit'^{*1}

9

different
definitions

^{*1} Source: IFRS 18 Effects Analysis Figure 7.

New required subtotals

Operating profit

Gives a complete picture of a company's operations

Profit before financing and income taxes

Gives a picture of a company's performance before the effects of its financing

Statement of profit or loss

Revenue

Cost of sales

Gross profit

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Goodwill impairment loss

Other operating expenses

Operating profit

Share of profit and gains on disposal of associates and joint ventures

Profit before financing and income taxes

Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities and provisions

Profit before income taxes

Income tax expense

PROFIT

Operating

Investing

Financing

Management-defined performance measures (MPMs)



Management-defined Performance Measures (MPMs)

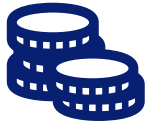
Investors' concerns

- Investors find MPMs useful but they have concerns about lack of transparency of how these measures are calculated

Examples of alternative performance measures (APMs) or non-GAAP measures used today

- **Adjusted operating profit**
- **Adjusted profit or loss**
- **Adjusted EBITDA**
- Free cash flow
- Return on equity

Management-defined Performance Measures (MPMs)



Subtotals of income and expenses not required or specifically exempted by IFRS Accounting Standards



Included in **public communications outside financial statements**



Measures that communicate **management's view** of a company's financial performance

Disclosures for MPMs

IFRS 18 introduces requirements to disclose in a single note

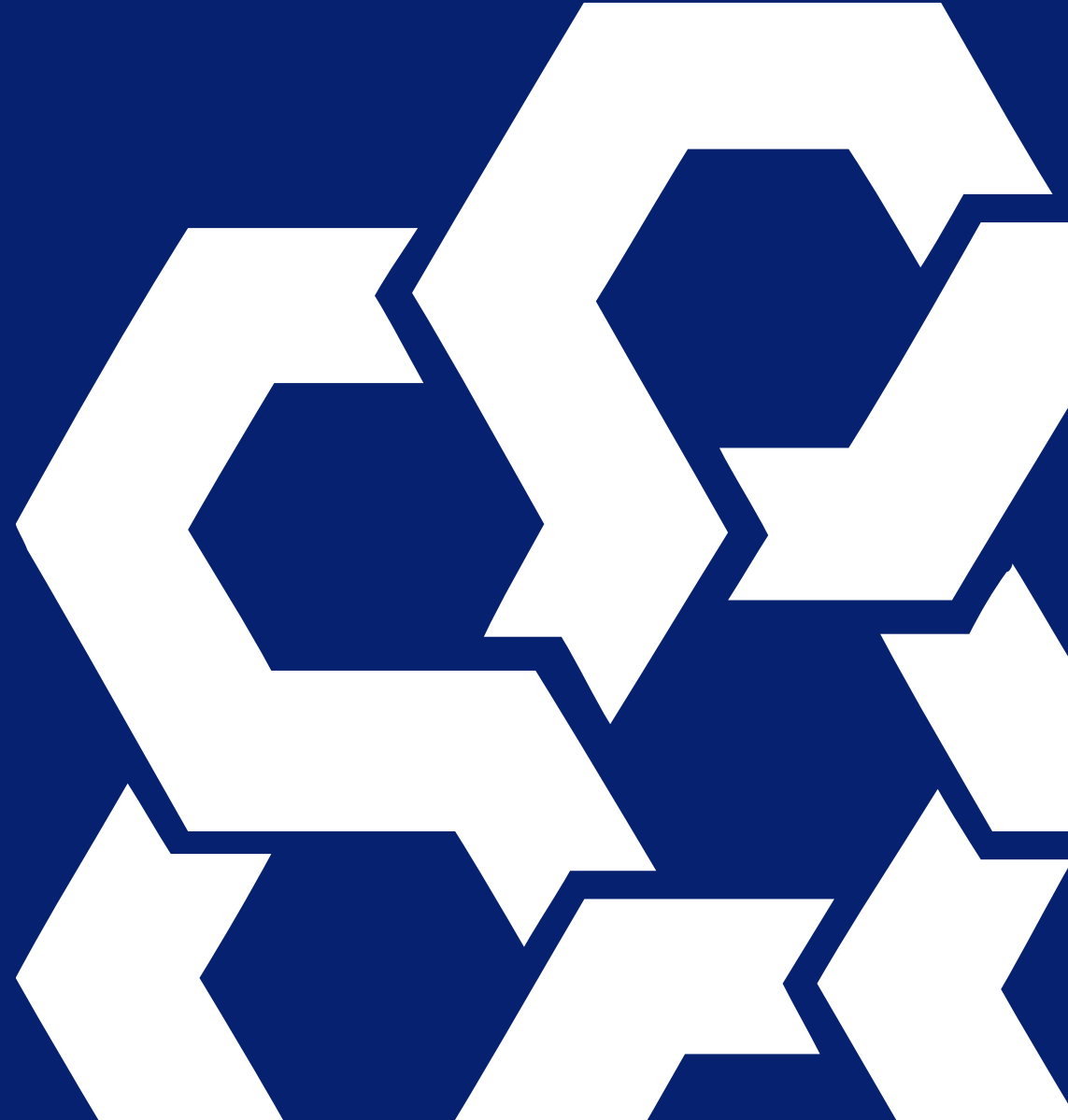
- **Reconciliation** back to IFRS-defined subtotal
- Explanation of **why** the MPM is reported
- Explanation of **how** the MPM is calculated
- Explanation of any **changes** to the MPM



What might a reconciliation look like?

		Adjusting items			
	IFRS	Impairment losses	Restructuring expenses	Gains on disposal of PP&E	MPM
Other operating income		-	-	(1,800)	
Research and development expenses		1,600	-	-	
General and administrative expenses		-	3,800	-	
Goodwill impairment loss		4,500	-	-	
Operating profit / Adjusted operating profit	57,000	6,100	3,800	(1,800)	65,100
Income tax expense		-	(589)	297	
Profit from continuing operations / Adjusted profit from continuing operations	32,100	6,100	3,211	(1,503)	39,908
Profit attributable to non-controlling interests		305	161	-	

Grouping of information



Grouping – aggregation and disaggregation – of information

Investors' concerns

- some companies don't provide enough detailed information
- some companies provide too much detailed information

IFRS 18 introduces

- guidance on whether information should be in the primary financial statements or the notes
- enhanced requirements for grouping of information, including disclosures about items labelled as 'other'
- requirements for presenting and disclosing operating expenses

Roles of the primary financial statements and the notes

Primary financial statements (PFS)



Statement of
financial
position
(balance sheet)



Statement of
profit or loss
(income
statement)



Statement
presenting
comprehensive
income



Statement of
changes in
equity



Statement of
cash flows



Notes to the
financial
statements

Role is to provide **useful structured summaries** of a company's
assets, liabilities, equity, income, expenses and cash flows

Role is to provide
further **material
information** and
supplement PFS

Disclosure of specified expenses by nature

Disclose the amounts included in each line item in the operating category of the statement of profit or loss for

Depreciation	Amortisation	Employee benefits	Specified impairments	Write-down of inventories
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Qualitative explanation is required to be disclosed if part of the amount disclosed has been included in the carrying amount of assets

Specified expenses by nature note

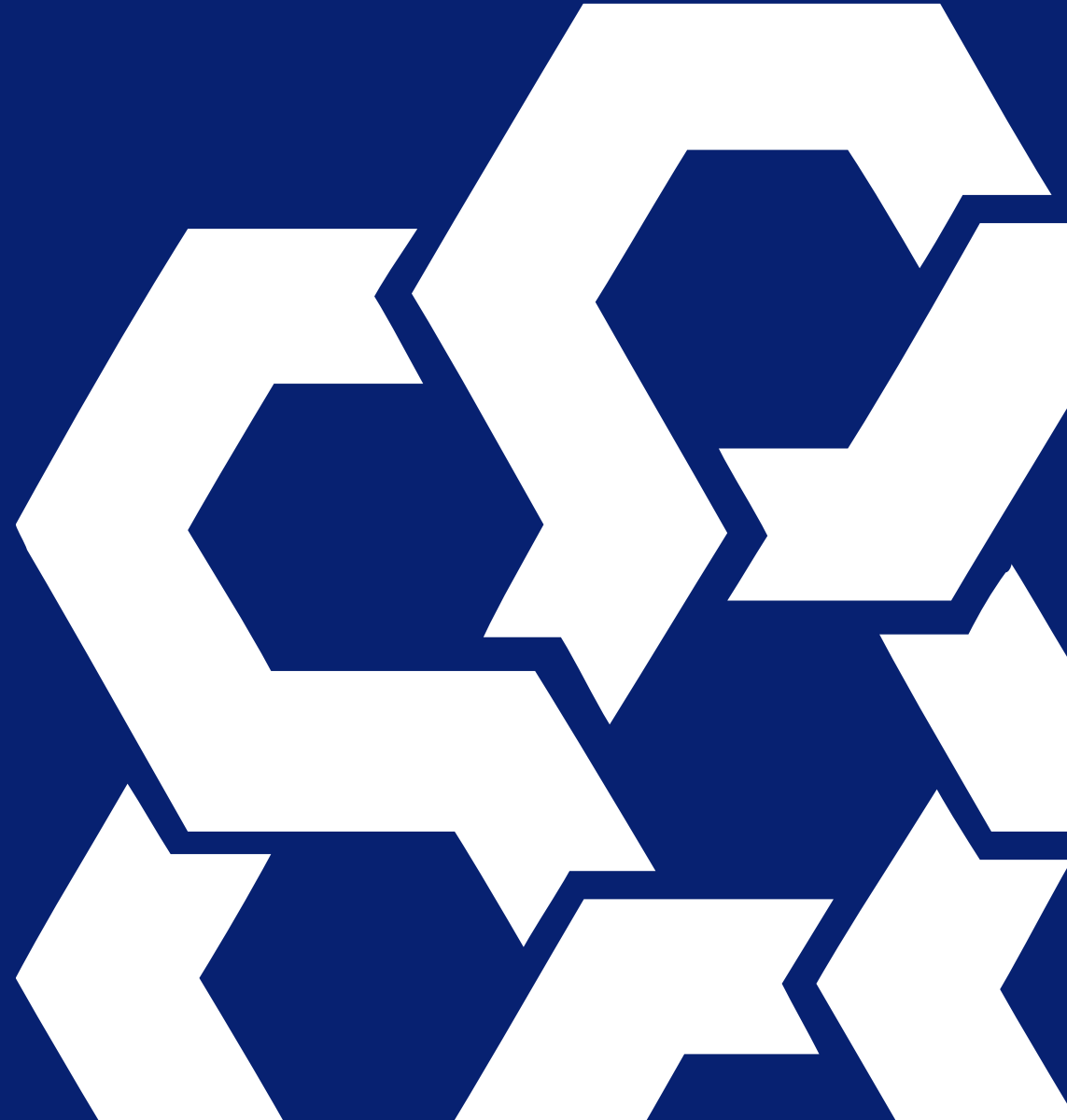
(in currency units)	20X2	20X1
Cost of sales	23,710	21,990
Research and development expenses	2,515	2,590
General and administrative expenses	4,975	4,750
Total depreciation	31,200	29,330
Research and development expenses	13,840	12,690
Total amortisation	13,840	12,690
Cost of sales	61,640	57,175
Selling expenses	7,515	7,110
Research and development expenses	6,545	6,750
General and administrative expenses	8,920	5,825
Total employee benefits	84,620	76,860
Research and development expenses	1,600	1,500
Goodwill impairment loss	4,500	–
Total impairment loss	6,100	1,500
Cost of sales	2,775	2,625
Total write-down of inventories	2,775	2,625

The amounts disclosed are those recognised as expenses in the statement of profit or loss for the year, except for depreciation and employee benefits.

The amounts disclosed for depreciation are the charge for the year, calculated in accordance with IAS 16 *Property, Plant and Equipment*. The amounts include amounts that have been capitalised by including them in the carrying amount of inventory at the end of the reporting period.

The amounts disclosed for employee benefits are the costs incurred for the year, including pension costs, for employee services, calculated in accordance with IAS 19 *Employee Benefits*. The amounts include amounts that have been capitalised by including them in the carrying amount of inventory at the end of the reporting period.

Limited changes to the statement of cash flows



Limited changes to the statement of cash flows



Operating profit or loss subtotal to be the starting point for the indirect method of reporting cash flows from operating activities

Cash flows	Entities without specified main business activities	Entities with specified main business activities
Interest received	Investing activities	A single category for each item—operating, investing or financing categories
Interest paid	Financing activities	
Dividends received	Investing activities	
Dividends paid	Financing activities	Financing activities

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