IAS 1 - Presentation of financial statements

Lesson 1: Purpose of Financial Statements

IAS 1 provides guidance on the overall ___________ of financial statements, including ___________ requirements for each primary statement and notes to the financial statements.

Objective and scope

IAS 1 aim to enhance the quality of financial statements by:

- Setting minimum requirements for the presentation of primary statements;
- Setting minimum requirements for notes to Financial Statements;
- Reporting full compliance with all applicable standards and interpretations;
- Providing practical guidance on issues such as going concern, consistency, materiality and comparative information.

According to IAS 1 the objective of Financial Statements is to provide information about financial __________, financial ____________ and ______________ of an entity that is useful to a wide range of users in making economic decisions. The objective is met by providing information on:

- Assets
- Liabilities
- Equity
- Income
- Expenses
- Contribution by and distribution to owners
- Cash flows

Complete set of FS

A complete set of IFRS Financial Statements comprises the following statements:

- A statement of financial____________ as at the _________ of the period;
- A statement of ______________ and other _____________ income for the _______;
- A statement of _____________ for the _________;
- A statement of ___________ for the _________;
- ________, comprising a summary of significant accounting policies and other explanatory information;
- Comparative information in respect of the preceding period, including narrative disclosures where these are relevant to understanding the current period Financial Statements;
- A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective

restatement of items in its Financial Statements, or where it reclassifies items in its Financial Statements.

You may try your understanding now by practising the quiz attached to this lesson ☺

Lesson 2: General features

Fair presentation

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. 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.

Going concern

IAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. If there are uncertainties about the entity's ability to continue as a going concern, these uncertainties should be disclosed.

Accrual basis of accounting

IAS 1 requires that an entity prepare its financial statements, except for __________ information, using the _____________ of accounting.

Materiality and aggregation

An entity shall present ___________ each __________ class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of Financial Statements make on the basis of those Financial Statements.

Offsetting / netting

Assets and liabilities, and income and expenses, may not be ________ unless ________ or __________ by an IFRS.

Frequency of reporting

There is a presumption that Financial Statements will be prepared at least _________.

Comparative information

IAS 1 requires that _____________ information to be disclosed in respect of the previous period for ________amounts reported in the Financial Statements.

Consistency of presentation

The presentation and classification of items in the Financial Statements shall be ________ from one period to the next unless a change is justified either by a change in circumstances or a requirement of a new IFRS.

Lesson 3: Identification

IAS 1 requires certain disclosure to be made on the face of Financial Statements:

- The name of the __________ entity
- Whether the Financial Statements are of an _________ entity or a ________ of entities;
- The date of the _____ of the reporting period or the ______ covered by the set of Financial Statements and notes;
- The presentation of the _________; and
- The level of ________ used.

Lesson 4: Statement of financial position

IAS 1 identifies the items that should be disclosed, as a minimum, in Financial Statements complying with IFRS, on the face of the Statements of Financial Position:

- property, plant and equipment;
- investment property;
- intangible assets;
- financial assets;
- investments accounted for using the equity method;
- biological assets within the scope of IAS 41 Agriculture;
- inventories;
- trade and other receivables;
- cash and cash equivalents;
- trade and other payables;
- provisions;
- financial liabilities;
- non-controlling interests, presented within equity; and
- issued capital and reserves attributable to owners of the parent.

Current / non-current classification

IAS1 states that an entity shall present ________ and __________ assets and _________ and ___________ liabilities as separate classification on the face of Statement of Financial Position.

IAS 1 defines current assets:

- It expects to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realise the asset within 12 months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

An entity shall classify all other assets as ___________.

According to IAS 1, an entity shall classify a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

An entity shall classify all other liabilities as ___________.

Lesson 5: Statement of profit and loss and other comprehensive income

Information to be presented in the profit and loss section, according to IFRS, at minimum:

- Revenues;
- Finance costs
- Share of the _____________ of associates and joint ventures accounted for using the equity method;
- Tax expense;
- A single amount for the total ____________ from discontinued operations

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

- Write-down of inventories or Property Plant and Equipment;
- Restructuring of the activities and reversal of any provisions for the cost of restructuring;
- Disposal of items of Property Plant and Equipment;
- Disposal of investments;
- Discontinuing operations;
- Litigation settlements;
- Other reversal of provisions.

Lesson 6: Statement of cash flows

This is regulated by IAS 7

IAS 7 requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows, which classifies cash flow during the period as:

- __________ activities
- __________ activities
- __________ activities

Cash is essential for any business to operate. Entities needs cash to:

- Conduct their operations;
- Pay their debts; and
- Provide returns to their owners and other investors.

Statement of Cash Flows provides the users of the Financial Statements with a basis on which to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows.

Lesson 7: Statement of change in equity

IAS 1 requires an entity to present a separate statement of changes in equity. This statement must show:

- Total _____________ income for the period;
- The effects of any retrospective application of accounting policies or restatements made in accordance with IAS 8;
- Reconciliations between the carrying amounts at the beginning and the end of the period for each component of equity, disclosing:
    - ______________
    - Other ____________ income
    - Transactions with ________.

The following information must also be presented on the face of the statement of changes in equity or they may be presented in the notes:

- Amount of dividends recognised as distribution;
- The related amount per share.

Lesson 8: Notes to financial statements

The notes should be presented in a systematic manner and should disclose the following:

- basis of preparation and the specific accounting policies used;
- any information required by IFRS that is not presented elsewhere in the FS; and
- additional information that is not presented elsewhere in the FS but is relevant to an understanding of any of them.

IAS 1 suggests that the notes should normally be presented in the following order:

- A statement of __________ with IFRSs;
- Information about the basis of preparation and a summary of significant ________ policies applied;
- Supporting information for items presented on the face of the FS; each FS item should be cross-referenced to the appropriate note;
- Other disclosures (eg: contingent liabilities, non-financial disclosures, etc).