



## Overview of IFRS 18

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At present, the IFRS 18 project is at the Exposure Draft stage. It is expected to be finalised and officially published in April 2024. The proposed IFRS 18 will set out requirements on presentation and disclosures in financial statements and will replace IAS 1 *Presentation of Financial Statements*.

- ✓ Improving comparability among companies
- ✓ Promoting transparency
- ✓ Providing useful information

## Who would be affected by the new Standard IFRS 18?

All entities that apply IFRS Accounting Standards to prepare financial statements. However, the effect of these proposals will vary between entities.



# Key changes proposed

## 1. New classification and presentation requirements for the statement of profit or loss (example)

Revenue	Operating Category
Cost of sales	
Gross profit	
Other income and gain	
Selling expenses	
Research and development expenses	
General and administrative expenses	
Other operating expenses	
Operating profit	New sub-total
Share of profit or loss of associates and joint ventures	Investing category
Other investment income	
Profit before financing and income taxes	New sub-total
Interest expenses	Financing category
Profit before tax	
Income tax expense	
Profit for the period	

*The example may not be applicable to entities whose main business activity involves financing and investing.*



## **2. New disclosure requirements for management-defined performance measures (“MPM”)**

- √ For companies that provide performance measures defined by management in communications with investors.
- √ Disclosure required in a single note to the financial statements:
  - Explanation of MPM calculation and how it provides useful information;
  - Reconciliation to the most directly comparable IFRS-defined sub-total or total;
  - The income tax effect and effect on non-controlling interest for each reconciling item;
  - Statement that MPM provides management’s view and not comparable to MPM of other entities;
  - Explanation of and reasons for changes to MPMs, if any.

## **3. Enhanced requirements for grouping of information – aggregation and disaggregation**

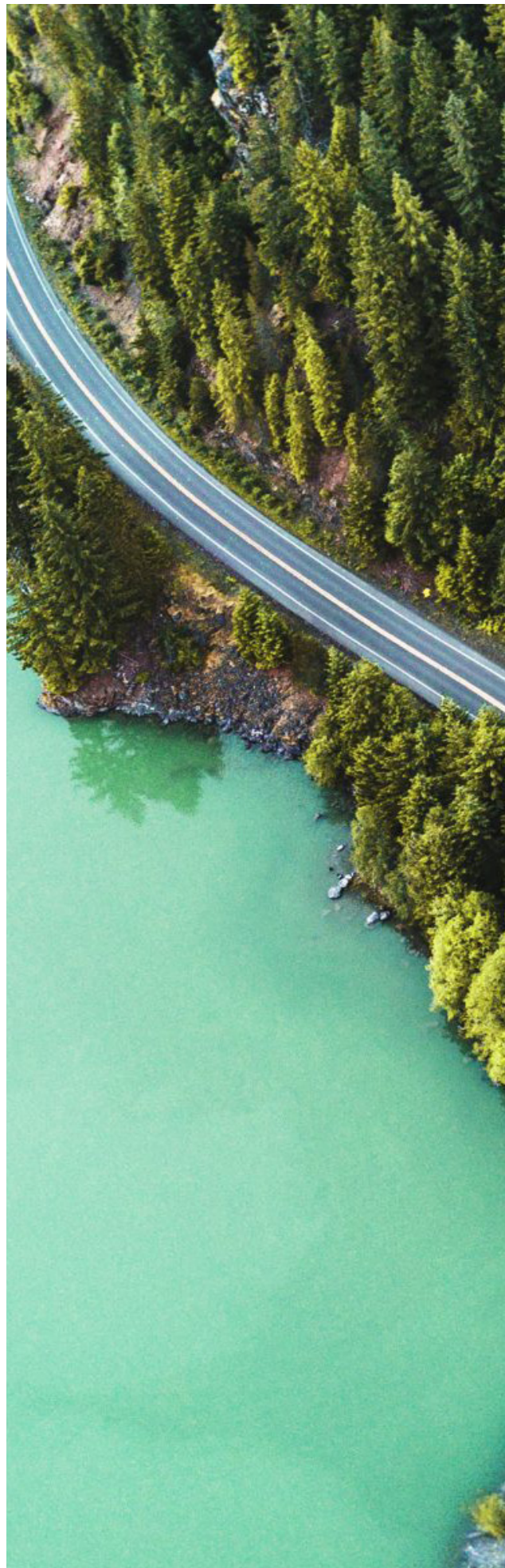
- √ Guidance on aggregation and disaggregation of information to be presented.
- √ Guidance on labelling of disclosure items, including use of “other” as label.

## **4. Consequential amendments to IAS 7 – Statement of Cash Flows**

- √ New starting point for cash flow statement using the indirect method – operating profit or loss (new sub-total required by IFRS 18).
- √ Removal of presentation alternatives for cash flows from interest and dividends paid and received (except for entities whose main business activity involves financing and investing).

## **When is the effective date?**

The proposed IFRS 18 may be effective for annual periods beginning on or after **1 January 2027** with early application permitted.



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