

IAS 1, presentation of financial statements

relevant to all Diploma in Financial Management students

presentation and terminology

■ The International Accounting Standards Board (IASB) reissued IAS 1, *Presentation of Financial Statements*, in September 2007. The main changes are amendments to presentation and terminology. Although the revised IAS 1 does not become effective until annual periods beginning on or after 1 January 2009, earlier adoption is permitted. ACCA operates a six-month rule for its exams, whereby accounting standards are not examined until six months after their date of issue. Therefore, the revised IAS 1 is examinable from the June 2008 exam session onwards.

The reissue of IAS 1 affects all ACCA exam papers which refer to 'balance sheets' or 'cash flow statements', as the revised standard has changed the name of these to 'statement of financial position' and 'statement of cash flows' respectively. For students taking the Diploma in Financial Management, the changes to IAS 1 will be introduced in the following way:

- 'Balance sheet' will become 'statement of financial position (balance sheet)' in the June 2008 and December 2008 exams. From the June 2009 exams onwards, 'balance sheet' will become 'statement of financial position'.
- 'Cash flow statement' will be 'statement of cash flows' from the June 2008 exam sitting onwards.

Additionally, IAS 1 revised has brought about changes to the income statement. However, income statements will continue to be examined in the existing format from 'revenue' to 'profit for the year' throughout 2008.

The amendment to IAS 1 relating to income statements is a requirement to present 'other comprehensive income' items (such as revaluation gains and losses, and actuarial gains and losses), as well as the usual income statement items, on the face of the primary financial statements. IAS 1 allows this information to be presented in one 'statement of comprehensive income' (see Table 1), or in two separate statements; an 'income statement' and a 'statement of comprehensive income'.

From June 2009, in an exam whenever a 'statement of comprehensive income' is referred to, this always relates to the single statement format (see **Example 1**). (Please refer to the *Study Guide* for examinability of line items.)

If 'income statements' are referred to, this relates to the statement from 'revenue' to 'profit for the year' (see Table 1 (part a)).

Exams may also refer to the 'other comprehensive income section' of the 'statement of comprehensive income' (see **Example 1** (part b) (similar to the previous 'statement of recognised income and expense' (SORIE))). ■

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EXAMPLE 1: 'STATEMENT OF COMPREHENSIVE INCOME' (IN ONE STATEMENT) GIVEN IN IAS 1 (EXAMINABLE FROM JUNE 2009)

(Part a)

	20X7	20X8
	\$	\$
Revenue	390,000	355,000
Cost of sales	<u>(245,000)</u>	<u>(230,000)</u>
Gross profit	145,000	125,000
Other income	20,667	11,300
Distribution costs	(9,000)	(8,700)
Administrative expenses	(20,000)	(21,000)
Other expenses	(2,100)	(1,200)
Finance costs	(8,000)	(7,500)
Share of profit of associates	<u>35,100</u>	<u>30,100</u>
Profit before tax	161,667	128,000
Income tax expense	<u>(40,417)</u>	<u>(32,000)</u>
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	-	<u>(30,500)</u>
PROFIT FOR THE YEAR	<u>121,250</u>	<u>65,500</u>

(Part b)

Other comprehensive income:		
Exchange differences on translating foreign operations	5,334	10,667
Available-for-sale financial assets	(24,000)	26,667
Cash flow hedges	(667)	(4,000)
Gains on property revaluation	933	3,367
Actuarial gains (losses) on defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates	400	(700)
Income tax relating to components of other comprehensive income	<u>4,667</u>	<u>(9,334)</u>
Other comprehensive income for the year, net of tax	<u>(14,000)</u>	<u>28,000</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>107,250</u>	<u>93,500</u>

Profit attributable to:		
Owners of the parent	97,000	52,400
Minority interest	<u>24,250</u>	<u>13,100</u>
	<u>121,250</u>	<u>65,500</u>

Total comprehensive income attributable to:		
Owners of the parent	85,800	74,800
Minority interest	<u>21,450</u>	<u>18,700</u>
	<u>107,250</u>	<u>93,500</u>

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