

# Proposed new IFRS® Standard *General Presentation and Disclosures*

Proposed new requirements on structure and content of financial statements: IAS®1 to be withdrawn

January 2020



## Proposed new IFRS Standard would introduce

### New defined subtotals and income and expenses categories in the income statement

- Three mandatory subtotals:
  - **Operating profit**
  - **Operating profit and income and expenses from integral associates and JVs**
  - **Profit or loss before financing and income tax.**
- Allocation of income and expenses between four categories:
  - **Operating**
  - **Integral associates/JVs**
  - **Investing**
  - **Financing**
- Presentation of the results of 'integral' associates and JVs **separately** from those of 'non-integral' associates and JVs **below the 'operating profit' subtotal.**

### Disclosure of **Management Performance Measures**

- **Disclose MPMs** (communicated outside financial statements) in a **note to the financial statements.**
- Transparent disclosure and consistent presentation of MPMs.
- Disclose a **reconciliation** between the MPM and the most directly comparable subtotal or total specified by IFRS Standards.

### Improved **disaggregation and disclosure**

- Present an **analysis of operating expenses by nature or function** on the face of the income statement.
- **Specific principles** introduced on **presentation of large 'other' balances to discourage** the practice of **combining items** that are then difficult to pick apart.
- Disclose information about **unusual items** in notes.

“Companies may see significant changes in their income statement – with new subtotals and/or aligning their self-defined subtotals with the new definitions in the proposals. The impact on companies may vary depending on current presentation practice under IFRS Standards, which may have been influenced by previous GAAP or regulatory requirements.

There could be some major challenges. The proposals would require preparers to determine which of their associates or joint ventures are 'integral'. That could require significant judgement.”

**Gabriela Kegalj**  
KPMG's global IFRS presentation leader

Comments due 30 June 2020

# Proposed new income statement

Example income statement		Proposed category	What is included
	20XX		
Revenue	X	<b>Operating</b>	Information about income and expenses from a company's main business activities All income and expenses recognised in profit or loss unless they are classified in other categories
Operating expenses (analysed by nature or by function as appropriate)	(X)		
<b>Operating profit</b>	<b>X</b>		
Share of profit or loss of integral associates and joint ventures	X	<b>'Integral' associates and JVs</b>	Share of profit or loss and related income and expenses of integral associates and joint ventures. Integral associates and joint ventures are equity-accounted associates and joint ventures that are integral to the main business activities of the company and hence do not generate a return individually and largely independently of the other assets of the company
<b>Operating profit and income and expenses from integral associates and joint ventures</b>	<b>X</b>		
Share of profit or loss of non-integral associates and joint ventures	X	<b>Investing</b>	Information about returns from investments that are generated individually and largely independently of other resources held by a company
Income from investments	X		
<b>Profit or loss before financing and income tax</b>	<b>X</b>		
Interest revenue from cash and cash equivalents	X	<b>Financing</b>	Information about income and expenses from assets and liabilities related to a company's financing
Expenses from financing activities	(X)		
<b>Profit before tax</b>	<b>X</b>		
Income tax	X		
<b>Profit for the year</b>	<b>X</b>		

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