



IASB Developments

Financial Reporting Webinar Series

Monday, 11 March 2024



With Us Today



Ann Tarca

Board member

International Accounting

Standards Board



Cecilia Kwei

Director

Standard Setting,

Hong Kong Institute of

Certified Public Accountants



Serene Seah-Tan

Partner

Audit Quality & Professional Practice

Hong Kong (SAR)

KPMG China

Introducing IFRS 18

Presentation and Disclosure in Financial Statements

March 2024

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 guidance on grouping of information (aggregation and disaggregation)

Better information for better decisions

– increases comparability, transparency and usefulness of information



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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 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 income taxes

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 expenses

Research and development expenses

General and administrative expenses

Goodwill impairment loss

Other operating expenses

Operating profit

Share of profit or loss of associates and joint ventures

Other investment income

Profit before financing and income taxes

Interest expenses on borrowings and lease liabilities

Interest expenses on pension liabilities and provisions

Profit before income taxes

Income tax expense

PROFIT

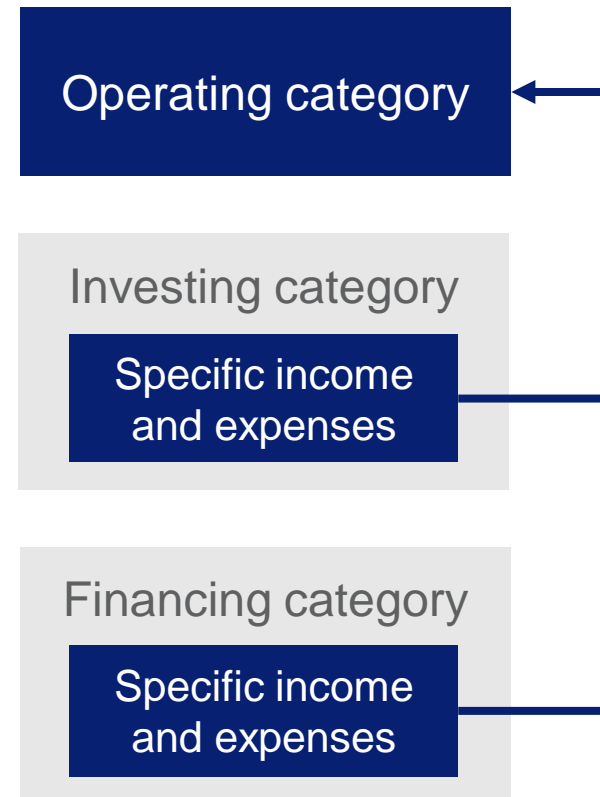
Operating

Investing

Financing

Requirements for specific companies

- For some companies, financing and investing activities are their main business activities—for example banks and insurers
- These companies include income and expenses in their operating profit that for other companies would be included in the investing or financing categories



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 non-GAAP or alternative performance measures (APMs) 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 requirement 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



Grouping – aggregation and disaggregation – of information

Investors' concerns

- Some companies don't provide enough detailed information
- Important information is obscured

IFRS 18 introduces

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

What will the IASB's new package of requirements include?



IFRS 18 Presentation and Disclosure in Financial Statements

- Replaces IAS 1 *Presentation of Financial Statements*
- **New** presentation and disclosure requirements
- Related requirements brought forward from IAS 1 with limited wording changes
- Will not change how companies recognise and measure items in the financial statements

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Webinar dates and topics for 2024

- **11 March – IASB Developments**
- 19 April – Sustainability Reporting Developments
- 7 June – Interim Reporting Reminders
- 2 August – TBC
- 11 October – TBC
- 5 December – Year-end updates



For more details and access to our webinar series:

<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>

Resources

The screenshot shows the IFRS website's 'Projects' page. The header includes the IFRS logo and navigation links for 'ABOUT US', 'IFRS ACCOUNTING', and 'IFRS SUSTAINABILITY'. The main heading is 'Projects'. Below this, there is a brief overview of the work plan, including standard setting and research projects. A section titled 'Work plan' lists various project categories: 'Work plan', 'Open for comment', 'Pipeline projects', 'Completed projects', and 'Post-implementation Reviews'. At the bottom, there is a 'Share this page' section with social media icons and a 'Stay in touch' section with a 'Register for news alerts' button.



The screenshot shows an article on the CPA Australia website titled 'Goodbye IAS 1, Hello IFRS 18'. The article discusses the transition from International Accounting Standard 1 (IAS 1) to International Financial Reporting Standard 18 (IFRS 18). It highlights the enhanced interface for presentation and disclosure of financial statements, the removal of the 'statement of financial position' and 'statement of financial performance', and the introduction of 'statement of financial position' and 'statement of financial performance'. The article also mentions the 'Statement of Financial Position' and 'Statement of Financial Performance' and the 'Statement of Financial Position' and 'Statement of Financial Performance'. The article is dated 15 March 2024.



Contact us



Serene Seah-Tan

Partner

Audit Quality & Professional Practice

Hong Kong (SAR)

KPMG China

✉ serene.seah-tan@kpmg.com

☎ +852 2685 7331

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