

News Flash

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IAS: Changes in general presentation and disclosures

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The **Exposure Draft ED/2019/7** includes the proposals of the International Accounting Standards Board (Board) to improve how information is communicated in the financial statements, with a focus on information about **performance of the statement of profit or loss**. The Board is proposing following limited changes to the statement of cash flows and the statement of financial position.

Structure of the Exposure Draft

The Exposure Draft includes:

- a proposal to replace **IAS 1 Presentation of Financial Statements with a new Standard that would comprise:**
 - new requirements on presentation and disclosures in the financial statements.
 - requirements brought forward from IAS 1 with only limited changes to the wording.
- **proposed amendments to other Standards:**
 - *IAS 7 Statement of Cash Flows;*
 - *IFRS 12 Disclosure of Interests in Other Entities;*
 - *IAS 33 Earnings per Share;*
 - *IAS 34 Interim Financial Reporting;*

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to include some requirements from IAS 1;*
- *IFRS 7 Financial Instruments: Disclosures to include some requirements from IAS 1.*

The Exposure Draft proposes that an entity presents the following new subtotals in the statement of profit or loss (shown as shaded in Figure 1):

- operating profit or loss;
- operating profit or loss and income and expenses from integral associates and joint ventures;
- profit or loss before financing and income tax.

Figure 1—Summary of a statement of profit or loss

Revenue	X	Operating
Operating expenses	(X)	
Operating profit or loss	X	
Share of profit or loss of integral associates and joint ventures	X	Integral associates and joint ventures
Operating profit or loss and income and expenses from integral associates and joint ventures	X	
Share of profit or loss of non-integral associates and joint ventures	X	Investing
Income from investments	X	
Profit or loss before financing and income tax	X	
Interest revenue from cash and cash equivalents	X	Financing
Expenses from financing activities	(X)	
Unwinding of discount on pension liabilities and provisions	(X)	
Profit or loss before tax	X	

Image source: IFRS® Standards Exposure Draft ED/2019/7

Integral and non-integral associates and joint ventures

The Board proposes to **define ‘integral associates and joint ventures’** and **‘non-integral associates and joint ventures’**, and to require an entity to classify its equity-accounted associates and joint ventures as either integral or non-integral to the entity’s main business activities.

The Board also proposes to require an entity to provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures.

The Board proposes that an entity would be required to:

- **classify, in the integral associates and joint ventures category** of the statement of profit or loss, income and expenses from integral associates and joint ventures, and present a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures.
- **present, as cash flows from investing activities in the statement of cash flows**, cash flows from investments in

integral associates and joint ventures separately from the cash flows from investments in non-integral associates and joint ventures

- **present, in the statement of financial position**, investments in integral associates and joint ventures separately from investments in non-integral associates and joint ventures
- **disclose, in the notes**, information required for integral associates and joint ventures separately from non-integral associates and joint ventures.

EBITDA

The Board does not propose to define earnings before interest, tax, depreciation and amortization (EBITDA) in this project.

The Board considered it, but rejected, describing operating profit or loss before depreciation and amortization as **EBITDA**.

However, the Board proposes to exempt from the disclosure requirements for management performance measures a subtotal calculated as operating profit or loss before depreciation and amortization.

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