

# NZ IFRS 18: PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS (1 OF 3)

## SCOPE

Applies in presenting and disclosing information in financial statements prepared in accordance with NZ IFRS Accounting Standards

## GENERAL REQUIREMENTS

|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                    |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <b>Objective of Financial Statements</b><br>To provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in <ul style="list-style-type: none"> <li>Assessing the prospects for future net cash inflows to the entity; and</li> <li>In assessing management's stewardship of the entity's economic resources.</li> </ul> | <b>Roles of Primary Financial Statements and Notes</b> <ul style="list-style-type: none"> <li>To provide <b>structured summaries</b> i.e. more aggregated information in the primary financial statements than in the notes.</li> <li>The notes will provide more detailed information, including disaggregation of information presented in the primary financial statements.</li> </ul> | <b>Frequency of reporting</b><br>Provide a complete set of financial statements at least annually. | <b>Presentation consistency</b><br>Retain presentation and classification from one period to the next unless criteria in NZ IAS 8 <i>Basis of Preparation of Financial Statements</i> are met to change presentation or an NZ IFRS Standard requires a change. | <b>Comparative information</b><br>Provide comparative information from the preceding reporting period for all amounts reported in the current period unless an NZ IFRS Standard permits or requires otherwise. | <b>Changes in accounting policy, retrospective restatement or reclassification</b> <ul style="list-style-type: none"> <li>Any changes in presentation, disclosure or classification of items in the financial statements, reclassify comparative amounts unless reclassification is impracticable</li> <li>When an entity reclassifies comparative amounts, it shall disclose nature, amount of each item and reason for reclassification</li> <li>When it is impracticable to reclassify, an entity shall disclose the reason for not reclassifying and adjustments that would have been made if amounts had been reclassified.</li> </ul> |
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## COMPONENTS OF FINANCIAL STATEMENTS

A complete set of financial statements comprises:

- Primary financial statements
  - Statement of financial position
  - Statement(s) of financial performance
  - Statement of changes in equity
  - Statement of cash flows
- Notes for the reporting period

The statement of financial performance is presented either as (1) a single statement of profit or loss and other comprehensive income; or (2) separate statements of profit or loss and other comprehensive income.

All statements are required to be presented with equal prominence.

## AGGREGATION AND DISAGGREGATION

|                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                |
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| <b>Principles of aggregation and disaggregation</b><br>An entity is required to present line items by aggregating on shared characteristics and disaggregate items based on characteristics that are not shared.<br><br>An entity shall disaggregate items with dissimilar characteristics when the resulting information is material. | <b>Additional presentation criteria</b><br>An entity is required to present additional line items or sub-totals which shall: <ul style="list-style-type: none"> <li>Comprise amounts recognised and measured in accordance with NZ IFRS Standards</li> <li>Be compatible with statement structure created by the requirements listed in NZ IFRS 18.22</li> <li>Be consistent from period to period</li> <li>Be displayed no more prominently than the totals and subtotals required by NZ IFRS Standards.</li> </ul> | <b>Offsetting</b><br>Offsetting of assets and liabilities or income and expenses are not permitted unless required by other NZ IFRS Standards. |
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## TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters are granted certain disclosure exemptions under NZ IFRS 18.

## STRUCTURE AND CONTENT

| STATEMENT OF FINANCIAL POSITION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | STATEMENT OF PROFIT OR LOSS (SEE NEXT PAGE FOR DETAILS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | STATEMENT OF CHANGES IN EQUITY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | STATEMENT OF CASH FLOWS                                                                                                      |
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| <ul style="list-style-type: none"> <li>Present current and non-current items separately; or</li> <li>Present items in order of liquidity.</li> </ul> <div> <div> <b>Current assets</b> <ul style="list-style-type: none"> <li>Expected to be realised in, or is intended for sale or consumption in the entity's normal operating cycle</li> <li>Held primarily for trading</li> <li>Expected to be realised within 12 months</li> <li>Cash or cash equivalents.</li> </ul> <p>All other assets are required to be classified as non-current.</p> </div> <div> <b>Current liabilities</b> <ul style="list-style-type: none"> <li>Expected to be settled in the entity's normal operating cycle</li> <li>Held primarily for trading</li> <li>Due to be settled within 12 months</li> <li>The entity does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months.</li> </ul> <p>All other liabilities are required to be classified as</p> </div> </div> <ul style="list-style-type: none"> <li>Information required to be presented on the face of the statement of financial position is detailed in NZ IFRS 18.103-104</li> <li>Further information required to be presented on the face or in the notes to the financial statements.</li> </ul> | <ul style="list-style-type: none"> <li>An entity presents all items of income and expense recognised in a period, either: <ul style="list-style-type: none"> <li>In a single statement of profit or loss and other comprehensive income</li> <li>In two statements: a statement of profit or loss and a separate statement presenting comprehensive income.</li> </ul> </li> <li>Information required to be presented in the: <ul style="list-style-type: none"> <li>Statement of profit or loss as required in NZ IFRS 18.46-85</li> <li>Statement presenting comprehensive income as defined in NZ IFRS 18.86-95</li> <li>Further information required is to be presented on the face or in the notes to the financial statements.</li> </ul> </li> <li>Present operating expenses either by nature, by function or on a 'mixed basis' which reflects the most useful structured summary of operating expenses.</li> <li>Mandatory presentation of the following totals and subtotals: (1) operating profit; (2) profit or loss before financing and income taxes; (3) profit or loss.</li> <li>Line items within other comprehensive income are required to be categorised into two categories: <ul style="list-style-type: none"> <li>Those that could subsequently be reclassified to profit or loss</li> <li>Those that cannot be re-classified to profit or loss.</li> <li>Classification of foreign exchange differences</li> </ul> </li> <li>An entity must classify foreign exchange differences included in the statement of profit or loss applying NZ IAS 21 in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or</li> </ul> | <p>Information required to be presented:</p> <ul style="list-style-type: none"> <li>Total comprehensive income for the period, showing separately attributable to owners or the parent and non-controlling interest</li> <li>For each component of equity, the effects of retrospective application/restatement recognised in accordance with NZ IAS 8 <i>Basis of Preparation of Financial Statements</i></li> <li>The amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners</li> <li>For each component in equity a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change</li> <li>Amount of dividends recognised as distributions to owners during the period (can alternatively be disclosed in the notes)</li> <li>Analysis of each item of OCI (alternatively to be disclosed in the notes).</li> </ul> | <p>Provides users of financial statements with cash flow information - refer to NZ IAS 7 <i>Statement of Cash Flows</i>.</p> |

## REPORTING PERIOD

- Accounts presented at least annually
- If longer or shorter, entity must disclose that fact.

## IDENTIFICATION OF THE FINANCIAL STATEMENTS

Financial statements must be clearly identified and distinguished from other information in the same published document, and must identify:

- The level of rounding
- Name of the reporting entity
- Whether the financial statements cover the individual entity or a group of entities
- The statement of financial position date (or the period covered)
- The presentation currency used.

## THIRD STATEMENT OF FINANCIAL POSITION (Tier 1 entities)

A third statement of financial position required when an entity applies an accounting policy retrospectively, or makes retrospective restatements or reclassifications:

- Opening statement is only required if impact is material
- Opening statement is presented as at the beginning of the immediately preceding comparative period required by NZ IFRS 18 (e.g. if an entity has a reporting date of 31 December 20X2 statement of financial position, this will be as at 1 January 20X1)
- Only include notes for the third period relating to the change.

## NOTES TO THE FINANCIAL STATEMENTS

- Statement of compliance with NZ IFRS Standards
- Material accounting policy information, estimates, assumptions, and judgements must be disclosed
- Additional information useful to users understanding/ decision making to be presented
- Information that enables users to evaluate the entity's objectives, policies and processes for managing capital.
- Note disclosing the management-defined performance measures (MPMs) used by the entity.

## MANAGEMENT-DEFINED PERFORMANCE MEASURES (MPM)

- MPMs are a subtotal of income and expenses that an entity uses in public communications outside the financial statements to communicate management's view of an aspect of financial performance (e.g. 'adjusted profit').
- An entity is required to disclose all MPMs in a single note to the financial statements, including a description, how the MPM was calculated, a reconciliation to the most directly comparable NZ IFRS Standard subtotal and the income tax/NCI effects.

## STATEMENT OF PROFIT OR LOSS

### CLASSIFICATION OF INCOME AND EXPENSES

- ▶ Classify income and expenses in one of five categories:
  - ▶ Investing
  - ▶ Financing
  - ▶ Income tax
  - ▶ Discontinued operations
  - ▶ Operating

### ENTITIES WITH SPECIFIED MAIN BUSINESS ACTIVITIES\*\*

Exceptions to the requirements for entities that have one or more 'specified main business activity'—that is a main business activity of:

- ▶ Investing in particular types of assets or;
- ▶ Providing financing to customers.

Certain income and expenses will be classified in other categories for entities with specified main business activities.

### INCOME TAXES CATEGORY

Comprises:

- ▶ Tax expense or tax income included in the statement of profit or loss applying IAS 12 *Income Taxes*.
- ▶ Any related foreign exchange differences from the associated income taxes.

### DISCONTINUED OPERATIONS CATEGORY

Comprises income and expenses from discontinued operations as required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### INVESTING CATEGORY

- ▶ Income and expenses from investments in associate, joint ventures and unconsolidated subsidiaries, cash and cash equivalents and other assets, if they generate a return individually and largely independent of the entity's other resources.
- ▶ Examples of items generally classified in the investing category for entities without specified main business activities:
  - ▶ Fair value gains/losses on financial assets measured at fair value
  - ▶ Interest income on financial assets
  - ▶ Equity method income/loss from joint ventures and associates
  - ▶ Dividend income
  - ▶ Rental income

### FINANCING CATEGORY

- ▶ Most income and expense related to:
  - ▶ Liabilities arising from transactions that involve only raising of finance such as debt instruments settled in cash (e.g. debentures, loans, etc.)
  - ▶ Other liabilities such as payables for goods or services and contract liabilities, lease liabilities, defined benefit pension liabilities, certain provisions (decommissioning / asset restoration).
- ▶ Examples of items generally classified in the financing category for entities without specified main business activities:
  - ▶ Interest expense on a debt instruments issued
  - ▶ Interest expenses on lease liabilities
  - ▶ Net interest expense (income) on a net defined benefit liability (asset)

### OPERATING CATEGORY

- ▶ All income and expenses that are not classified in the investing, financing, income taxes or discontinued operations categories.
- ▶ The operating category is a residual or default category that:
  - ▶ Comprises all income and expenses arising from an entity's operations, regardless of whether they are volatile or non-recurring; and
  - ▶ Includes, but is not limited to income and expenses from other business activities, such as income and expenses from additional activities, if those income and expenses do not meet the requirements to be classified in any of the other categories.

Illustrative example - entity without specified main business activities\*\*:

| Line item                                            |     | Classification                   |
|------------------------------------------------------|-----|----------------------------------|
| Revenue                                              | XXX | Operating category               |
| Cost of sales                                        | XXX |                                  |
| Gross profit                                         | XXX |                                  |
| Other operating income                               | XXX |                                  |
| Selling expenses                                     | XXX |                                  |
| Research and development                             | XXX |                                  |
| General and administrative                           | XXX | Mandatory specified sub-total    |
| Operating profit                                     | XXX |                                  |
| Share of profit from joint venture                   | XXX | Investing category               |
| Profit before financing and income taxes             | XXX | Mandatory specified sub-total    |
| Interest expense on borrowings and lease liabilities | XXX | Financing category               |
| Profit before income taxes                           | XXX | Additional sub-total             |
| Income tax expense                                   | XXX | Income taxes category            |
| Profit from continuing operations                    | XXX | Additional sub-total             |
| Loss from discontinued operations                    | XXX | Discontinued operations category |
| Profit                                               | XXX | Mandatory total                  |

\*\*The exceptions applied to entities with specified main business activities are beyond the scope of this SOAP, and therefore, are not reflected.