



IFRS[®]
Foundation

World Standard-setters Conference 2024

IFRS 18 Presentation and Disclosure in Financial Statements

Panel Discussion

#WSS2024



Chair and Presenters



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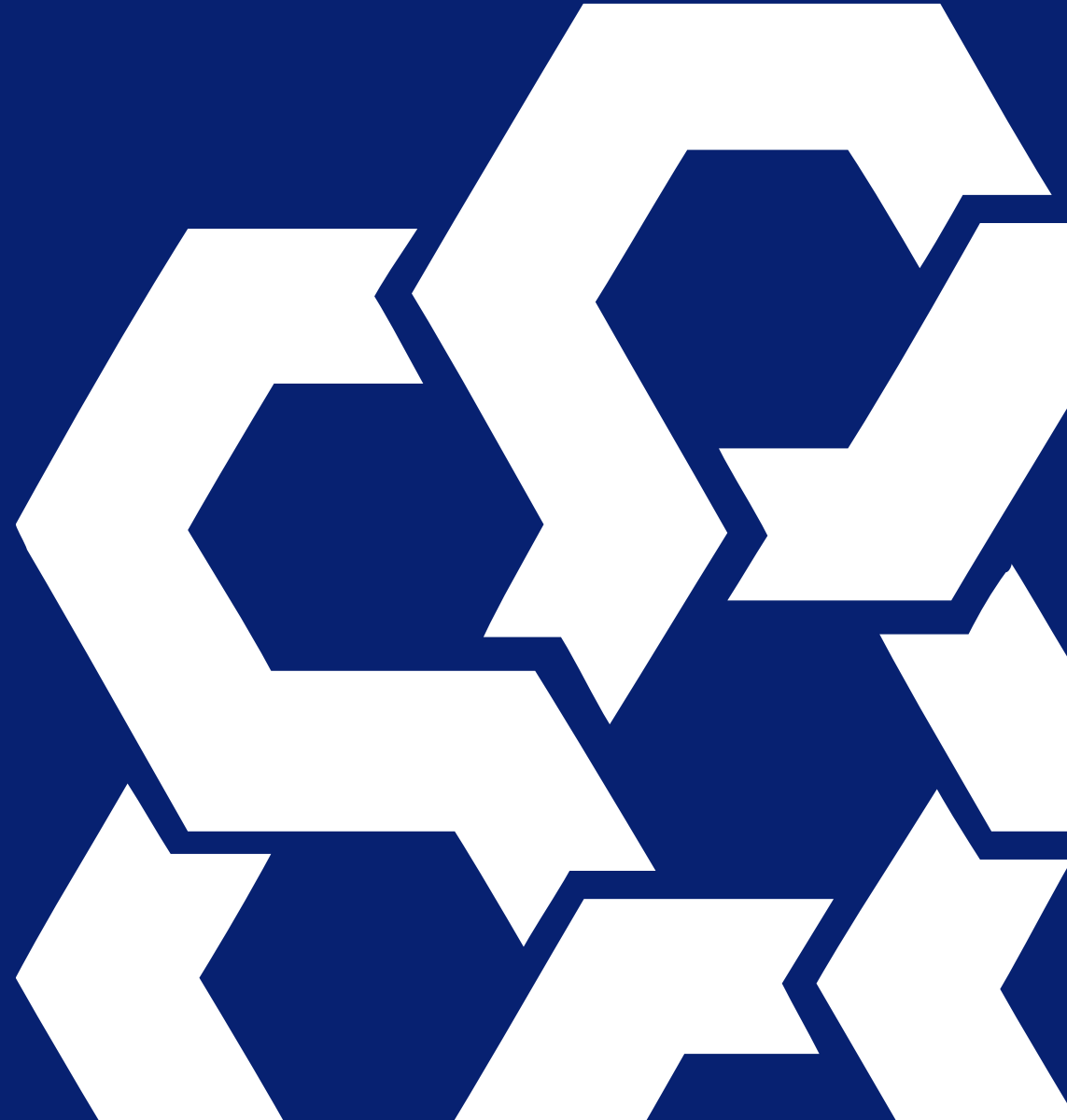


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Overview of IFRS 18



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 requirements on grouping of information (aggregation and disaggregation)

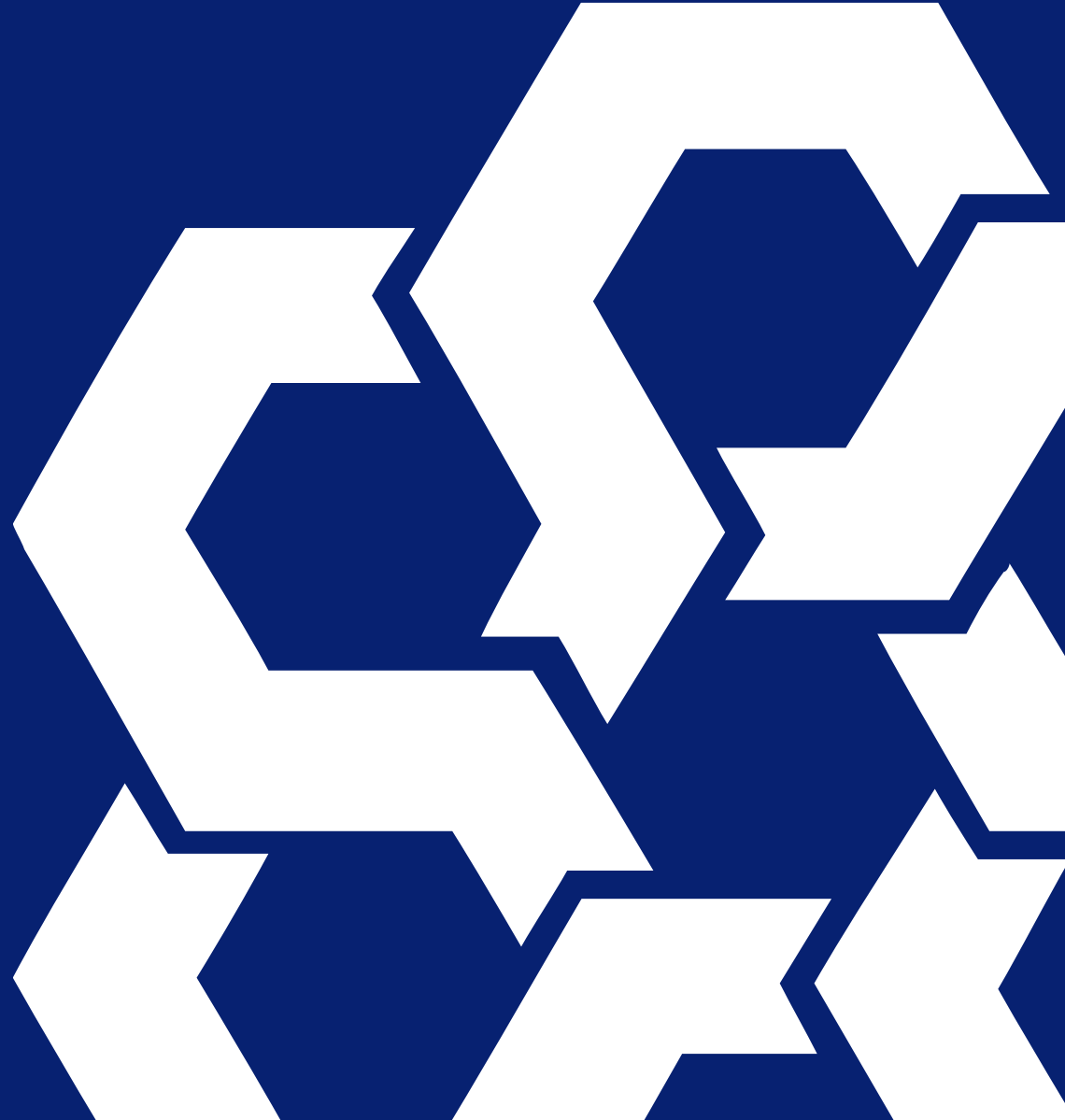
Better information for better decisions

– increases comparability, transparency and usefulness of information



Effective date: 1 January 2027

Panel discussion



Endorsement Plan

Expected date	Milestone
Q4 2024	Exposure Draft
H1 2025	Issue K-IFRS 1118
January 2027	Effective date

K-IFRS

Korean version of IFRS

Form

- Under contract with the IFRS Foundation
- Translated into Korean, go through due process and endorsed by the FSC

Content

- Identical with original IFRS as issued by the IASB
- Additional disclosure requirements

Impact of IFRS 18 in Korea

1 Users of Financial Statements:

- Expect improvement in earnings quality in the financial statements
- Believe that operating profit or loss under IFRS 18 is conceptually superior compared to the K-IFRS operating profit or loss

2 Preparers of Financial Statements:

- Expect changes in classification category of P/L statement for most listed companies
- Need a transition period to minimise practical confusion from application of the new concept of operating profit or loss under IFRS 18



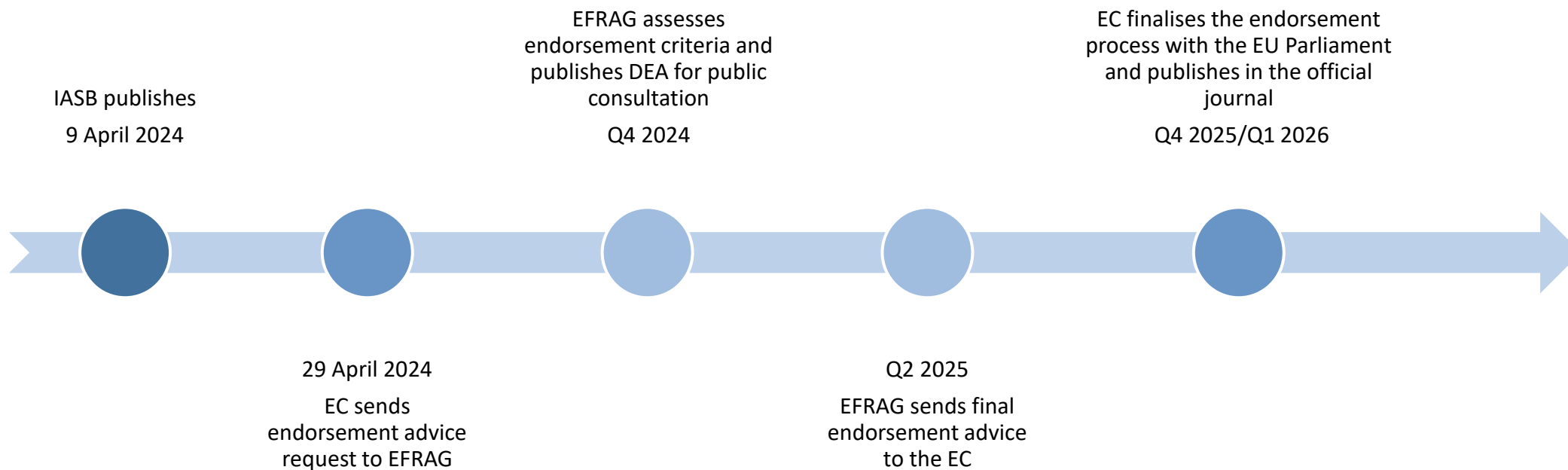
3 Regulators:

- Need to analyse laws and regulations referring to the current K-IFRS operating profit or loss (for listing, audit or supervision, etc.)
- Consider whether the regulations require revision, taking into account their content

4 Standard Setter:

- Discuss how to navigate soft landing processes for the adoption of IFRS 18
- Consider whether and, if so, how to amend local GAAP to align with IFRS 18

IFRS ENDORSEMENT PROCESS & ESTIMATED TIMELINE



This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG.

IFRS ENDORSEMENT CRITERIA

[Regulation \(EC\) No 1606/2002](#) (IAS Regulation) establishes the criteria for the IFRS Accounting Standards to be adopted in the EU.

Technical endorsement criteria

- Relevance
- Reliability including prudence
- Comparability
- Understandability
- True and Fair view

European public good criteria

- Potential effect on EU economy (financial stability, competitiveness)
- Potential effects on stakeholders
- Costs and benefits analysis

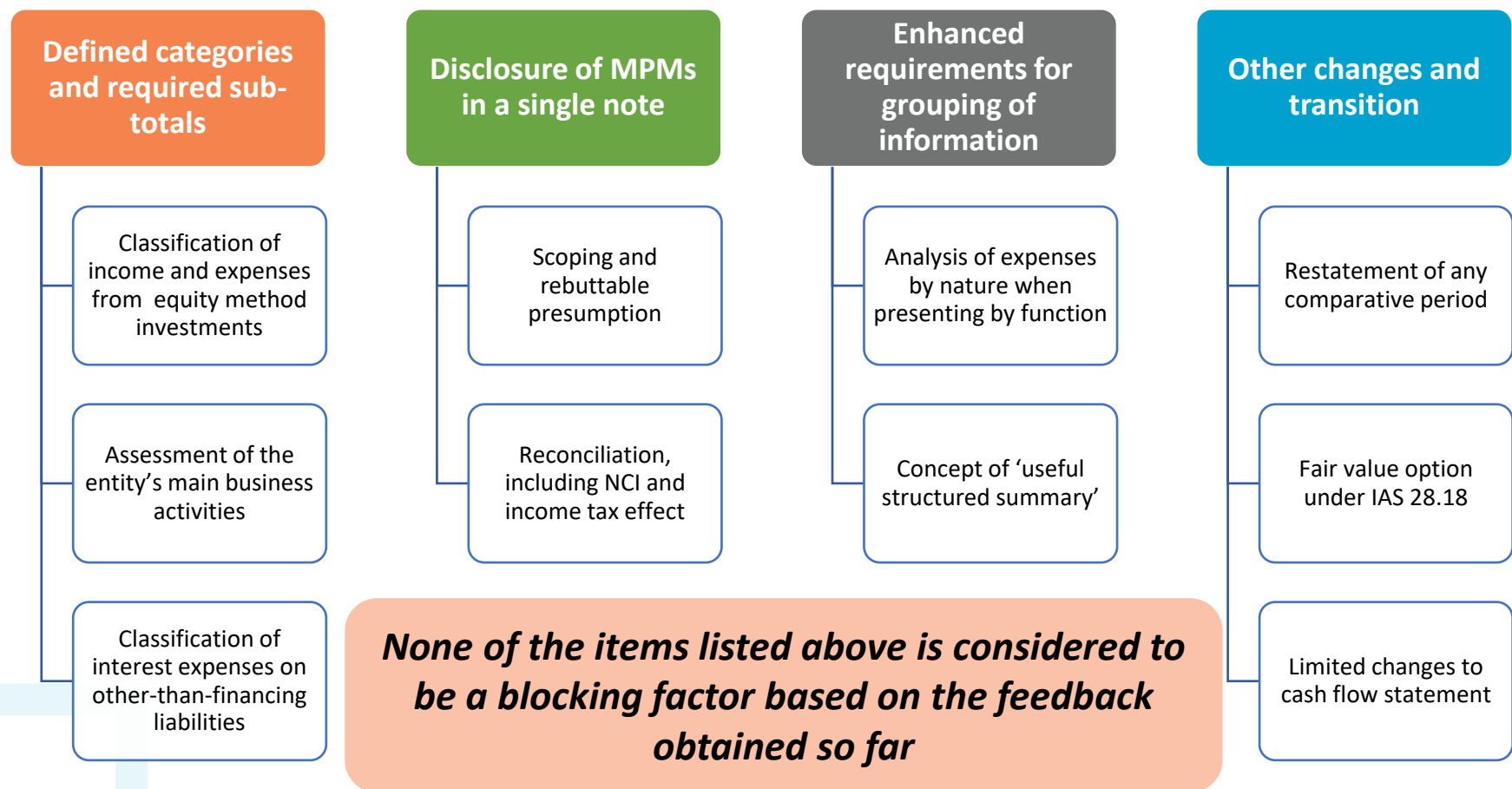

Other criteria

- No other criteria were requested by the EC

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PRELIMINARY LIST OF KEY TOPICS

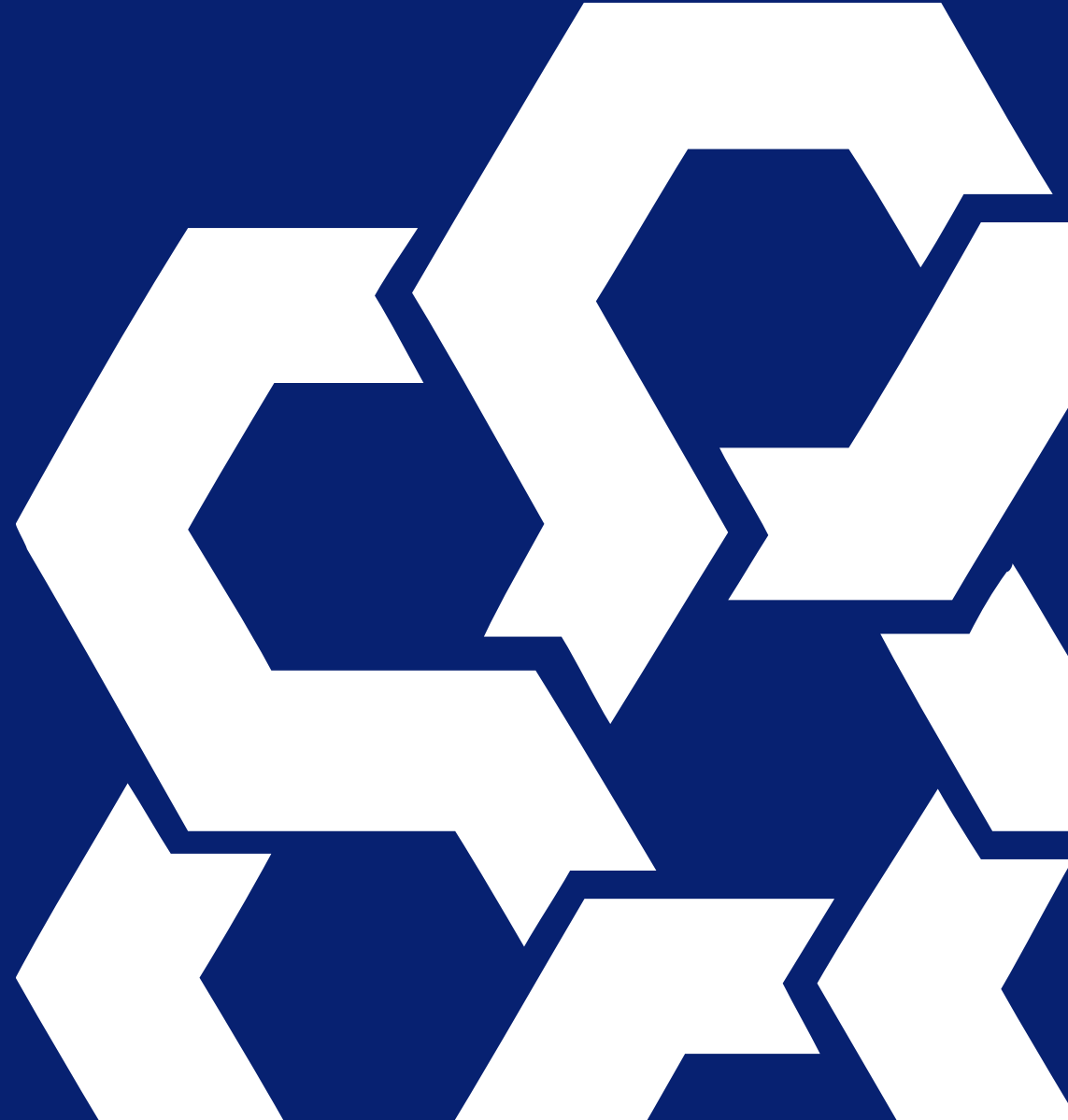
(Specifically addressed in the endorsement advice)

[EFRAG project page](#)

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Categories and subtotals



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 new 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 taxes

New required subtotals

Operating profit

Gives a complete picture of a company's operations

Profit before financing and income tax

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 expense

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 tax

Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities and provisions

Profit before tax

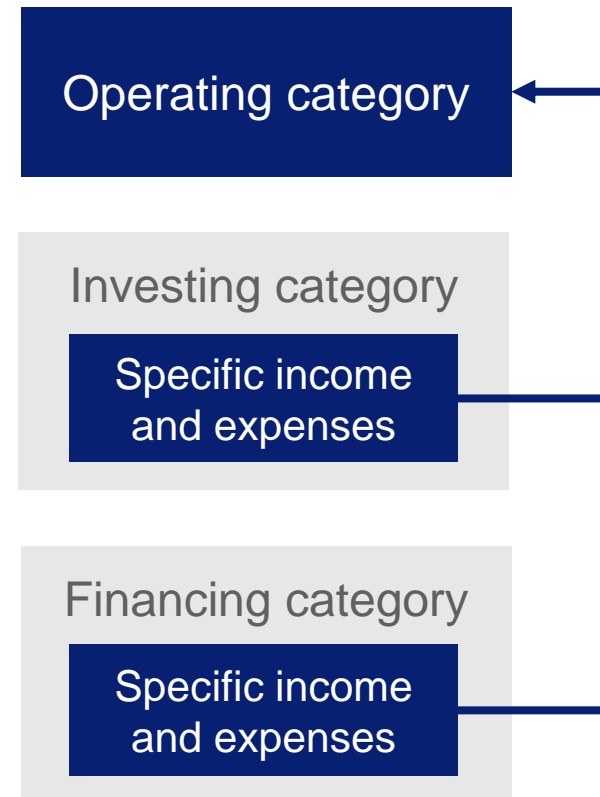
Income tax expense

PROFIT

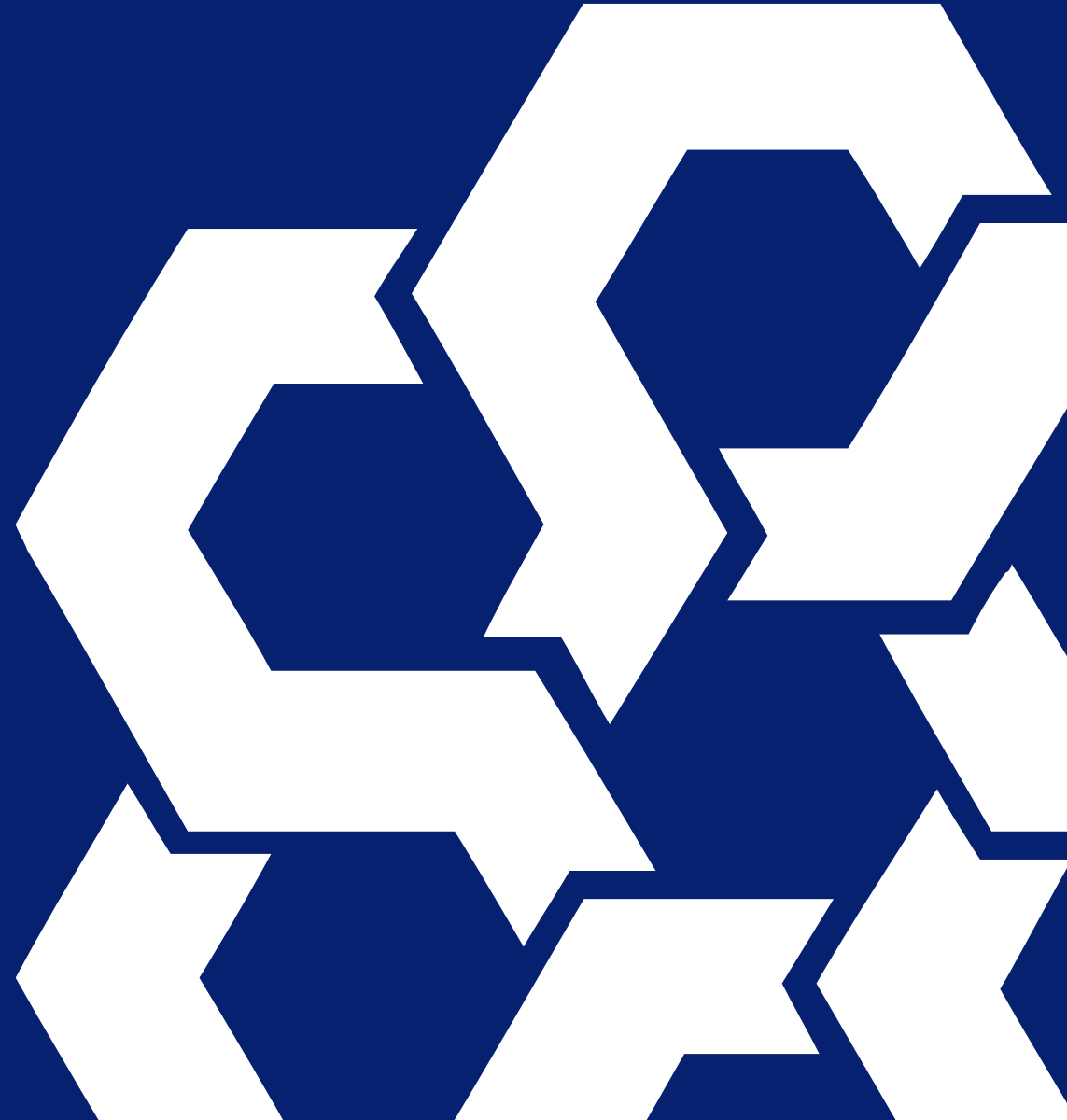


Requirements for specific companies

- 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



Panel discussion



Comparison of IFRS 18

IFRS 18 Presentation

Revenue	Operating
Cost of sales	
Gross profit	
Selling expenses	
General & administrative expenses	
Impairment loss on intangible asset Gain on disposal of property, plant & equipment	
Operating profit	
Share of profit or loss of associates & joint ventures	Investing
Profit before financing and income tax	
Interest expense on borrowings and lease liabilities	Financing
Interest expense on pension liabilities and provisions	
Profit before income taxes	
Income tax expense	
PROFIT	

K-IFRS Presentation

Revenue	
Cost of sales	
Gross profit	
Selling expenses	
General & administrative expenses	
Operating profit	
Share of profit or loss of associates & joint ventures	Non-operating income and expenses
Impairment loss on intangible asset	
Gain on disposal of property, plant & equipment	
Interest expenses	
Profit before income taxes	
Income tax expense	
PROFIT	

Management-defined performance measures



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 alternative performance measures (APMs) or non-GAAP measures 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**

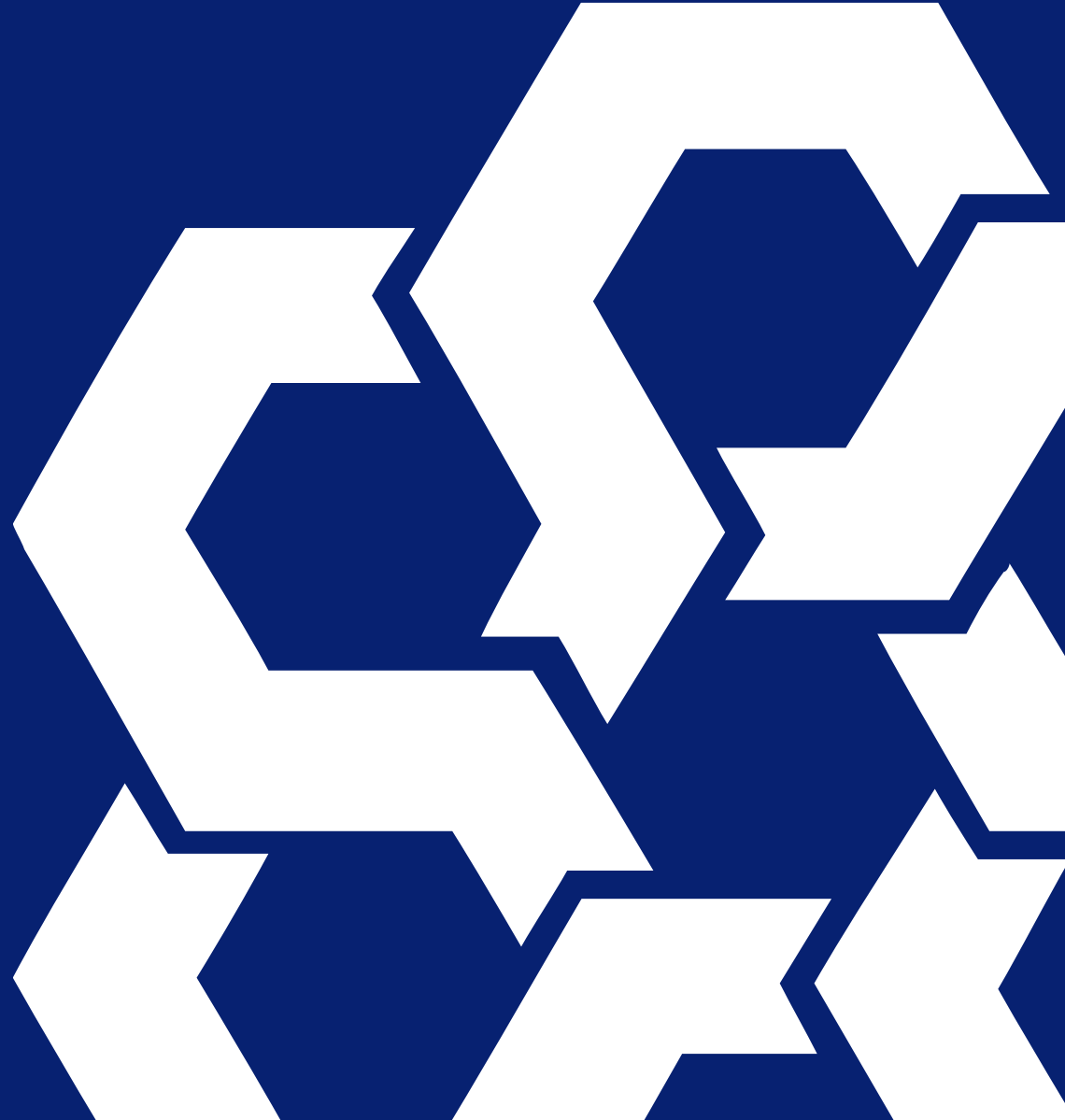


Measures that communicate **management's view** of a company's financial performance

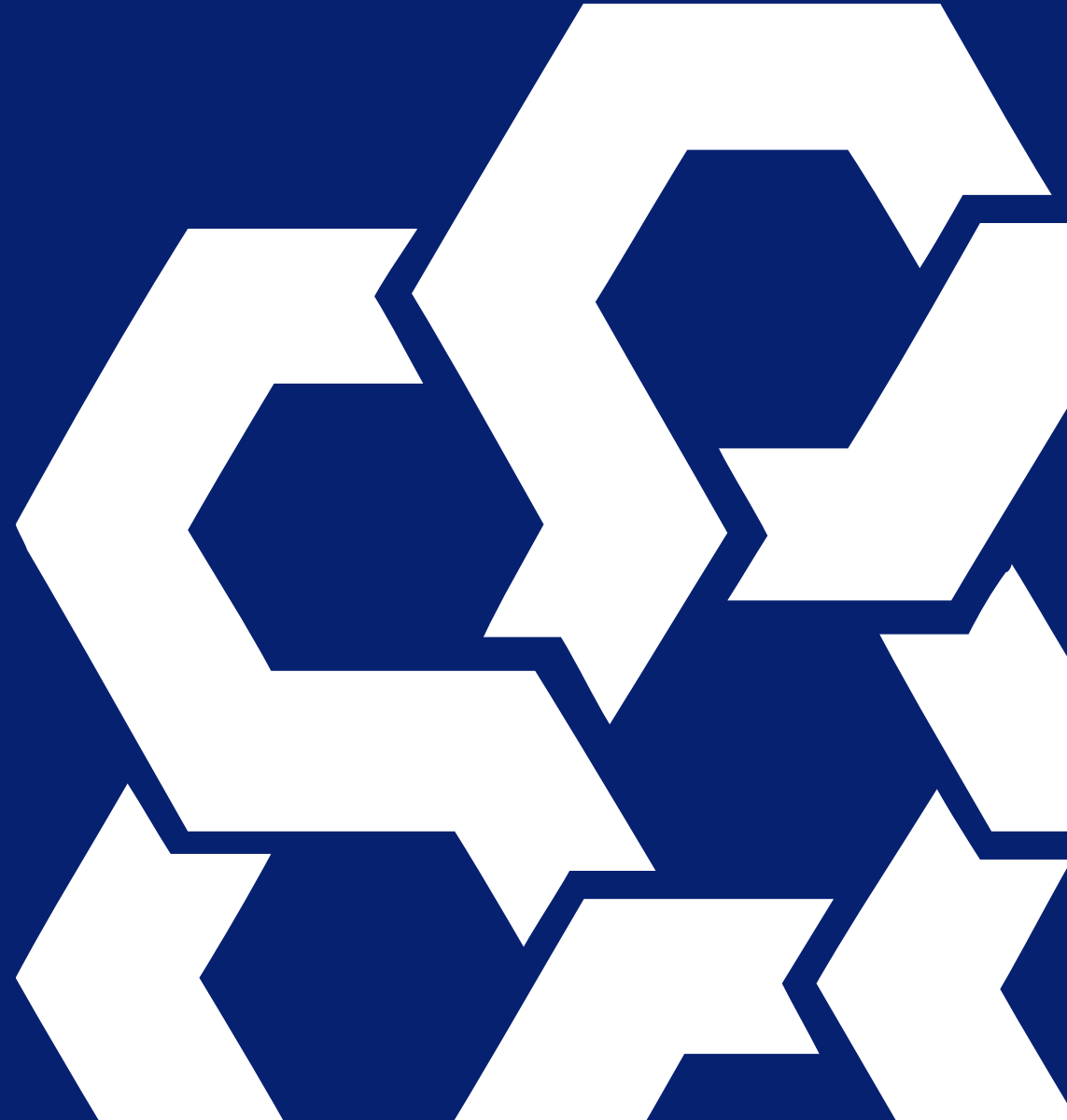
What might a reconciliation look like?

	IFRS	Impairment losses	Restructuring expenses	Gains on disposal of PP&E	MPM
Other operating income		-	-	(1,800)	
Research and development expenses		1,600	-	-	
General and administrative expenses		-	3,800	-	
Goodwill impairment loss		4,500	-	-	
Operating profit / Adjusted operating profit	57,000	6,100	3,800	(1,800)	65,100
Income tax expense		-	(589)	297	
Profit from continuing operations / Adjusted profit from continuing operations	32,100	6,100	3,211	(1,503)	39,908
Profit attributable to non-controlling interests		305	161	-	

Panel discussion



Grouping – aggregation and disaggregation – of information



Grouping – aggregation and disaggregation – of information

Investors' concerns

- some companies don't provide enough detailed information
- some companies provide too much detailed information

IFRS 18 introduces

- guidance on whether information should be in the primary financial statements or the notes
- enhanced requirements for grouping of information, including disclosures about items labelled as 'other'
- specific disaggregation requirements for presenting and disclosing operating expenses

Roles of the primary financial statements and the notes

Primary financial statements (PFS)



Statement of financial position
(balance sheet)



Statement of profit or loss
(income statement)



Statement presenting comprehensive income (OCI)



Statement of changes in equity



Statement of cash flows

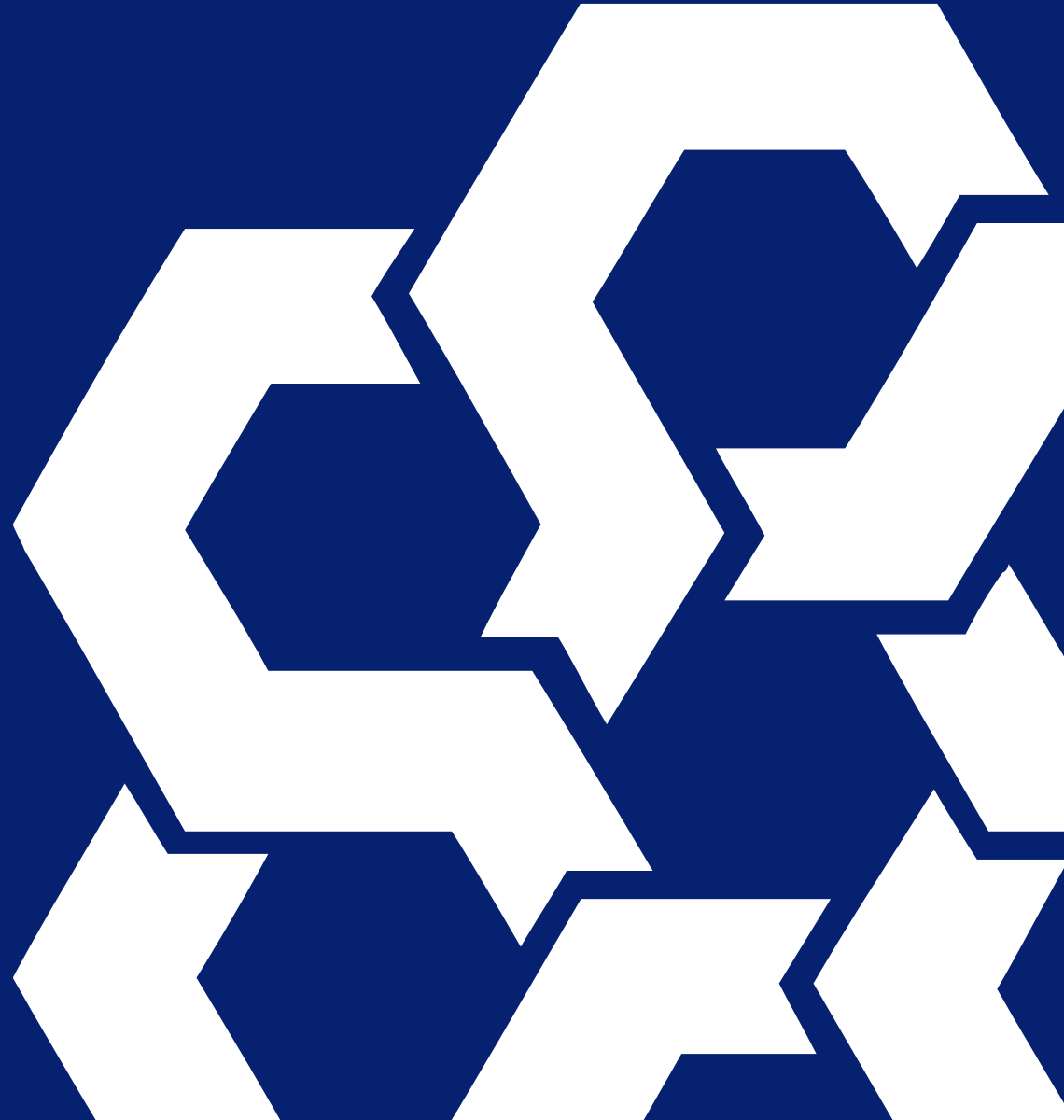


Notes to the financial statements

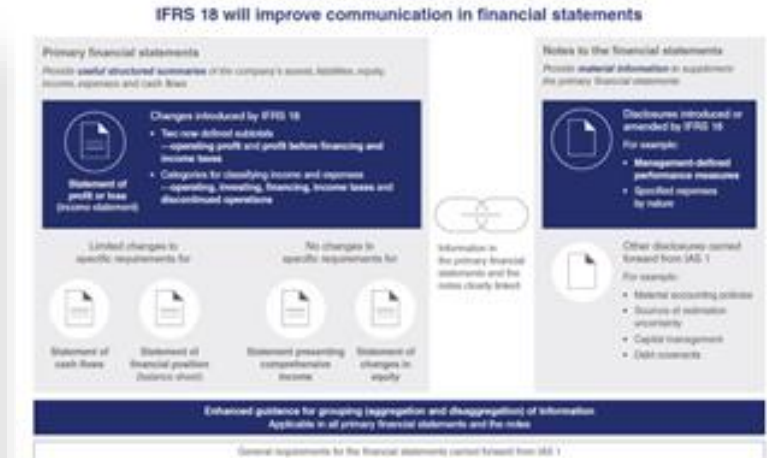
Role is to provide structured summaries of a company's assets, liabilities, equity, income, expenses and cash flows

Role is to provide further information and supplement PFS

Panel discussion



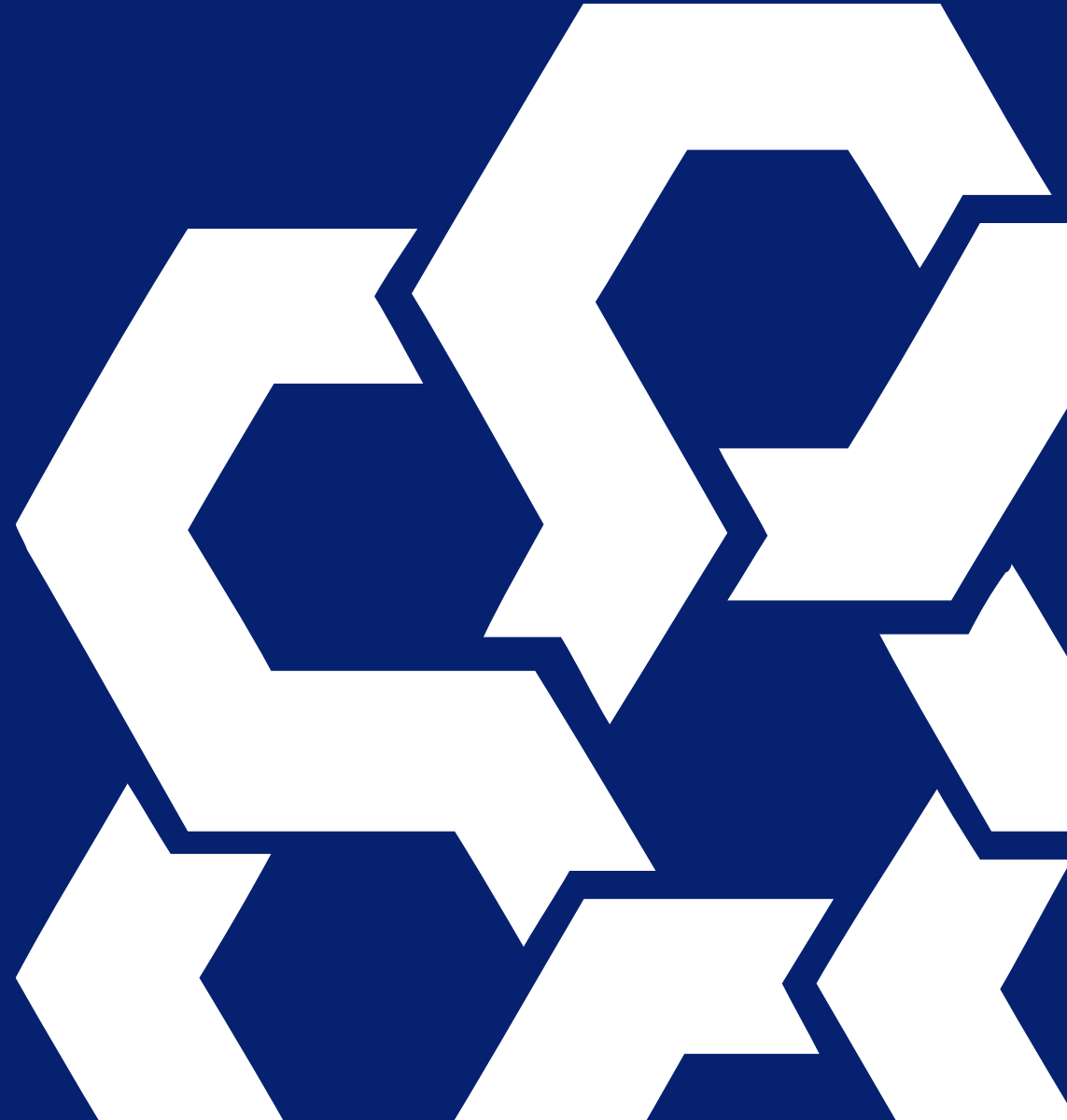
Published materials



- IFRS 18 *Presentation and Disclosure in Financial Statements*
- Basis for Conclusions
- Illustrative Examples and supporting materials
- Effects analysis
- Project summary
- Feedback statement
- Reference material
- IFRS 18 on one page



Questions



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