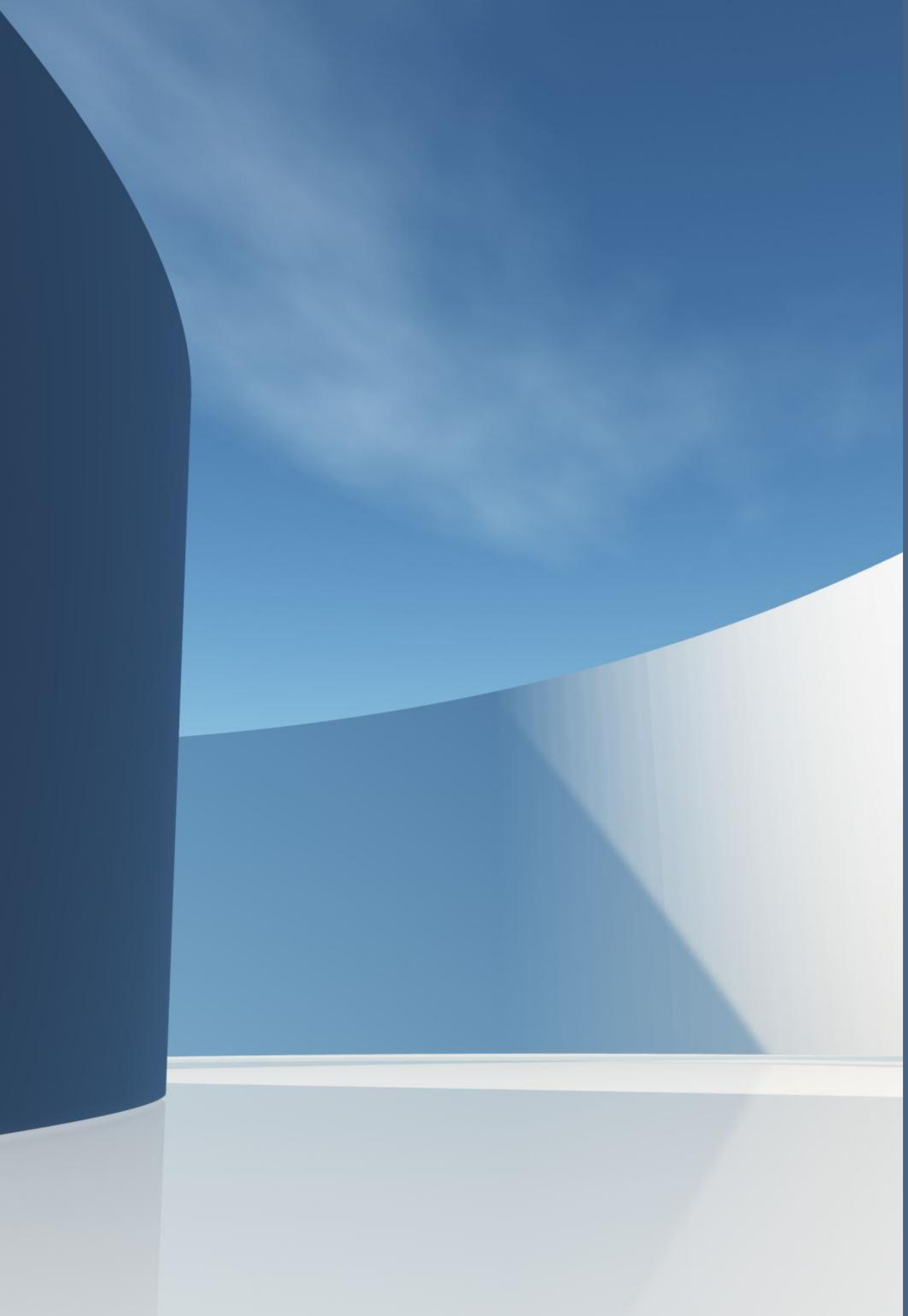

FINANCIAL REPORTING

IAS 1: PRESENTATION OF FINANCIAL STATEMENTS

OBJECTIVE OF THE STANDARD

- This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

GENERAL PURPOSE FINANCIAL STATEMENTS EXPLAINED

Are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

PURPOSE/OBJECTIVE OF FINANCIAL STATEMENTS

- The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.
- Financial statements also show the results of the management's stewardship of the resources entrusted to it.
- To meet this objective, financial statements provide information about an entity's Assets, liabilities, equity, incomes and expenses including gains and losses, contributions by and distributions to owners and cashflows.

SCOPE OF THE STANDARD

- An entity shall apply the Standard in preparing and presenting general purpose financial statements in accordance with IFRSs.
- This Standard applies equally to all entities, including those that present consolidated financial statements in accordance with IFRS 10: Consolidated Financial Statements and those that present separate financial statements in accordance with IAS 27: Separate Financial Statements
- This Standard does not apply to;
  - The structure and content of condensed interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting.

A COMPLETE SET OF FS

IAS 1 Presentation of Financial Statements states that a complete set of financial statements comprises:

- a statement of financial position
- either
  - – a statement of profit or loss and other comprehensive income, or
  - – a statement of profit or loss plus a statement showing other comprehensive income
- a statement of changes in equity
- a statement of cash flows
- accounting policies and explanatory notes
- comparative information in respect of the preceding period.

GOING CONCERN VS BREAK UP

- When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern.
- An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

ACCRUAL BASIS OF ACCOUNTING

- An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting
- When the accrual basis of accounting is used, an entity recognizes items as assets, liabilities, equity, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Conceptual Framework.

MATERIALITY AND AGGREGATION

- An entity shall present separately each material class of similar items. It shall present separately items of a dissimilar nature or function unless they are immaterial.
- If a line item is not individually material, it is aggregated with other items either in those statements or in the notes.

OFFSETTING

- An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.
- Offsetting detracts the users' ability to understand the transactions, other events and conditions that have occurred and to assess the entity's future cashflows.
- Except when offsetting reflects the substance of the transaction or other event.
- Measuring assets net of valuation allowances such as obsolescence allowances on inventories and doubtful debts allowances on receivables is not offsetting.

FREQUENCY OF REPORTING

An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose;

- the reason for using a longer or shorter period, and
- the fact that amounts presented in the financial statements are not entirely comparable.

CONSISTENCY OF PRESENTATION

The presentation and classification of items in the financial statements shall be retained from one period to the next unless a change is justified either by a change in circumstances (change in the nature of the entity's operations) or a requirement of a new IFRS.

COMPARATIVE INFORMATION

- IAS 1 requires that comparative information to be disclosed in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another Standard requires otherwise.
- An entity is required to present at least two of each of the following primary financial statements:
  - statement of financial position
  - statement of profit or loss and other comprehensive income
  - separate statements of profit or loss (where presented)
  - statement of cash flows
  - statement of changes in equity
  - related notes for each of the above items
- A third statement of financial position is required to be presented if the entity retrospectively applies an accounting policy, restates items, or reclassifies items, and those adjustments had a material effect on the information in the statement of financial position at the beginning of the comparative period

EXCEPTIONAL ITEMS

A name often given to material items of income and expense of such size, nature or incidence that disclosure is necessary in order to explain the performance of the entity.

THEIR A/C TREATMENT

Accounting treatment:

- include the item in the standard statement of profit or loss line.
- disclose the nature and amount in the notes.

However, in some cases it may be more appropriate to show the item separately on the face of the statement of profit or loss.

They may include but not limited to: gains/losses on disposal of non-current assets, discontinued operations, impairment of PPE, restructuring costs, reversals of provisions among others.

STATEMENT OF FINANCIAL POSITION

Current/non-current distinction

An entity must normally present a classified statement of financial position, separating current and non-current assets and liabilities, unless presentation based on liquidity provides information that is reliable.

In either case, if an asset (liability) category combines amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months, note disclosure is required that separates the longer-term amounts from the 12-month amounts.

Current assets are assets that are;

- expected to be realized, or intended to be sold or consumed in the entity's normal operating cycle.
- held primarily for the purpose of trading.
- expected to be realized within 12 months after the reporting period.
- cash and cash equivalents (unless asset is restricted from being exchanged or used to settle a liability for at least twelve months from the reporting period).

All other assets are non-current

An entity classifies a liability as current when;

- it is expected to be settled within the entity's normal operating cycle.
- it holds the liability primarily for purpose of trading.
- it is due to be settled within 12 months after the reporting period.
- the entity does not have the right at the end of the reporting period to defer settlement beyond 12 months

Other liabilities are non-current.

LINE ITEMS

- Property, plant and equipment
- Investment property
- Intangible assets
- Financial assets
- Investments accounted for using the equity method
- Biological assets
- Inventories
- Cash and cash equivalents
- Trade and other receivables
- Assets held for sale
- Issued share capital and reserves
- Non-controlling interest
- Financial liabilities
- Current tax liabilities and assets
- Deferred tax liabilities and assets

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Profit or loss

The total of income less expenses, excluding the components of other comprehensive income.

Other comprehensive income

Items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRSs. May be reported along with the statement of profit or loss or separately immediately after the statement of profit or loss.

Examples of items included in OCI include;

- Changes in revaluation surplus where the revaluation method is used under IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.
- Exchange differences from translating functional currencies into presentation currency in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.
- Gains and losses on remeasuring available-for-sale financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement.
- Remeasurements of a net defined benefit liability or asset recognized in accordance with IAS 19 Employee Benefits.
- The effective portion of gains and losses on hedging instruments in a cash flow hedge under IAS 39 or IFRS 9 Financial Instruments.
- Gains and losses on remeasuring an investment in equity instruments where the entity has elected to present them in other comprehensive income in accordance with IFRS 9.
- The effects of changes in the credit risk of a financial liability designated as at fair value through profit and loss under IFRS 9.

STATEMENT OF CHANGES IN EQUITY

- Provides a summary of all changes in equity arising from transactions with owners in their capacity as owners. It also includes the effect of issuance of shares and dividends.
- Other non-owner changes in equity, such as comprehensive income, are disclosed in aggregate only.