IAS 1
Presentation of financial statements

1. Objective

This Standard prescribes the general requirements for the 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 also sets out overall requirements for the presentation, structure and minimum content of financial statements.

2. Scope

2.1 Financial statements

IAS 1 applies to the presentation of all general purpose financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and is not intended to meet the particular information needs specific to certain users.

The objective of financial statements is to provide information about the financial position and performance of an entity as well as its cash flows.

A complete set of financial statements comprises the following elements. Each element must be presented with equal prominence but the elements do not have to be presented in the following order:

- a **statement of financial position** (also referred to as a balance sheet);
- a **statement of comprehensive income** for the period presented either as a single statement, including both a section dealing with profit or loss, and a section dealing with other comprehensive income, or as two separate statements - a statement of profit or loss (sometimes referred to as an income statement), and a comprehensive income statement;
- a **statement of changes in equity for the period;**
- a statement of cash flows;
- notes comprising a summary of significant accounting policies and other explanatory information;
- a **statement of financial position** at the beginning of the earliest comparative

period in special situations when the entity reclassifies items in its financial statements or makes a retrospective restatement in accordance with IAS 8 (see p. 28).

It should be noted that an entity may use titles for its statements other than those used in the Standard although the Standard does not suggest other titles. An example would be the use of the title balance sheet as an alternative to the title statement of financial position.

2.2 Main rules regarding the presentation of financial statements

The presentation of financial statements is based on compliance with the following main principles:

- **Faithful representation**: following principles, resulting from the application of IAS/IFRS standards. Departures are permitted only when compliance with a requirement of a particular standard would result in the presentation of misleading information;

- **Compliance with IAS/IFRS**: the entity makes an explicit statement of compliance with all the requirements of each standard in the notes to its financial statements. Any departure made necessary in order to present a faithful representation must be justified in these notes;

- **Accounting policies**: accounting policies must be in accordance with those set out in the standards. In the absence of a specific standard, the entity must develop its own relevant and reliable policies by referring to the conceptual framework; if the entity modifies its accounting policies or proceed to retrospective reprocessing or reclassifications, a third balance sheet should produce to allow the comparison. This statement should be established at the opening of the accounting year preceding the one in which the modifications are taking place (however if the impacts are insignificant, estimated at less than 25% of the main components of the financial statements, this obligation can be ignored;

- **Going concern**: financial statements must be prepared on the going concern basis unless it is highly likely that the entity will go into liquidation or cease trading;

When an entity does not prepare its financial statements on the going concern basis, the uncertainties regarding continuity of trading must be disclosed, in particular when management has indicated that it intends to cease trading or has no other alternative but to do so.

- **Accruals accounting method**: an entity must prepare its financial statements according to the accruals accounting method, meaning that revenue and expenses are recognized as from when they take place, whether or not the associated cash flow takes place at the same time or at a later date;

- **Consistency of presentation**: the methods adopted for presentation and classification of items must be maintained from one period to the next unless a change is necessary in order to comply with a standard or will result in a more appropriate presentation or an improvement in the quality of the financial information given;

- **Materiality and aggregation**: all significant items must be presented separately. Immaterial amounts may be aggregated with other amounts corresponding to items of a similar nature or function;

- **No-offsetting principle:** assets and liabilities must not be offset unless provided for specifically in another standard. Income and expenses related to similar but immaterial transactions and events may be offset;

- **Comparative information**: all amounts reported for the current period, including those mentioned in the notes to the financial statements must be presented alongside the corresponding items relating to the previous period. If relevant, additional narrative and descriptive information should also be included.

3. Disclosure

Financial statements must be presented at least once a year unless the reporting date is changed. Financial statements, as well as each of the items presented on the face of the financial statements, must be clearly identified. These statements contain, inter alia, the name of the reporting entity (and the scope of the consolidation, if applicable), the date of the end of the reporting period, the presentation currency, and the level of rounding used in presenting amounts in the financial statements.

3.1 Statement of financial position (balance sheet)

This statement provides information about the financial position of an entity at a given date. The entity must present its assets and liabilities separately and classify them according to their "current" or "non-current" nature. In special situations, for example in the case of certain financial institutions, assets and liabilities may be presented according to their order of liquidity.

The example below shows the presentation of a balance sheet with assets and liabilities classified according to their “current” or “non-current” nature.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31/12/N (In €K)			
NON-CURRENT ASSETS	**23,000**	**EQUITY**	**35,050**
Intangible fixed assets	500	Share capital	21,200
Goodwill	6,500	Share premium	2,800
Property, plant and equipment	14,000	Other reserves	750
Investments in associates	1,000	Retained profits brought forward	1,500
Other financial assets	1,000	Profit or loss for the period	7,000
		Other equity items	-2,200
		Non-controlling interests	4,000
		NON-CURRENT LIABILITIES	**71,000**
		Long-term loans	10,000
		Long-term provisions	11,000
		Employee benefits	50,000
CURRENT ASSETS	**245,000**	**CURRENT LIABILITIES**	**161,950**
Inventories	30,000	Suppliers and other payables	123,000
Receivables	120,000	Short-term loans	5,000
Other outstanding assets	70,000	Other current liabilities	23,000
Current tax assets	4,000	Current tax liabilities	1,000
Deferred tax assets	1,000	Deferred tax liabilities	2,000
Cash and cash equivalents	20,000	Cash liability instruments	4,000
		Short-term provisions	3,950
TOTAL	**268 000**	**TOTAL**	**268 000**

➢ *For the sake of clarity, the above example does not show the comparative information, which is mandatory.*

The balance sheet presentation must be supplemented with additional information, which is detailed in the presentation of the other standards hereafter. Also, incoming and outgoing amounts paid to and received from subsidiaries and parent companies, associate companies and other related parties must be presented separately.
For each class of share capital, the entity has to disclose the number of shares authorised, the number of shares issued (both fully paid up and not) and the par value per share.

3.2 Comprehensive income statement

An entity must classify its income and expenses according to either their nature or their function in the entity. The entity must choose the method of presentation that provides the most reliable and relevant information.
The comprehensive income statement must include at least the following items, based on the choice made by the entity:

Presentation by nature of income and expense:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (by nature)		
	N	**N – 1**
Revenue from ordinary activities	175,000	125,000
Other income	25,000	15,000
Changes in inventories of finished goods and work in progress	3,500	1,850
Raw materials and consumables used	- 75,000	- 62,500
Personnel costs	- 90,000	- 50,000
Amortization and depreciation expense	- 5,000	- 5,000
Other expenses	- 22,000	- 13,000
Financial income		50
Financing costs	- 1,500	-
Profit before tax	10,000	11,400
Corporate income tax	- 3,000	- 1,400
Profit or loss for the period	**7,000**	**10,000**
Gain arising from the revaluation of property	500	800
Exchange differences on foreign currency translation	800	-100
Other comprehensive income (OCI)	1,300	700
Comprehensive profit or loss for the period	**8,300**	**10,700**
Group share	**7,000**	**9,000**
Non-controlling interest (minority) share	1,300	1,700
Attribuable aux intérêts minoritaires	1 300	1 700

Presentation by function of income and expense:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (by function)		
	N	**N – 1**
Revenue from ordinary activities	175,000	125,000
Cost of sales	- 75,000	62,500
Gross margin	100,000	62,500
Changes in inventories of finished products and work in progress	3,500	1,850
Other income	25,000	15,000
Distribution costs	- 55,000	- 35,000
Technical costs	- 28,000	- 15,000
Administrative expenses	- 24,000	- 10,000
Other expenses	- 10,000	- 8,000
Financial income	-	50
Financing costs	- 1,500	-
Profit before tax	10,000	11,400
Corporate income tax	- 3,000	- 1,400
Profit or loss for the period	**7,000**	**10,000**
Gain arising from the revaluation of property	500	800
Exchange differences on foreign currency translation	800	-100
Other comprehensive income (OCI)	1,300	700
Comprehensive profit or loss for the period	**8,300**	**10,700**
Group share	**7,000**	**9,000**
Non-controlling interest (minority) share	1,300	1,700

When choosing the classification of analysis of income and expense by function, the entity should disclose additional information in the notes to the financial statements regarding the nature of certain expenses, including details of employee benefits (payroll) expenses, depreciation of property, plant and equipment, and provisions.

3.3 Statement of changes in equity

This statement reflects the increase or decrease in the entity's equity. The statement must present at least the following information: total comprehensive income for the period (showing separately the amounts attributable to group and to non-controlling (minority interests), other income, expenses, profit or loss for the period shown as a single line item as a movement on equity, the effects of changes in accounting policies and the consequences of corrections of errors.

The statement of changes in equity must report:

- equity transactions such as the issue of share capital, and distributions to owners;
- balances at the beginning of the period, movements during the period and balances at the end of the period;
- reconciliation between the carrying amount of each equity component, share premium and reserves at the beginning and end of the period.

The **statement of changes in equity** may be presented as follows:

	Share capital	Share premium	Reserves	Brought forward balances and non-distributed accumula-ted earnings	Other components of comprehen-sive income statement	Total group share	Non-control-ling (minority) interests	Total
Balance on 1 January N – 1	**20 000**	**-**	**2 000**	**3 500**	**- 4 200**	**21 300**	**1 000**	**22 300**
Issue of share options		2,000				2,000		2,000
Gain arising from re-valuation of property					800	800	160	960
Foreign currency translation gains and losses					- 100	- 100	- 20	- 120
Profit for the period				10,000		10,000	1,560	11,560
Balance on 1 January N	**20,000**	**2,000**	**2,000**	**13,500**	**- 3,500**	**34,000**	**2,700**	**36,700**
Gain arising from re-valuation of property					500	500	100	600
Foreign currency translation gains and losses					800	800	160	960
Profit for the period				7,000		7,000	1,040	8,040
Dividends distributed				- 12,000		- 12,000		- 12,000
Gains related to shares sold as part of a share option plan			2,750			2,750		2,750
Buyback of shares			- 4,000			- 4,000		- 4,000
Issue of shares	1,200	800				2,000		2,000
Balance on 31 De-cember N	**21,200**	**2,800**	**750**	**8,500**	**- 2,200**	**31,050**	**4,000**	**35,050**

3.4 Statement of cash flows

IAS 7 sets out the detailed requirements for the presentation of a statement of cash flows

3.5 Accounting policies and notes to the financial statements

The notes should disclose the assumptions and basis on which the financial statements have been prepared, as well as the accounting policies adopted. The notes must disclose information required by the standards and which have not been disclosed in other parts of the financial statements, as well as any additional information needed to reflect a faithful representation.