

# IAS 34

## Interim financial reporting

### 1. Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report, as well as the principles for recognition and measurement so as to back up the reliability of results presented by entities.

### 2. Scope

This Standard applies if an entity is required or elects to publish an **interim financial report** covering a period which is shorter than an entire financial year. It should be noted that IAS 34 does not mandate how frequently **interim financial reports** should be published or how soon after the end of an interim period.

An interim financial report must basically contain either a complete set of financial statements (IAS 1) or in most cases, a condensed set of financial statements as described in this Standard, and covering an interim period.

#### 2.1 Content of an interim financial report

An interim financial report must include, at a minimum, the following components:

- a condensed statement of financial position with comparatives for its most recent annual financial statements;
- a condensed statement of comprehensive income and other comprehensive income covering the period from the beginning of the annual reporting period up to the interim reporting date (comparatives are required for the equivalent interim period);
- a condensed statement of cash flows covering the period from the beginning of the annual reporting period up to the interim reporting date (comparatives are required for the equivalent interim period);
- a condensed statement of changes in equity, stating changes occurring since the end of the last reporting period;
- selected explanatory notes.

## 2.2 Publication content

Publication must contain at a minimum:

- each of the headings and subtotals that were included in its most recent annual financial statements;
- earnings per share (basic and diluted).

Groups must present **consolidated interim financial reports**.

## 3. Accounting impact

In deciding how to recognize, measure, classify, or disclose an item for interim financial reporting purposes, materiality must be assessed in relation to the interim period financial data.

The same accounting policies are followed in the interim financial statements as compared with the most recent annual financial statements. However, accounting policy changes made after the date of the most recent annual financial statements should be reflected in the interim financial report and in the following annual financial statements. In addition, if a new standard or interpretation requires that accounting policies be changed, the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years must be restated in accordance with IAS 8 “Accounting Policies, Changes in Estimates and Errors”. If such restatement is impracticable, the new accounting policy must be applied prospectively from the earliest date practicable.

Revenues that are received seasonally, cyclically, or occasionally must not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity’s financial year.

Costs that are incurred unevenly during an entity’s financial year may be anticipated or deferred for interim reporting purposes only if it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

Example 1: Company X publishes its financial statements quarterly. Profits reported for the first quarter of year N amounted to 50,000. N’s budget forecast states annual taxable income of 250,000. The tax rate in force is 20% for income up to 100,000 and 15% for income after 100,000.

The provision for taxes to be booked for the first quarter of year N would thus be equal to:

$$[(20\% \times 100,000) + (15\% \times 150,000)] \times 50,000/250,000 = 8,500.$$

**Example 2:** During the course of the second quarter of the year N, company Y incurred 350,000 in development costs. On 30 June N, these costs did not satisfy the conditions set under IAS 38 to recognize them as an intangible asset, but the company expects these conditions to be met during the next quarter. In this case, company Y must recognize the development costs as expenses during the second quarter. Even if the capitalization conditions are satisfied subsequently, these costs cannot be recognized as an asset at a later date.

Reasonable estimates may be used to draw up interim financial statements.

For example, a physical inventory of stock may not be necessary.

However, a provision booked for the impairment of an asset at the time an interim financial report is issued must be included in the annual financial statements for that year.

**Example 3:** For group consolidation purposes, a company issues an interim financial report on 30 June. However, due to the seasonal nature of its business, the majority of its revenue is generated during the Christmas and New Year's holiday period when it earns roughly 70% of its total annual sales turnover. The company is bound by an obligation to offer one of its customers a trade discount with the following features:

- unconditional discount paid at the end of the year equal to 1% of sales made with this customer,
- additional conditional discount paid at the end of the year equal to 2% if sales made with this customer exceed a threshold of 10,000,000.

On 30 June, the Company analyzed that the sales made with this customer had increased by 2% compared to the same period in year N-1 when the Company had paid the 2% commission to this customer.

The Company must thus make a provision both for the unconditional discount that will be vested regardless of the sales turnover generated and the conditional discount, because the information available to the Company leads it to believe that the conditional discount will also be due at the end of the reporting period.

In addition, the Company calculated that during the previous financial years, its average tax rate was 35% of its pre-tax profit and can therefore determine as of 30 June that its current tax liability will be equal to 35% of the profit stated in its interim financial report.

## 4. Disclosure

The selected explanatory notes must provide updated information since the last annual reporting period. The following information must be provided as a minimum:

- a statement that the same accounting policies were used;
- if accounting policies have changed, a description of the reason for, the nature and the effect of this change;
- explanatory comments about the seasonality or cyclicity of interim operations over the period;
- the nature and amount of items that are unusual;
- changes in previously estimated amounts;
- events occurring after the end of the interim reporting period;
- issues, repurchases and repayments of debt and equity securities;
- dividends paid;
- segment revenues and segment profit or loss;
- the effect of changes in the composition of the entity during the interim period (business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations); these changes should particularly be communicated when they are affecting the composition of the assets of a same sector;
- any changes potentially affecting the assets and liabilities since the date of the last reporting period;
- the entity's basic and diluted earnings per share for the relevant period when required under IAS 33.