

International Accounting Standard 1

Presentation of Financial Statements

This revised Standard supersedes IAS 1 (revised 1997) *Presentation of Financial Statements* and should be applied for annual periods beginning on or after 1 January 2005. Earlier application is encouraged.

International Accounting Standard 1

Presentation of Financial Statements

Objective

1. The objective of this Standard is to prescribe 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. To achieve this objective, this Standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions and other events are dealt with in other Standards and in Interpretations.

Scope

2. *This Standard shall be applied to all general purpose financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRSs).*
3. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial statements include those that are presented separately or within another public document such as an annual report or a prospectus. This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*. However, paragraphs 13-41 apply to such financial statements. This Standard applies equally to all entities and whether or not they need to prepare consolidated financial statements or separate financial statements, as defined in IAS 27 *Consolidated and Separate Financial Statements*.
4. IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* specifies additional requirements for banks and

similar financial institutions that are consistent with the requirements of this Standard.

5. This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. Entities with not-for-profit activities in the private sector, public sector or government seeking to apply this Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.
6. Similarly, entities that do not have equity as defined in IAS 32 *Financial Instruments: Disclosure and Presentation* (eg some mutual funds) and entities whose share capital is not equity (eg some co-operative entities) may need to adapt the presentation in the financial statements of members' or unitholders' interests.

Purpose of Financial Statements

7. Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of general purpose 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 management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an entity's:
 - (a) assets;
 - (b) liabilities;
 - (c) equity;
 - (d) income and expenses, including gains and losses;
 - (e) other changes in equity; and
 - (f) cash flows.

This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

Components of Financial Statements

8. *A complete set of financial statements comprises:*
 - (a) *a balance sheet;*
 - (b) *an income statement;*
 - (c) *a statement of changes in equity showing either:*
 - (i) *all changes in equity, or*
 - (ii) *changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;*
 - (d) *a cash flow statement; and*
 - (e) *notes, comprising a summary of significant accounting policies and other explanatory notes.*
9. Many entities present, outside the financial statements, a financial review by management that describes and explains the main features of the entity's financial performance and financial position and the principal uncertainties it faces. Such a report may include a review of:
 - (a) the main factors and influences determining financial performance, including changes in the environment in which the entity operates, the entity's response to those changes and their effect, and the entity's policy for investment to maintain and enhance financial performance, including its dividend policy;
 - (b) the entity's sources of funding and its targeted ratio of liabilities to equity; and
 - (c) the entity's resources not recognised in the balance sheet in accordance with IFRSs.
10. Many entities also present, outside the financial statements, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside financial statements

are outside the scope of IFRSs.

Definitions

11. *The following terms are used in this Standard with the meanings specified:*

Impracticable *Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.*

International Financial Reporting Standards (IFRSs) *are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:*

- (a) *International Financial Reporting Standards;*
- (b) *International Accounting Standards; and*
- (c) *Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).*

Material *Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.*

Notes *contain information in addition to that presented in the balance sheet, income statement, statement of changes in equity and cash flow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.*

12. Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that “users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness

to study the information with reasonable diligence.” Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Overall Considerations

Fair Presentation and Compliance with IFRSs

13. *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*
14. *An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs.*
15. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IFRSs. A fair presentation also requires an entity:
 - (a) to select and apply accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. IAS 8 sets out a hierarchy of authoritative guidance that management considers in the absence of a Standard or an Interpretation that specifically applies to an item.
 - (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
 - (c) to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to

understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

16. *Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.*
17. *In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement in the manner set out in paragraph 18 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.*
18. *When an entity departs from a requirement of a Standard or an Interpretation in accordance with paragraph 17, it shall disclose:*
 - (a) *that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;*
 - (b) *that it has complied with applicable Standards and Interpretations, except that it has departed from a particular requirement to achieve a fair presentation;*
 - (c) *the title of the Standard or Interpretation from which the entity has departed, the nature of the departure, including the treatment that the Standard or Interpretation would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the Framework, and the treatment adopted; and*
 - (d) *for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.*
19. *When an entity has departed from a requirement of a Standard or an Interpretation in a prior period, and that departure affects the amounts*

recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 18(c) and (d).

20. Paragraph 19 applies, for example, when an entity departed in a prior period from a requirement in a Standard or an Interpretation for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.
21. *In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:*
 - (a) *the title of the Standard or Interpretation in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and*
 - (b) *for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.*
22. For the purpose of paragraphs 17-21, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, management considers:

- (a) why the objective of financial statements is not achieved in the particular circumstances; and
- (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.

Going Concern

23. *When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared 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 management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.*
24. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual Basis of Accounting

25. *An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.*
26. When the accrual basis of accounting is used, items are recognised as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework*.

Consistency of Presentation

27. *The presentation and classification of items in the financial statements shall be retained from one period to the next unless:*
 - (a) *it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or*
 - (b) *a Standard or an Interpretation requires a change in presentation.*
28. A significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and is more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 38 and 39.

Materiality and Aggregation

29. *Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.*
30. Financial statements result from processing large numbers of

transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

31. Applying the concept of materiality means that a specific disclosure requirement in a Standard or an Interpretation need not be satisfied if the information is not material.

Offsetting

32. *Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a Standard or an Interpretation.*
33. It is important that assets and liabilities, and income and expenses, are reported separately. Offsetting in the income statement or the balance sheet, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.
34. IAS 18 *Revenue* defines revenue and requires it to be measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

- (a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and
 - (b) expenditure related to a provision that is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.
35. In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.

Comparative Information

36. *Except when a Standard or an Interpretation permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*
37. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the last balance sheet date and is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the last balance sheet date, and about the steps that have been taken during the period to resolve the uncertainty.
38. *When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative*

amounts are reclassified, an entity shall disclose:

- (a) the nature of the reclassification;*
- (b) the amount of each item or class of items that is reclassified; and*
- (c) the reason for the reclassification.*

39. *When it is impracticable to reclassify comparative amounts, an entity shall disclose:*

- (a) the reason for not reclassifying the amounts; and*
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.*

40. Enhancing the inter-period comparability of information assists users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows reclassification, and it may not be practicable to recreate the information.
41. IAS 8 deals with the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

Structure and Content

Introduction

42. This Standard requires particular disclosures on the face of the balance sheet, income statement and statement of changes in equity and requires disclosure of other line items either on the face of those statements or in the notes. IAS 7 sets out requirements for the presentation of a cash flow statement.
43. This Standard sometimes uses the term ‘disclosure’ in a broad sense, encompassing items presented on the face of the balance sheet, income statement, statement of changes in equity and cash flow

statement, as well as in the notes. Disclosures are also required by other Standards and Interpretations. Unless specified to the contrary elsewhere in this Standard, or in another Standard or Interpretation, such disclosures are made either on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement (whichever is relevant), or in the notes.

Identification of the Financial Statements

44. *The financial statements shall be identified clearly and distinguished from other information in the same published document.*
45. IFRSs apply only to financial statements, and not to other information presented in an annual report or other document. Therefore, it is important that users can distinguish information that is prepared using IFRSs from other information that may be useful to users but is not the subject of those requirements.
46. *Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:*
 - (a) *the name of the reporting entity or other means of identification, and any change in that information from the preceding balance sheet date;*
 - (b) *whether the financial statements cover the individual entity or a group of entities;*
 - (c) *the balance sheet date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;*
 - (d) *the presentation currency, as defined in IAS 21 The Effects of Changes in Foreign Exchange Rates; and*
 - (e) *the level of rounding used in presenting amounts in the financial statements.*
47. The requirements in paragraph 46 are normally met by presenting

page headings and abbreviated column headings on each page of the financial statements. Judgement is required in determining the best way of presenting such information. For example, when the financial statements are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial statements.

48. Financial statements are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

49. *Financial statements shall be presented at least annually. When an entity's balance sheet date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:*

- (a) *the reason for using a longer or shorter period; and*
- (b) *the fact that comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.*

50. Normally, financial statements are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice, because the resulting financial statements are unlikely to be materially different from those that would be presented for one year.

Balance Sheet

Current/Non-current Distinction

51. *An entity shall present current and non-current assets, and current*

and non-current liabilities, as separate classifications on the face of its balance sheet in accordance with paragraphs 57-67 except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.

52. *Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled within (a) no more than twelve months after the balance sheet date and (b) more than twelve months after the balance sheet date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.*
53. When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities on the face of the balance sheet provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets that are expected to be realised within the current operating cycle, and liabilities that are due for settlement within the same period.
54. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and is more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.
55. In applying paragraph 51, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.
56. Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. IAS 32 requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables.

Information on the expected date of recovery and settlement of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current or non-current. For example, an entity discloses the amount of inventories that are expected to be recovered more than twelve months after the balance sheet date.

Current Assets

57. *An asset shall be classified as current when it satisfies any of the following criteria:*

- (a) *it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;***
- (b) *it is held primarily for the purpose of being traded;***
- (c) *it is expected to be realised within twelve months after the balance sheet date; or***
- (d) *it is cash or a cash equivalent (as defined in IAS 7 Cash Flow Statements) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.***

All other assets shall be classified as non-current.

- 58.** This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.
- 59.** The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the balance sheet date. Current assets also include assets held primarily for the purpose of being traded (financial assets within this category are classified as held for trading in accordance with IAS 39 *Financial*

Instruments: Recognition and Measurement) and the current portion of non-current financial assets.

Current Liabilities

60. *A liability shall be classified as current when it satisfies any of the following criteria:*

- (a) it is expected to be settled in the entity's normal operating cycle;*
- (b) it is held primarily for the purpose of being traded;*
- (c) it is due to be settled within twelve months after the balance sheet date; or*
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.*

All other liabilities shall be classified as non-current.

- 61.** Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the balance sheet date. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.
- 62.** Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the balance sheet date or held primarily for the purpose of being traded. Examples are financial liabilities classified as held for trading in accordance with IAS 39, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the balance sheet date are non-current liabilities, subject to paragraphs 65 and 66.

63. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the balance sheet date, even if:
- (a) the original term was for a period longer than twelve months; and
 - (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.
64. If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the balance sheet date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.
65. When an entity breaches an undertaking under a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the balance sheet date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.
66. However, the liability is classified as non-current if the lender agreed by the balance sheet date to provide a period of grace ending at least twelve months after the balance sheet date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
67. In respect of loans classified as current liabilities, if the following events occur between the balance sheet date and the date the financial statements are authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with IAS 10 *Events after the*

Balance Sheet Date:

- (a) refinancing on a long-term basis;
- (b) rectification of a breach of a long-term loan agreement; and
- (c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the balance sheet date.

Information to be Presented on the Face of the Balance Sheet

68. *As a minimum, the face of the balance sheet shall include line items that present the following amounts:*

- (a) *property, plant and equipment;*
- (b) *investment property;*
- (c) *intangible assets;*
- (d) *financial assets (excluding amounts shown under (e), (h) and (i));*
- (e) *investments accounted for using the equity method;*
- (f) *biological assets;*
- (g) *inventories;*
- (h) *trade and other receivables;*
- (i) *cash and cash equivalents;*
- (j) *trade and other payables;*
- (k) *provisions;*
- (l) *financial liabilities (excluding amounts shown under (j) and (k));*
- (m) *liabilities and assets for current tax, as defined in IAS 12 Income Taxes;*
- (n) *deferred tax liabilities and deferred tax assets, as defined in IAS 12;*
- (o) *minority interest, presented within equity; and*
- (p) *issued capital and reserves attributable to equity holders of*

the parent.

69. *Additional line items, headings and subtotals shall be presented on the face of the balance sheet when such presentation is relevant to an understanding of the entity's financial position.*
70. *When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).*
71. This Standard does not prescribe the order or format in which items are to be presented. Paragraph 68 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation on the face of the balance sheet. In addition:
 - (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
 - (b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. For example, a bank amends the above descriptions to apply the more specific requirements in IAS 30.
72. The judgement on whether additional items are presented separately is based on an assessment of:
 - (a) the nature and liquidity of assets;
 - (b) the function of assets within the entity; and
 - (c) the amounts, nature and timing of liabilities.
73. The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that they should be presented as separate line items. For example, different classes of property, plant and equipment can be carried at cost or revalued amounts in accordance with IAS 16 *Property, Plant and Equipment*.

Information to be Presented either on the Face of the Balance Sheet or in the Notes

74. *An entity shall disclose, either on the face of the balance sheet or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.*
75. The detail provided in subclassifications depends on the requirements of IFRSs and on the size, nature and function of the amounts involved. The factors set out in paragraph 72 also are used to decide the basis of subclassification. The disclosures vary for each item, for example:
- (a) items of property, plant and equipment are disaggregated into classes in accordance with IAS 16;
 - (b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;
 - (c) inventories are subclassified, in accordance with IAS 2 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;
 - (d) provisions are disaggregated into provisions for employee benefits and other items; and
 - (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.
76. *An entity shall disclose the following, either on the face of the balance sheet or in the notes:*
- (a) *for each class of share capital:*
 - (i) *the number of shares authorised;*
 - (ii) *the number of shares issued and fully paid, and issued but not fully paid;*
 - (iii) *par value per share, or that the shares have no par value;*
 - (iv) *a reconciliation of the number of shares outstanding*

at the beginning and at the end of the period;

- (v) *the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;*
 - (vi) *shares in the entity held by the entity or by its subsidiaries or associates; and*
 - (vii) *shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and*
- (b) *a description of the nature and purpose of each reserve within equity.*

77. *An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 76(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.*

Income Statement

Profit or Loss for the Period

78. *All items of income and expense recognised in a period shall be included in profit or loss unless a Standard or an Interpretation requires otherwise.*
79. Normally, all items of income and expense recognised in a period are included in profit or loss. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from profit or loss for the current period. IAS 8 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.
80. Other Standards deal with items that may meet the *Framework* definitions of income or expense but are usually excluded from profit or loss. Examples include revaluation surpluses (see IAS 16), particular gains and losses arising on translating the financial statements of a foreign operation (see IAS 21) and gains or losses on

remeasuring available-for-sale financial assets (see IAS 39).

Information to be Presented on the Face of the Income Statement

- 81.** *As a minimum, the face of the income statement shall include line items that present the following amounts for the period:*
- (a) *revenue;*
 - (b) *finance costs;*
 - (c) *share of the profit or loss of associates and joint ventures accounted for using the equity method;*
 - (d) *pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to discontinuing operations;*
 - (e) *tax expense; and*
 - (f) *profit or loss.*
- 82.** *The following items shall be disclosed on the face of the income statement as allocations of profit or loss for the period:*
- (a) *profit or loss attributable to minority interest; and*
 - (b) *profit or loss attributable to equity holders of the parent.*
- 83.** *Additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.*
- 84.** Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the income statement, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of financial performance. Factors to be considered include materiality and the nature and function of the components of income and expenses. For example, a bank amends the descriptions to apply the more specific requirements in IAS 30.

Income and expense items are not offset unless the criteria in paragraph 32 are met.

85. *An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes.*

Information to be Presented either on the Face of the Income Statement or in the Notes

86. *When items of income and expense are material, their nature and amount shall be disclosed separately.*
87. Circumstances that would give rise to the separate disclosure of items of income and expense include:
- (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
 - (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
 - (c) disposals of items of property, plant and equipment;
 - (d) disposals of investments;
 - (e) discontinuing operations;
 - (f) litigation settlements; and
 - (g) other reversals of provisions.
88. *An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.*
89. Entities are encouraged to present the analysis in paragraph 88 on the face of the income statement.
90. Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two

forms.

91. The first form of analysis is the nature of expense method. Expenses are aggregated in the income statement according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress		X
Raw materials and consumables used		X
Employee benefits costs		X
Depreciation and amortisation expense		X
Other expenses		X
Total expenses		<u>(X)</u>
Profit		<u><u>X</u></u>

92. The second form of analysis is the function of expense or 'cost of sales' method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue		X
Cost of sales		<u>(X)</u>
Gross profit		X
Other income		X

Distribution costs	(X)
Administrative expenses	(X)
Other expenses	<u>(X)</u>
Profit	<u><u>X</u></u>

93. *Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.*
94. The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the most relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 93, 'employee benefits' has the same meaning as in IAS 19 *Employee Benefits*.
95. *An entity shall disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.*

Statement of Changes in Equity

96. *An entity shall present a statement of changes in equity showing on the face of the statement:*
- (a) *profit or loss for the period;*
 - (b) *each item of income and expense for the period that, as required by other Standards or by Interpretations, is recognised directly in equity, and the total of these items;*
 - (c) *total income and expense for the period (calculated as the*

sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and

- (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with IAS 8.*
97. *An entity shall also present, either on the face of the statement of changes in equity or in the notes:*
- (a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;*
 - (b) the balance of retained earnings (ie accumulated profit or loss) at the beginning of the period and at the balance sheet date, and the changes during the period; and*
 - (c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.*
98. Changes in an entity's equity between two balance sheet dates reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with equity holders acting in their capacity as equity holders (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in profit or loss or directly as changes in equity).
99. This Standard requires all items of income and expense recognised in a period to be included in profit or loss unless another Standard or an Interpretation requires otherwise. Other Standards require some gains and losses (such as revaluation increases and decreases, particular foreign exchange differences, gains or losses on remeasuring available-for-sale financial assets, and related amounts of current tax and deferred tax) to be recognised directly as changes in equity.

Because it is important to consider all items of income and expense in assessing changes in an entity's financial position between two balance sheet dates, this Standard requires the presentation of a statement of changes in equity that highlights an entity's total income and expenses, including those that are recognised directly in equity.

100. IAS 8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transitional provisions in another Standard or an Interpretation require otherwise. IAS 8 also requires that restatements to correct errors are made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are made to the balance of retained earnings, except when a Standard or an Interpretation requires retrospective adjustment of another component of equity. Paragraph 96(d) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, separately, from changes in accounting policies and from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.
101. The requirements in paragraphs 96 and 97 may be met in various ways. One example is a columnar format that reconciles the opening and closing balances of each element within equity. An alternative is to present only the items set out in paragraph 96 in the statement of changes in equity. Under this approach, the items described in paragraph 97 are shown in the notes.

Cash Flow Statement

102. Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. IAS 7 *Cash Flow Statements* sets out requirements for the presentation of the cash flow statement and related disclosures.

Notes

Structure

103. *The notes shall:*

- (a) *present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 108-115;*
- (b) *disclose the information required by IFRSs that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement; and*
- (c) *provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement, but is relevant to an understanding of any of them.*

104. *Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement shall be cross-referenced to any related information in the notes.*

105. Notes are normally presented in the following order, which assists users in understanding the financial statements and comparing them with financial statements of other entities:
- (a) a statement of compliance with IFRSs (see paragraph 14);
 - (b) a summary of significant accounting policies applied (see paragraph 108);
 - (c) supporting information for items presented on the face of the balance sheet, income statement, statement of changes in

- equity and cash flow statement, in the order in which each statement and each line item is presented; and
- (d) other disclosures, including:
- (i) contingent liabilities (see IAS 37) and unrecognised contractual commitments; and
 - (ii) non-financial disclosures, eg the entity's financial risk management objectives and policies (see IAS 32).
106. In some circumstances, it may be necessary or desirable to vary the ordering of specific items within the notes. For example, information on changes in fair value recognised in profit or loss may be combined with information on maturities of financial instruments, although the former disclosures relate to the income statement and the latter relate to the balance sheet. Nevertheless, a systematic structure for the notes is retained as far as practicable.
107. Notes providing information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

Disclosure of Accounting Policies

- 108. *An entity shall disclose in the summary of significant accounting policies:***
- (a) *the measurement basis (or bases) used in preparing the financial statements; and***
 - (b) *the other accounting policies used that are relevant to an understanding of the financial statements.***
109. It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement

basis is applied.

110. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations. An example is disclosure of whether a venturer recognises its interest in a jointly controlled entity using proportionate consolidation or the equity method (see IAS 31 *Interests in Joint Ventures*). Some Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment. IAS 23 *Borrowing Costs* requires disclosure of whether borrowing costs are recognised immediately as an expense or capitalised as part of the cost of qualifying assets.
111. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, an entity subject to income taxes would be expected to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, disclosure of accounting policies for the recognition of foreign exchange gains and losses would be expected. When business combinations have occurred, the policies used for measuring goodwill and minority interest are disclosed.
112. An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs, but is selected and applied in accordance with IAS 8.
- 113. *An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 116), management has made in the***

process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

114. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements. For example, management makes judgements in determining:
- (a) whether financial assets are held-to-maturity investments;
 - (b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
 - (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
 - (d) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.
115. Some of the disclosures made in accordance with paragraph 113 are required by other Standards. For example, IAS 27 requires an entity to disclose the reasons why the entity's ownership interest does not constitute control, in respect of an investee that is not a subsidiary even though more than half of its voting or potential voting power is owned directly or indirectly through subsidiaries. IAS 40 requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.

Key Sources of Estimation Uncertainty

- 116. An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.***

In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature; and***
- (b) their carrying amount as at the balance sheet date.***

117. Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. For example, in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs.
118. The key assumptions and other key sources of estimation uncertainty disclosed in accordance with paragraph 116 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.
119. The disclosures in paragraph 116 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the balance sheet date, they are measured at fair value based on recently observed market prices (their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date).
120. The disclosures in paragraph 116 are presented in a manner that helps users of financial statements to understand the judgements

management makes about the future and about other key sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:

- (a) the nature of the assumption or other estimation uncertainty;
- (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
- (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
- (d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

- 121. It is not necessary to disclose budget information or forecasts in making the disclosures in paragraph 116.
- 122. When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the balance sheet date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.
- 123. The disclosures in paragraph 113 of particular judgements management made in the process of applying the entity's accounting policies do not relate to the disclosures of key sources of estimation uncertainty in paragraph 116.
- 124. The disclosure of some of the key assumptions that would otherwise be required in accordance with paragraph 116 is required by other Standards. For example, IAS 37 requires disclosure, in specified

circumstances, of major assumptions concerning future events affecting classes of provisions. IAS 32 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities that are carried at fair value. IAS 16 requires disclosure of significant assumptions applied in estimating fair values of revalued items of property, plant and equipment.

Other Disclosures

125. *An entity shall disclose in the notes:*

- (a) *the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and***
- (b) *the amount of any cumulative preference dividends not recognised.***

126. *An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:*

- (a) *the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);***
- (b) *a description of the nature of the entity's operations and its principal activities; and***
- (c) *the name of the parent and the ultimate parent of the group.***

Effective Date

127. *An entity shall apply this Standard for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies this Standard for a period beginning before 1 January 2005, it shall disclose that fact.*

Withdrawal of IAS 1 (revised 1997)

128. This Standard supersedes IAS 1 *Presentation of Financial Statements*

revised in 1997.

Appendix

Amendments to Other Pronouncements

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2005. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.

- A1. In International Financial Reporting Standards, including International Accounting Standards and Interpretations, applicable at December 2003:
 - (a) references to 'net profit or loss' are amended to 'profit or loss';
 - (b) references to 'notes to the financial statements' are amended to 'notes'; and
 - (c) references to 'equity capital' are amended to 'contributed equity'.
- A2. [Amendment not applicable to bare Standards]
- A3. Paragraphs 69 and 70 of IAS 12 *Income Taxes* are deleted.
- A4. In IAS 19 *Employee Benefits*, paragraph 23 is amended to read as follows:
 - 23. Although this Standard does not require specific disclosures about short-term employee benefits, other Standards may require disclosures. For example, IAS 24 *Related Party Disclosures* requires disclosures about employee benefits for key management personnel. IAS 1 *Presentation of Financial Statements* requires disclosure of employee benefits expense.
- A5. [Amendment not applicable to bare Standards]
- A6. IAS 34 *Interim Financial Reporting* is amended as described below.

Paragraph 5 is amended to read as follows:

 - 5. IAS 1 defines a complete set of financial statements as including the following components:

- (a) a balance sheet;
- (b) an income statement;
- (c) a statement of changes in equity showing either:
 - (i) all changes in equity, or
 - (ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;
- (d) a cash flow statement; and
- (e) notes, comprising a summary of significant accounting policies and other explanatory notes.

Paragraph 12 is amended to read as follows:

- 12. IAS 1 provides guidance on the structure of financial statements. The Implementation Guidance for IAS 1 illustrates ways in which the balance sheet, income statement and statement of changes in equity may be presented.

Paragraph 13 is amended to read as follows:

- 13. IAS 1 requires a statement of changes in equity to be presented as a separate component of an entity's financial statements, and permits information about changes in equity arising from transactions with equity holders acting in their capacity as equity holders (including distributions to equity holders) to be shown either on the face of the statement or in the notes. An entity follows the same format in its interim statement of changes in equity as it did in its most recent annual statement.

A7. Paragraphs 39 and 40 of IAS 35 *Discontinuing Operations* are amended to read as follows:

- 39. The disclosures required by paragraphs 27-37, except for the disclosure of the amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation in accordance with paragraph 31(a), may be presented either in the notes or on the face of the balance sheet, income statement or statement of

changes in equity.

40. IAS 1 *Presentation of Financial Statements* requires the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to discontinuing operations to be presented on the face of the income statement. The disclosures required by paragraph 27(f) and (g) are encouraged to be presented on the face of the income statement and cash flow statement, respectively.
- A8. [Amendment not applicable to bare Standards]
- A9. IAS 41 *Agriculture* is amended as described below.
- Paragraph 39 is deleted.
- Paragraph 53 is amended to read as follows:
53. Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with IAS 1 *Presentation of Financial Statements*. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.
- A10. [Amendment not applicable to bare Standards]
- A11. In SIC-32 *Intangible Assets – Web site Costs*, paragraph 5 is amended to read as follows:
5. This Interpretation does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under IAS 16. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under IAS 1.78 and the *Framework* when the services are received.