

IFRS Briefing Sheet

Exposure Draft of *Proposed Amendments to IAS 1 Presentation of Financial Statements – A Revised Presentation*

March 2006, **Issue 47**

This IFRS Briefing Sheet summarises the International Accounting Standards Board's (IASB) Exposure Draft (ED) of *Proposed Amendments to IAS 1 Presentation of Financial Statements – A Revised Presentation*, which was published on 16 March 2006.

standard SFAS 130 *Reporting Comprehensive Income*.

Segment B of this joint project will address more detailed issues on the components of financial statements, including recycling to profit or loss and whether operating cash flows should be presented following the direct or indirect method.

Main Change – Focus on Recognised Income and Expense

The main change proposed by the ED is to present all non-owner changes in equity (changes in equity not resulting from transactions with owners in their capacity as owners) in one or two statements: either a single statement of recognised income and expense; or a statement of profit or loss plus a statement detailing other recognised income and expense.

The proposed implementation guidance gives examples of how to present recognised income and expense in one or two statements.

Owner changes in equity (changes in equity resulting from transactions with owners in their capacity as owners, such as dividends) would be presented in the statement of changes in equity, which would be a primary statement. Individual components of recognised income and expense would not be permitted to be presented in the statement of changes in equity.

Background

This ED comes as a result of segment A of the IASB's project on performance reporting, which is a joint project with the U.S. Financial Accounting Standards Board (FASB). The objective of the project is to enhance the usefulness of information presented in the primary financial statements, focusing on financial performance (total recognised income and expense) rather than on the more traditional measure of results (profit or loss). In this respect the IASB proposes to make IAS 1 largely similar to the U.S.

A supplement to KPMG's publication IFRS in Brief

Other Changes from IAS 1

Other proposed changes from IAS 1 include the following:

- A statement of financial position (balance sheet) would be presented for the current and comparative period, as well as at the beginning of the comparative period. This means that three statements of financial position would be presented against two of each of the other statements required.
- The disclosure of reclassification (recycling) adjustments for each component of other recognised

income and expense would be required when amounts recognised previously in other income and expense are reclassified to profit or loss.

- The income tax effects relating to each component of other recognised income and expense, including reclassification adjustments, would be disclosed separately.
- Dividends and related per-share amounts would be disclosed either on the face of the statement of changes in equity or in the notes.
- Parts of IAS 1 have been amended so that they are easier to read.

Effective Date and Transition Requirements

The proposals do not include an effective date or specific transition requirements.

Response to the IASB

The IASB has invited comments on the ED by 17 July 2006.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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