



Brewing Over

Proposed amendments to the way in which we present financial information in the financial statements – Part 3

This article is the last instalment of a 3 part series, and considers the Exposure Draft (ED) titled 'General Presentation and Disclosures' which is expected to replace IAS 1 *Presentation of Financial Statements*.

Some of the changes the ED proposes include the following:

- A new income statement structure,
- the disaggregation of information and
- required disclosures for non-GAAP measures

The first two bullets are considered in Part 1 and Part 2 respectively. This article, will consider the third bullet above.

Companies are increasingly using non-GAAP/non-IFRS information to explain their financial performance as it allows management to tell 'their story'.

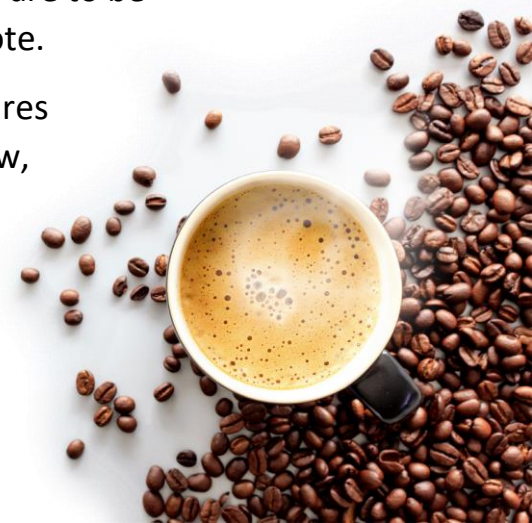
These disclosures provide investors with useful insight into the company's performance.

Disclosure of this information is often included in commentary which accompanies the financial statements and in analyst presentations, as it is unaudited. In some instances, this information is included in the notes to the financial statements, as IFRS does not prohibit the inclusion of non-IFRS performance measures.

The board has noted the requests of investors for Management performance measures (MPMs) to be included as part of the financial statements, and is proposing that MPMs will now have their place, as they do provide relevant information to users about the financial performance of an entity, thereby increasing the relevance of the financial statements.

The ED proposes these measures are to be disclosed, together, in a single note.

Descriptions of how these measures communicate management's view, detail as to how they were calculated, and reconciliations to the most



comparable IFRS reported information will however be required.

This proposed disclosure requirement would likely give rise to increased transparency and may increase comparability, where these measures may include disclosure of commonly accepted industry measures, and therefore make it easier for investors or users to make their own analyses.

Unfortunately this proposal does not escape without criticism. And it seems may have attracted mixed views from stakeholders.

Some have suggested that such disclosures should be the responsibility of regulators and dependent on relevant industries and jurisdictions – and is not something the IASB should be prescriptive about, and on that basis should not be included in the financial statements as an IFRS disclosure requirement.

Personally, I feel this is a matter worth keeping an eye on. On one hand I appreciate disclosures of this information has merit, however also appreciate the quality of this information may depend largely on jurisdictions, industries, and whether these measures are subject to regulation and how strictly the regulation is enforced.

The comment letter period for this ED ended on 30 September 2020.

At this stage, there is no set date for when these amendments may be effective.

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