

***IFRS 7 Financial Instruments: Disclosures*** (November 2006)

***Presentation of 'net finance costs' on the face of the income statement***

At its meeting in October 2004, the IFRIC noted that, taken together, paragraphs 32 and 81 of IAS 1 *Presentation of Financial Statements* preclude the presentation of 'net finance costs' on the face of the income statement unless finance costs and finance revenue are also shown on the face of that statement. IFRS 7 *Financial Instruments: Disclosures* was issued in 2005. Paragraph IG13 of IFRS 7 states that 'The total interest income and total interest expense disclosed in accordance with paragraph 20(b) is a component of the finance costs, which paragraph 81(b) of IAS 1 requires to be presented separately on the face of the income statement. The line item for finance costs may also include amounts that arise on non-financial assets or non-financial liabilities.'

The IFRIC was asked whether the IFRIC's October 2004 analysis regarding presenting 'net finance costs' on the face of the income statement was still valid in the light of paragraph IG13 of IFRS 7. The IFRIC believed that its analysis in October 2004 was still valid. Consequently, the IFRIC decided not to take the issue onto the agenda. The IFRIC believed that the words in paragraph IG13 of IFRS 7 might result in confusion. It therefore decided to recommend to the Board that the paragraph should be amended.