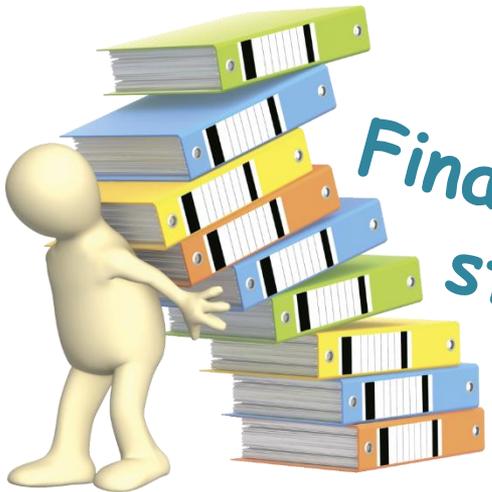
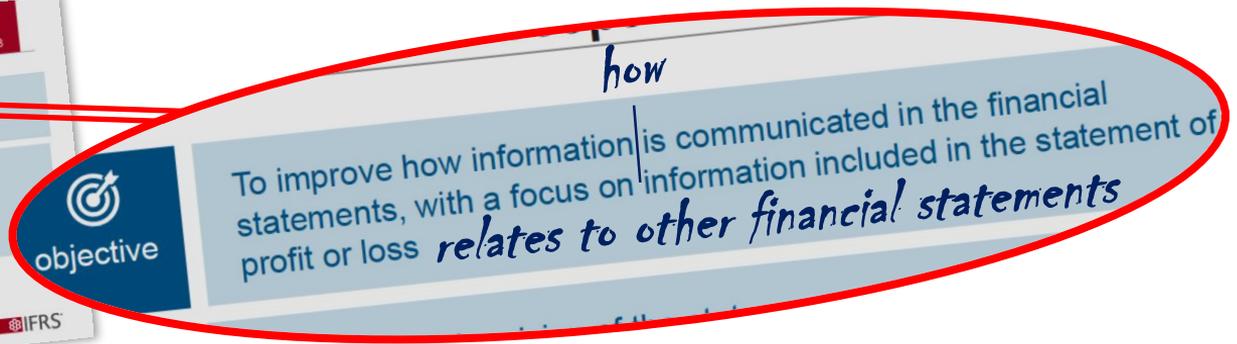
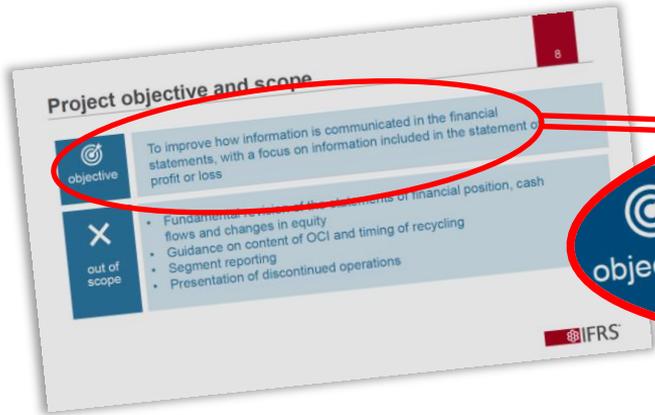


PRIMARY FINANCIAL STATEMENTS



**INTEGRITY
PROBLEM**

2 Project objective



Financial statements

Why plural?

What unites them?

3 Primary Financial Statements – Integrity Problem

Justification for the primacy

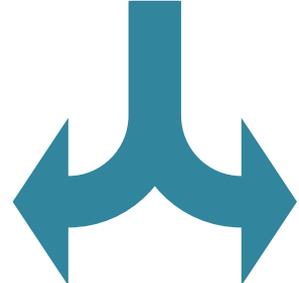
Primary Financial Statements



Why are they primary ?

because they form the conceptual foundation on which all other information in the financial reporting is based

primary essentially



because users often prefer to look at these reports first, and then at the rest of the information

primary by sequence of consideration

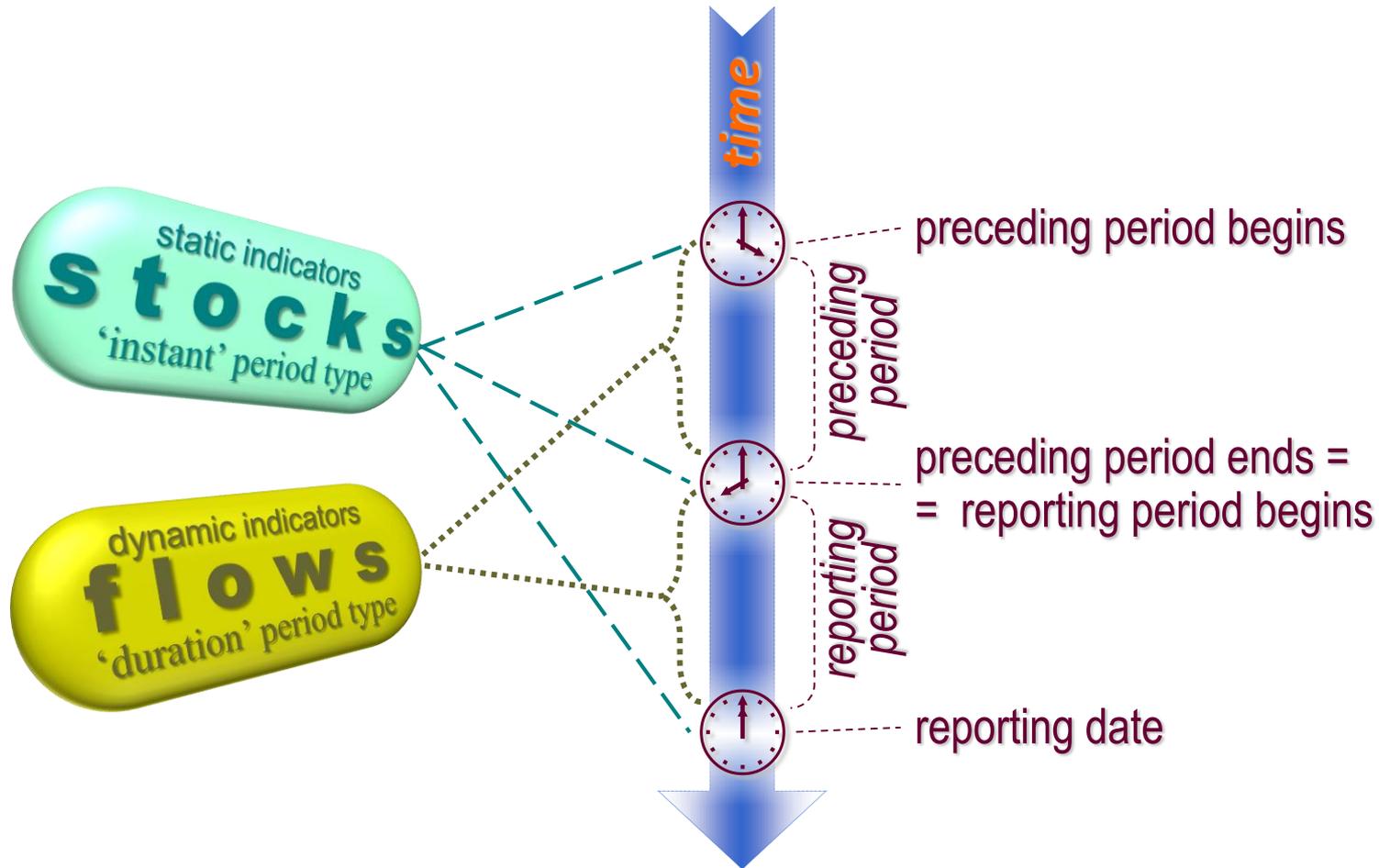
4

The only essentially primary statements



*covers the entire
perimeter of quantitative
information measured
at a point in time*

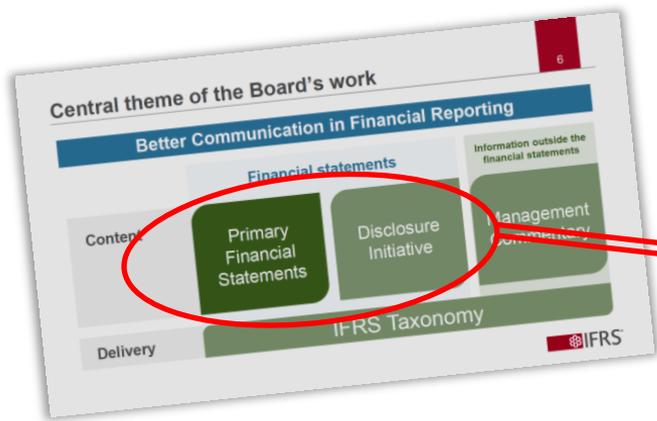
Temporal Dimensions of Financial Reporting Information



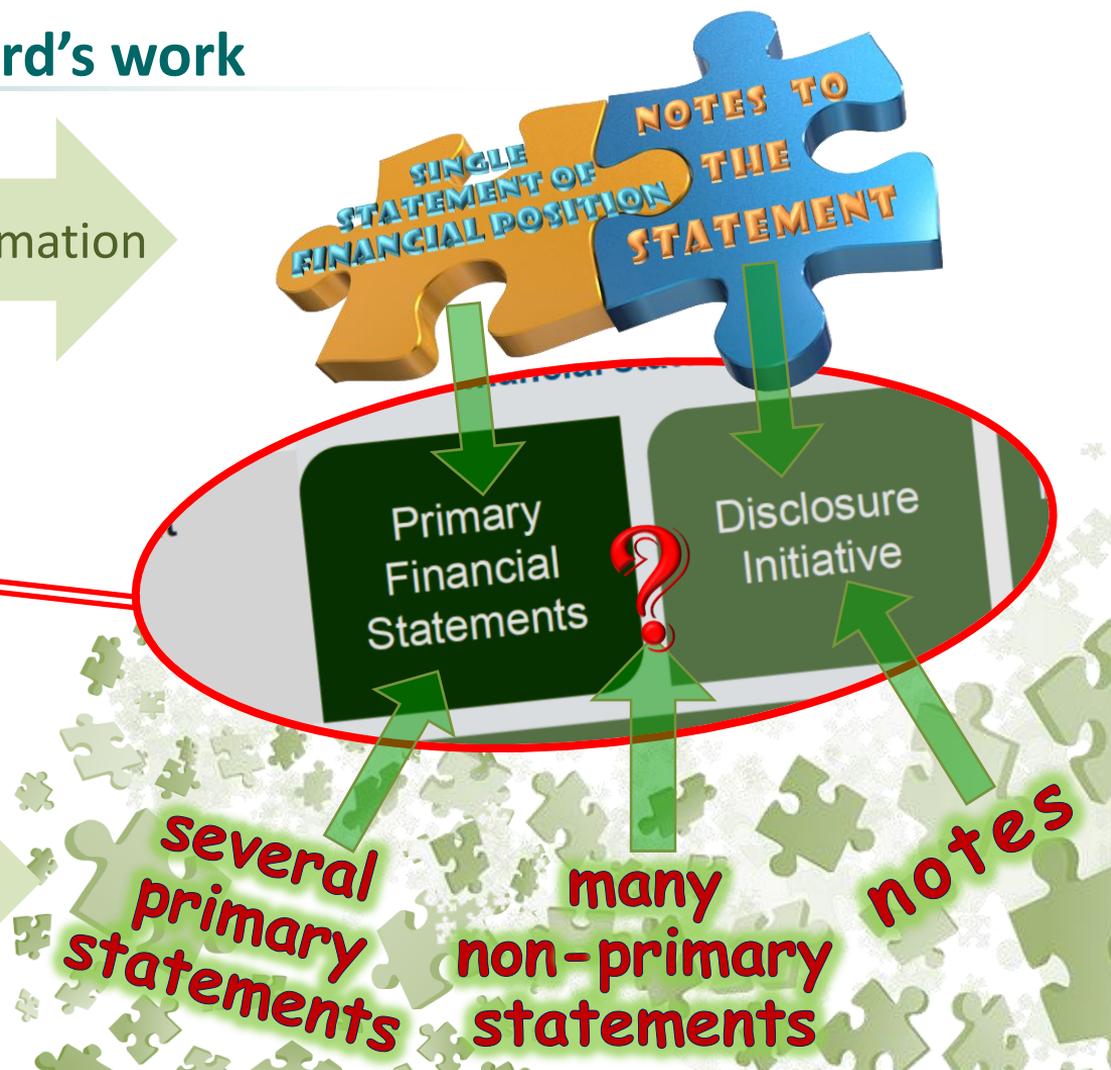
6

Central themes of the Board's work

perfect integrity of static information



total mess of dynamic information



Statement of Changes in Property, Plant and Equipment

DISCLOSURE

- 73** The financial statements shall disclose, for each class of property, plant and equipment:
- (a) – (d) ...; and
 - (e) a reconciliation of the carrying amount at the beginning and end of the period showing:
 - (i) additions;
 - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;
 - (iii) acquisitions through business combinations;
 - (iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;
 - (v) impairment losses recognised in profit or loss in accordance with IAS 36;
 - (vi) impairment losses reversed in profit or loss in accordance with IAS 36;
 - (vii) depreciation;
 - (viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and
 - (ix) other changes.

Statement of Changes in Intangible Assets

DISCLOSURE – General

- 118** An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) – (d) ...;
- (e) a reconciliation of the carrying amount at the beginning and end of the period showing:
- (i) additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;
 - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;
 - (iii) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36 (if any);
 - (iv) impairment losses recognised in profit or loss during the period in accordance with IAS 36 (if any);
 - (v) impairment losses reversed in profit or loss during the period in accordance with IAS 36 (if any);
 - (vi) any amortisation recognised during the period;
 - (vii) net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
 - (viii) other changes in the carrying amount during the period.

Statement of Changes in Provisions

DISCLOSURE

- 84** For each class of provision, an entity shall disclose:
- (a) the carrying amount at the beginning and end of the period;
 - (b) additional provisions made in the period, including increases to existing provisions;
 - (c) amounts used (ie incurred and charged against the provision) during the period;
 - (d) unused amounts reversed during the period; and
 - (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

10 Changes in Inventories

DISCLOSURE

36 The financial statements shall disclose:

- (a) the accounting policies adopted in measuring inventories, including the cost formula used;
- (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
- (c) the carrying amount of inventories carried at fair value less costs to sell;
- (d) the amount of inventories recognised as an expense during the period;
- (e) the amount of any write-down of inventories recognised as an expense in the period in accordance with par.34;
- (f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with par.34;
- (g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with par.34; and
- (h) the carrying amount of inventories pledged as security for liabilities.

37 Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users.

Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods.

11 Wrong Place for Cost Analysis

Introducing required and defined subtotals*		13
Revenue	16,500	Operating
Changes in inventories of finished goods and work in progress	(1,000)	
Raw material and consumables used	(4,000)	
Employee benefits expense	(200)	
Amortisation expense	(500)	Integral associates and JVs
Depreciation expense	3,000	
Impairment of property, plant and equipment	(100)	Investing
Operating profit	3,200	
Share of profit of integral JVs and associates	250	Financing
Operating profit and share of profit or loss of integral associates and JVs	3,450	
Changes in the fair value of financial assets	50	
Dividend income	100	
Share of profit of non-integral JVs and associates	3,900	
Profit before financing and income tax	100	
Interest income from cash and cash equivalents	(100)	
Expenses from financing activities	(100)	
Unwinding of discount on pension liabilities and provisions	2,900	
Profit before tax		

Conceptual Framework for FR par. 4.69

Expenses – decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims

Are we dealing with expenses here?

Changes in inventories of finished goods and work in progress	
Raw material and consumables used	
Employee benefits expense	expense costs
Amortisation expense	expense costs
Depreciation expense	expense costs

Changes in Assets

Changes in Liabilities

most of them do not result in decreases in equity

12 Statements showing data over a period

Conceptual Framework for FR par. 1.4 (a)

Users need information about: the economic resources of the entity, claims against the entity and changes in those resources and claims

STATEMENT OF FINANCIAL POSITION

Examples:

- Statement of Changes in Cash and Equivalents
- Statement of Changes in Equity
- Statement of Changes in Retained Earnings
- Statement of Changes in Property, Plant and Equipment
- Statement of Changes in Intangible Assets
- Statement of Changes in Inventories
- Statement of Changes in Provisions
- Statement of Changes in ... *other resources and claims*

STATEMENTS OF CHANGES IN RESOURCES AND CLAIMS

Financial Performance

"The main priority for the Board over the next period is to address performance reporting"
Corporate Reporting Users' Forum, January 2016

"We regard this as a priority and urge the Board to place it on the near term standards-level agenda"
CFA Institute, February 2016

"This project stood out as one of the most important topics for investors"
IASB meeting, April 2016

2015 Agenda Consultation

"The main priority for the Board over the next period is to address performance reporting"
Corporate Reporting Users' Forum, January 2016

"We regard this as a priority and urge the Board to place it on the near term standards-level agenda"
CFA Institute, February 2016

"This project stood out as one of the most important topics for investors"
IASB meeting, April 2016

IFRS

What is Financial Performance?

A Statement of Profit or Loss and Other Comprehensive Income for the Period

IAS 1 par. 10(b)

for comparison :

The Queen of this Realm and of Her other Realms and Territories



Cash flows + Income and Expenses = Financial Performance

CHAPTER 1 — THE OBJECTIVE OF GENERAL PURPOSE FINANCIAL REPORTING

INTRODUCTION

OBJECTIVE, USEFULNESS AND LIMITATIONS OF GENERAL PURPOSE FINANCIAL REPORTING

INFORMATION ABOUT A REPORTING ENTITY'S ECONOMIC RESOURCES, CLAIMS AGAINST THE ENTITY AND CHANGES IN RESOURCES AND CLAIMS

Economic resources and claims

Changes in economic resources and claims

Financial performance reflected by accrual accounting

Financial performance reflected by past cash flows

Changes in economic resources and claims not resulting from financial performance

INFORMATION ABOUT USE OF THE ENTITY'S ECONOMIC RESOURCES

1.1

1.2

1.12

1.13

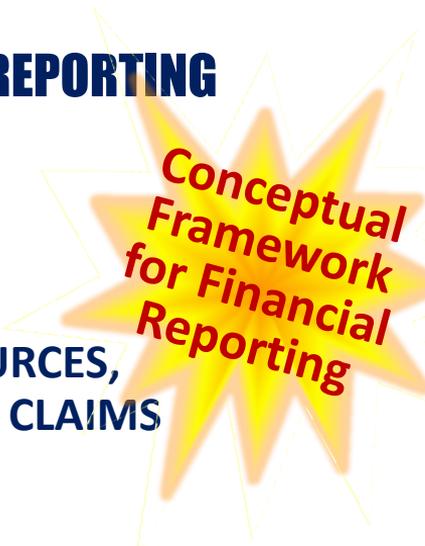
1.15

1.17

1.20

1.21

1.22



**Conceptual
Framework
for Financial
Reporting**

15 Investing

Investing & financing		
	Investing	Financing
Objective	Communicate returns from investments that are generated individually and largely independently of other resources held by an entity	Communicate income and expenses from assets and liabilities related to an entity's financing
Includes items such as:	<ul style="list-style-type: none"> income and expenses from financial assets, other than cash and cash equivalents the share of profit or loss of non-integral associates and joint ventures income and expenses on investment property incremental expenses (eg asset management fees) 	<ul style="list-style-type: none"> income and expenses from cash and cash equivalents income and expenses on liabilities arising from financing activities unwinding of discount on other liabilities (eg pensions and provisions)

Investing	
Objective	Communicate returns from investments that are generated individually and largely independently of other resources held by an entity
Includes items such as:	<ul style="list-style-type: none"> income and expenses from financial assets, other than cash and cash equivalents the share of profit or loss of non-integral associates and joint ventures income and expenses on investment property incremental expenses (eg asset management fees)

Small unimportant part of the data on investing activities

data on the flip side of investing activities not reflected in the statement of cash flows are data on changes in non-current assets



Isn't investing a financial performance?

Where is the right place for this information in the financial statements?

16 Financing

Investing & financing	
	Investing
Objective	Communicate returns from investments that are generated individually and largely independently of other resources held by an entity
Includes items such as:	<ul style="list-style-type: none"> income and expenses from financial assets, other than cash and cash equivalents the share of profit or loss of non-integral associates and joint ventures income and expenses on investment property incremental expenses (eg asset management fees)
	Financing
Objective	Communicate income and expenses from assets and liabilities related to an entity's financing
Includes items such as:	<ul style="list-style-type: none"> income and expenses from cash and cash equivalents income and expenses on liabilities arising from financing activities unwinding of discount on other liabilities (eg pensions and provisions)

Financing

Communicate income and expenses from assets and liabilities related to an entity's financing

- income and expenses from cash and cash equivalents
- income and expenses on liabilities arising from financing activities
- unwinding of discount on other liabilities (eg pensions and provisions)

Small unimportant part of the data on financing activities

Isn't financing a financial performance?
What about IPO ?

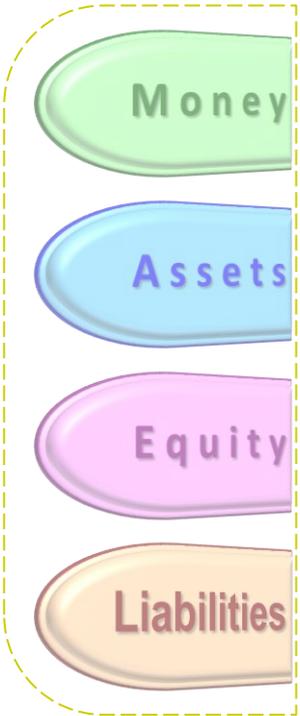
data on the flip side of financial activities not reflected in the statement of cash flows are data on changes in liabilities and transactions with shareholders



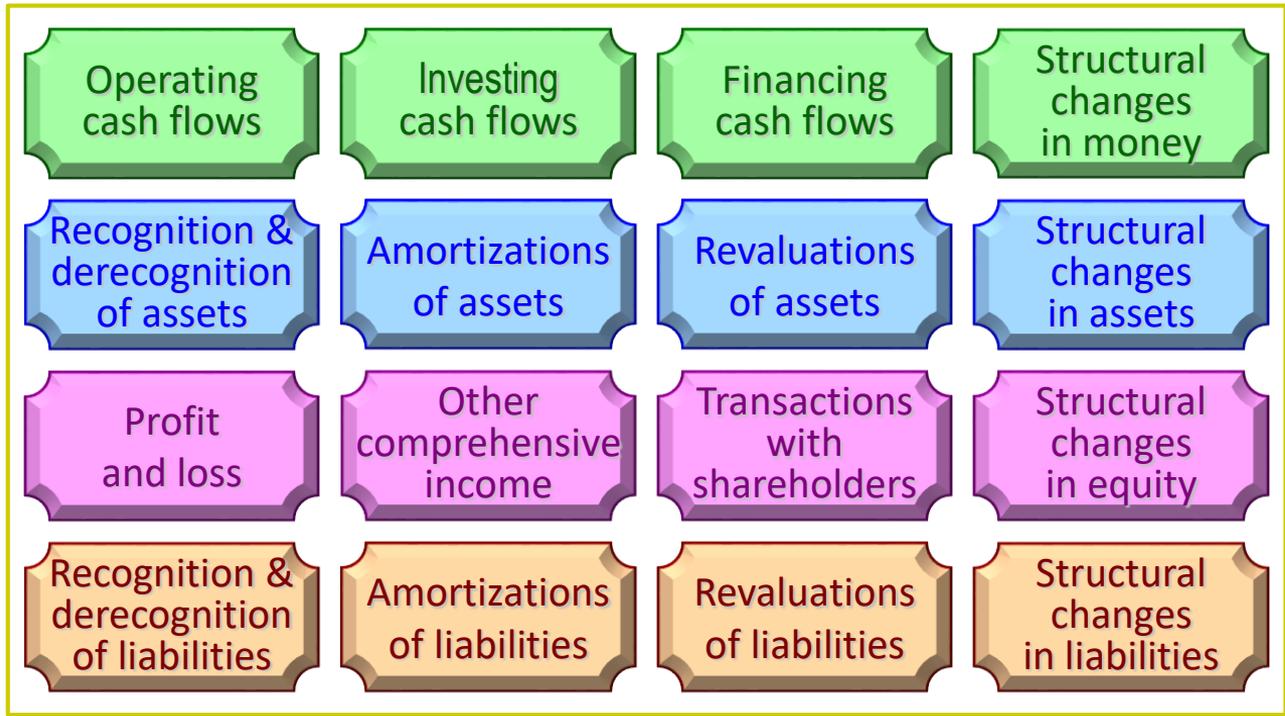
Where is the right place for this information in the financial statements ?

Potential Perimeter of Financial Performance

Variable indicators of financial position



Classes of Changes in Resources and Claims



18 Complete List of Financial Reporting Elements

Static Elements
Resources Claims

Dynamic Elements
Changes in Resources Changes in Claims

MONEY



- operating cash flows
- investing cash flows
- financing cash flows
- structural changes

EQUITY



- profit/loss
- unrealized revaluation
- transactions with share-h-s
- structural changes

ASSETS



- recognition/derecognition
- amortization
- revaluation
- reclassification

LIABILITIES



- recognition/derecognition
- amortization
- revaluation
- reclassification

19 Possible Most Primary Financial Statement

Integral Financial Statement of Company XYZ

	31.12.20X2	Changes for the reporting period	31.12.20X1	Changes for the previous period	31.12.20X0
Money					
Assets					
Total					
Equity					
Liabilities					

All other statements are reports about cells in this table