
IFRS[®] Interpretations Committee meeting

Date	November 2025
Project	Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1)
Topic	Initial consideration
Contact	Rashida Abdryashitova (rabdryashitova@ifrs.org)

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Introduction

1. The IFRS Interpretations Committee (Committee) received a submission about the application of the requirements in paragraphs 15–24¹ of IAS 1 *Presentation of Financial Statements* relating to fair presentation and compliance with IFRS Accounting Standards.
2. The objective of this paper is:
 - (a) to provide the Committee with a summary of the matter;
 - (b) to present our research and analysis; and
 - (c) to ask the Committee whether it agrees with our recommendation not to add a standard-setting project to the work plan.

¹ On issuance of IFRS 18 *Presentation and Disclosure in Financial Statements* in April 2024, paragraphs 15–24 of IAS 1 *Presentation of Financial Statements* have been carried forward unchanged as paragraphs 6A–6J of IAS 8 *Basis of Preparation of Financial Statements*. An entity will apply those amendments when it applies IFRS 18.

Structure

3. This paper includes:
 - (a) [background and summary of the submission](#) (paragraphs 5–8);
 - (b) [findings from information request](#) (paragraphs 9–15);
 - (c) [staff analysis](#) (paragraphs 16–19); and
 - (d) [staff recommendation](#) (paragraphs 20–21).
4. There are two appendices to this paper:
 - (a) [Appendix A](#)—suggested wording of the tentative agenda decision; and
 - (b) [Appendix B](#)—submission.

Background and summary of the submission

5. Paragraph 15 of IAS 1 [to be carried forward as paragraph 6A of IAS 8 *Basis of Preparation of Financial Statements*] states:

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 *Conceptual Framework for Financial Reporting (Conceptual Framework)*. The application of IFRS [Accounting Standard]s, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

6. Paragraphs 19–20 of IAS 1 [to be carried forward as paragraphs 6E–6F of IAS 8] state:

19 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS [Accounting Standard] would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

20 When an entity departs from a requirement of an IFRS [Accounting Standard] in accordance with paragraph 19, 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 IFRS [Accounting Standard]s, except that it has departed from a particular requirement to achieve a fair presentation;

...

7. The submission describes a situation in which an entity applying paragraph 19 of IAS 1 departs from a requirement in an IFRS Accounting Standard. The submission asks whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1. The submission asks, for example, whether any liability the entity recognises when departing from a requirement in an IFRS Accounting Standard must still meet the definition of a liability in the *Conceptual Framework*. The submission outlines two views:

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- (a) View 1—the entity is required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 when departing from a requirement in an IFRS Accounting Standard.
 - (b) View 2—an entity is not required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 when departing from a requirement in an IFRS Accounting Standard.
8. The submission—reproduced in [Appendix B](#)—includes further information about the fact pattern and the two views identified by the submitter.

Findings from information request

9. We sent an information request to members of the International Forum of Accounting Standard-Setters, securities regulators and large accounting firms.
10. The request asked:
- (a) whether the fact pattern described in the submission—that is, entities applying paragraph 19 of IAS 1 to depart from the requirements in a particular IFRS Accounting Standard—is common;
 - (b) whether there is diversity in the application or interpretation of whether a departure from a requirement of an IFRS Accounting Standard in accordance with paragraphs 19–20 of IAS 1 must comply with the requirements in paragraph 15 of IAS 1—and what accounting is applied; and
 - (c) whether the diversity, if any, is widespread and has a material effect on users of financial statements.
11. We received 16 responses—eight from national accounting standard-setters, five from accounting firms, two from regulators and one from a preparer. We also separately received feedback from an association of preparers.² The responses and feedback

² For simplicity, we refer to all stakeholders who responded to our outreach request and to the association of preparers who separately provided feedback as ‘respondents’ throughout the rest of this paper.

represent informal opinions and do not necessarily reflect the official views of those respondents or their organisations.

12. Paragraphs 13–15 of this paper summarise responses to the questions asked in the information request.

Is the fact pattern common?

13. All respondents said the fact pattern arises infrequently.³ Respondents generally said they had either not come across the fact pattern described in the submission or had seen that fact pattern in very few and isolated instances.

Diversity in accounting

14. Because respondents had come across the fact pattern described in the submission in very few and isolated instances, if at all, most respondents either did not comment on the accounting applied or said they had not observed widespread diversity in how entities apply the requirements.
15. Only four of the respondents said that in the very few and isolated instances in which they had come across the fact pattern, the entity that departed from a requirement in an IFRS Accounting Standard in accordance with paragraph 19 of IAS 1, complied with the requirement for fair presentation in paragraph 15 of IAS 1.

³ Respondents used different terms such as ‘uncommon’, ‘very rare’ or ‘extremely rare’ to describe the prevalence of the fact pattern.

Staff analysis

Should the Committee add this matter to its standard-setting agenda?

16. Paragraph 5.16(a) of the [Due Process Handbook](#) requires the Committee to consider whether ‘the matter has widespread effect and has, or is expected to have, a material effect on those affected’. We consider:
- (a) the prevalence of the transaction or fact pattern submitted; and
 - (b) whether there is widespread diversity in the accounting applied to that transaction or fact pattern that has, or is expected to have, a material effect on those affected.
17. As paragraph 13 of this paper notes, all respondents said they had either not come across the fact pattern described in the submission or had seen it in very few and isolated instances. This feedback aligns with the statement in paragraph 19 of IAS 1 that an entity shall depart from a requirement in an IFRS Accounting Standard in ‘extremely rare circumstances’. We therefore conclude that the fact pattern described in the submission—that is, an entity departing from a requirement in an IFRS Accounting Standard—arises infrequently.
18. Given the fact pattern described in the submission arises infrequently, we have not obtained evidence that the matter has widespread effect.
19. Our conclusion is based on evidence we obtained to date from our information request. Should there be additional evidence which could lead to a different conclusion on whether the matter has widespread effect, stakeholders will have the opportunity to share this with the Committee by providing feedback to the tentative agenda decision.

Staff recommendation

20. Based on our assessment of the criteria in paragraph 5.16(a) of the *Due Process Handbook* (as discussed in paragraphs 16–19 of this paper), we recommend not adding a standard-setting project to the work plan and instead publishing a tentative agenda decision that explains the Committee’s reasons for not adding a standard-setting project.
21. [Appendix A](#) to this paper suggests wording for the tentative agenda decision. Given the requirements in IAS 1 that are referenced in the submission are to be carried forward unchanged into IAS 8 once IFRS 18 *Presentation and Disclosure in Financial Statements* is effective (see footnote 1 in paragraph 1 of this paper), we have suggested including references to both sets of requirements in the tentative agenda decision.

Questions for the Committee

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| <ol style="list-style-type: none">1. Does the Committee agree with our recommendation not to add a standard-setting project to the work plan?2. Does the Committee have any comments on the wording of the tentative agenda decision suggested in Appendix A to this paper? |
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Appendix A—Suggested wording of the tentative agenda decision**Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 *Presentation of Financial Statements*)**

The Committee received a request about the application of the requirements in paragraphs 15–24 of IAS 1 *Presentation of Financial Statements* relating to fair presentation and compliance with IFRS Accounting Standards [paragraphs 15–24 of IAS 1 will be carried forward as paragraphs 6A–6J of IAS 8 *Basis of Preparation of Financial Statements* once IFRS 18 *Presentation and Disclosure in Financial Statements* is effective].

Fact pattern and question

In the fact pattern described in the request, an entity applying paragraph 19 of IAS 1 [to be carried forward as paragraph 6E of IAS 8] departs from a requirement in an IFRS Accounting Standard. The request asks whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 [to be carried forward as paragraph 6A of IAS 8].

Findings

Evidence gathered by the Committee [to date] indicates that the fact pattern described in the request arises infrequently.

Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Appendix B—submission

Clarification of the Departure Requirement in IAS 1

1. Issue

This submission seeks clarification on whether, when applying the departure requirement in paragraph 19 of IAS 1, an entity must also comply with the requirements for fair presentation in paragraph 15.

2. Background

In practice, some entities have concluded—on the basis of IAS 1.19—that they should depart from a requirement in an IFRS Standard because compliance would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*.

However, these entities have interpreted paragraph 19 in isolation, without reference to its link to paragraph 15. As a result, they recognise liabilities through departure accounting even when those items may not meet the definition of a liability in the *Conceptual Framework*.

Other stakeholders argue that paragraph 19 must be read together with paragraph 15. On this view, any departure remains anchored in the overarching requirement of fair presentation—faithful representation in line with the definitions and recognition criteria for assets, liabilities, income and expenses in the *Conceptual Framework*.

3. Relevant standards

- IAS 1.15 requires that financial statements present fairly the financial position, financial performance and cash flows of an entity.
- IAS 1.17 states that, in virtually all circumstances, fair presentation is achieved by compliance with IFRSs.
- IAS 1.19 provides for departure in “extremely rare circumstances” if compliance would be so misleading as to conflict with the objective of financial statements.

- IAS 1.20(a) requires management, when departing, to disclose that the financial statements still “present fairly.”

The *Conceptual Framework* defines the elements of financial statements and provides the recognition criteria. Paragraph BC24 of Basis for Conclusions on IAS 1 confirms that paragraph 15 was added precisely to link fair presentation to the *Conceptual Framework*.

4. Question to the Committee

When an entity departs from a requirement in an IFRS under IAS 1.19, is the alternative accounting treatment:

- (a) required to achieve fair presentation in accordance with IAS 1.15, meaning faithful representation consistent with the element definitions and recognition criteria in the *Conceptual Framework*; or
- (b) not bound by the principle of faithful representation consistent with the element definitions and recognition criteria in the *Conceptual Framework*?

5. Views

View 1 – Paragraph 15 continues to apply

- Paragraph 15 sets the overarching principle for all IFRS financial statements.
- Paragraph 19 provides a mechanism for departure in extremely rare cases but does not remove the obligation to present fairly.
- Paragraph 20(a) explicitly requires management to disclose that the financial statements “present fairly” even when a departure is applied.
- Therefore, any alternative accounting must remain consistent with the element definitions and recognition criteria in the *Conceptual Framework*.

View 2 – Paragraph 19 operates independently

- The objective of financial statements in IAS 1.19 corresponds to paragraph 3.2 of the *Conceptual Framework*, which focuses on providing useful information to investors and creditors.

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- On this reading, as long as information is useful to users, a departure need not be constrained by the element definitions and recognition criteria in the *Conceptual Framework*.
 - Requiring consistency with those definitions and recognition criteria could, in rare cases, prevent management from providing the most useful information.

6. Reason for Submitting

- Divergent views on the linkage between IAS 1.19 and IAS 1.15 have created confusion.
- Some stakeholders have treated paragraph 19 as an unrestricted override.
- Clarification from the Committee would help ensure consistent application and protect the integrity of IFRS.
- Even if the Committee concludes that the Standards are already clear and decides not to add a standard-setting project, explanatory wording in an agenda decision would provide essential confirmation to restore order in practice.