

What's Happening with IFRS Accounting Standards

March 26, 2026

With You Today



ANDREW MOORE
Professional Practice
Principal

312-616-4664
asmoores@bdo.com



OSCAR AYALA-MURILLO
Professional Practice
Director

312-228-0421
oayala-murillo@bdo.com

Agenda for Today



Introduction

IFRS 18 - *Presentation and Disclosure in Financial Statements*

- The structure and categorization of the statement of profit or loss (income/expenses)



- Principals of Aggregation and Disaggregation
- Totals and Subtotals Presented in the Statement of Profit and Loss
- Management-Defined Performance Measures (MPMs)
- Transition



Resources & Wrap Up

Polling Question 1

Knowledge of IFRS and latest developments is a requirement of my job.

- A) YES
- B) NO

IFRS 18 - *Presentation and Disclosure in Financial Statements*



IFRS 18



OBJECTIVE (IFRS 18.1)

IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.



SCOPE (IFRS 18.2)

An entity shall apply this Standard in presenting and disclosing information in financial statements prepared in accordance with IFRS Accounting Standards.



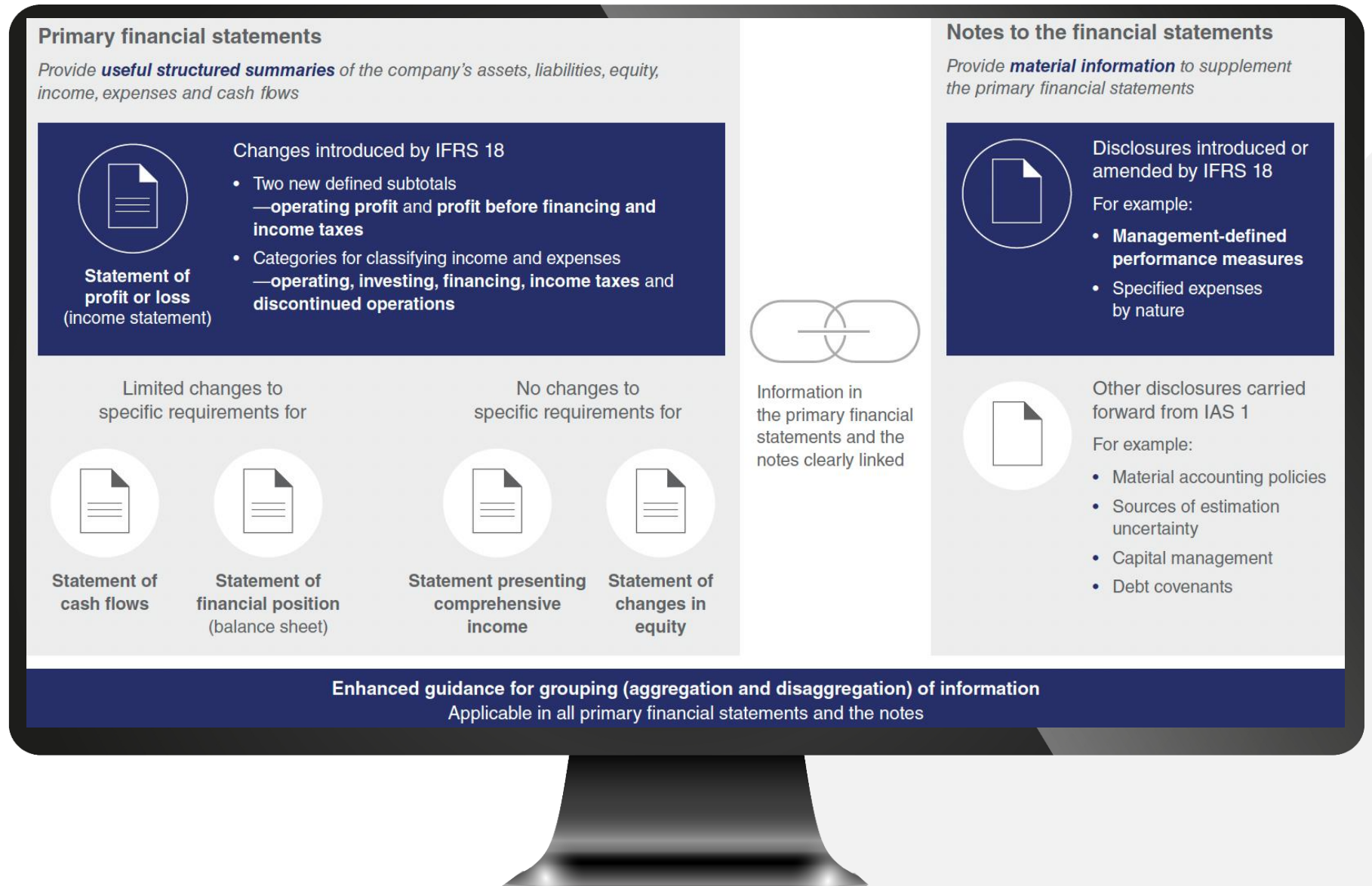
EFFECTIVE DATE (IFRS 18.C1)

An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity applies this Standard for an earlier period, it shall disclose that fact in the notes.

IFRS 18

Summary

A SNAPSHOT



Source:
<https://www.ifrs.org/content/dam/ifrs/project/primary-financial-statements/ifrs-standard/ifrs18-one-page-april2024.pdf>

Introduction

IAS 1 Presentation of Financial Statements

Aspects of IAS 1 incorporated into IFRS 18 or IAS 8 substantially unchanged

- ▶ Most primary financial statement requirements other than P&L
- ▶ Frequency of reporting
- ▶ Comparative information
- ▶ Offsetting
- ▶ Classification of assets and liabilities as current vs. non-current
- ▶ Going concern
- ▶ Disclosure of material accounting policy information
- ▶ Capital disclosures



IFRS 18 will affect **every entity** that applies IFRS Accounting Standards; the most significant change to IFRS Accounting Standards since IFRS 16.

Key Areas

▶ Categories in the Statement of Profit or Loss:

- The investing category
- The financing category
- The income taxes category
- The discontinued operations category
- The operating category

▶ Mandatory and additional sub-totals in the Statement of Profit or Loss

- ▶ Disclosure of management-defined performance measures (MPM)
- ▶ Aggregation, disaggregation and misc. changes
- ▶ Transition and effective date

IFRS 18 - The structure and categorization of the statement of profit or loss (income/expenses)

IFRS 18

Categories in the Statement of Profit or Loss

LINE ITEM		CLASSIFICATION
Revenue	XXX	
Cost of sales	XXX	
Gross profit	XXX	
Other operating income	XXX	OPERATING CATEGORY
Selling expenses	XXX	
Research and development	XXX	
General and administrative	XXX	
Operating profit	XXX	Mandatory specified sub-total
Fair value gains on equity instruments	XXX	INVESTING CATEGORY
Profit before financing and income taxes	XXX	Mandatory specified sub-total
Interest expense on borrowings and lease liabilities	XXX	FINANCING CATEGORY
Profit before income taxes	XXX	Additional sub-total
Income tax expense	XXX	INCOME TAXES CATEGORY
Profit from continuing operations	XXX	Additional sub-total
Loss from discontinued operations	XXX	DISCONTINUED OPERATIONS CATEGORY
Profit	XXX	Mandatory total



For entities with specified main business activities, certain income and expenses classified in the investing and financing categories may be classified in the operating category if criteria are met.

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Common Questions



QUESTION:

Are the five categories labelled in the statement of profit or loss?

ANSWER:

No; but categorization is required to calculate mandatory sub-totals.



QUESTION:

Are the operating, investing, and financing categorization requirements consistent with IAS 7?

ANSWER:

No.



QUESTION:

How is the operating category defined?




ANSWER:

Operating is the residual category; items are categorized as operating if not categorized into one of the other four categories.

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

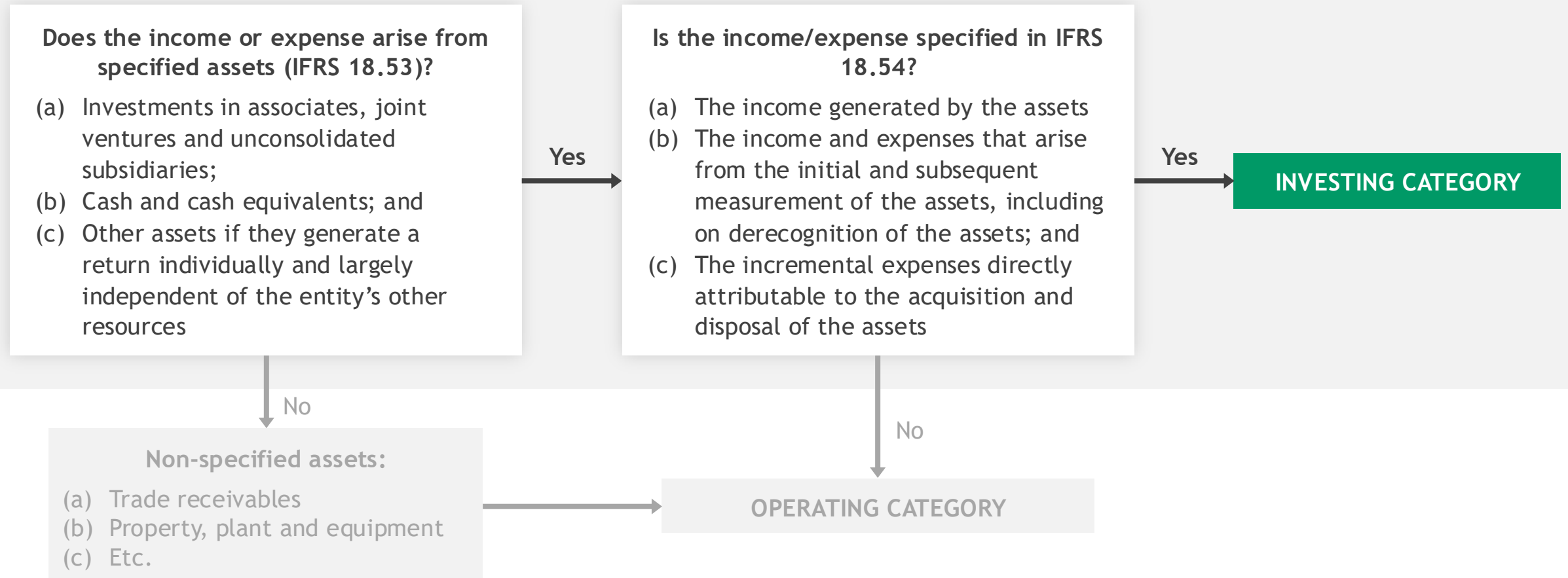
Investing Category: IFRS 18.53 and 18.54

TYPE OF ASSETS		
Investments in associates, joint ventures and unconsolidated subsidiaries	Cash and cash equivalents	Other assets if they generate a return individually and largely independently of the entity's other resources

SPECIFIED INCOME AND EXPENSES		
 <p>Income generated by the assets</p> <ul style="list-style-type: none">▶ Interest▶ Dividend▶ Rental income	 <p>Income and expense from initial and subsequent measurement</p> <ul style="list-style-type: none">▶ Depreciation▶ Impairment losses and its reversal▶ Fair value gain or loss	 <p>Incremental expenses directly attributable to the acquisition and disposal of the assets</p> <ul style="list-style-type: none">▶ Transaction costs on financial assets as FVTPL▶ Costs to sell assets like broker commissions

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Investing Category: Criteria to Classify Income and Expenses for Entities without Specified Main Business Activities



CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Specified Main Business Activities

IFRS 18 requires the following items of income and expense to be classified in the investing category (with an exception for certain entities):

- ▶ The share of profit of associates and joint ventures accounted for using the equity method

EXCEPTION: Exception to the classification principles for the investing and financing categories if the entity has specified main business activities:

- ▶ Income and expenses from cash and cash equivalents
- ▶ Income and expenses from other assets if they generate a return individually and largely independent of the entity's other resources (e.g., many financial assets)

Investing Category: Illustrative Example 1

FACT PATTERN:

- ▶ Entity A owns plant and equipment that it uses to manufacture widgets.
- ▶ Entity A also owns a building that it rents out to tenants to earn rental income.
- ▶ Entity A accounts for the building as investment property in the scope of IAS 40 Investment Property, and uses the cost model.
- ▶ Entity A does not have specified main business activities.

QUESTION:

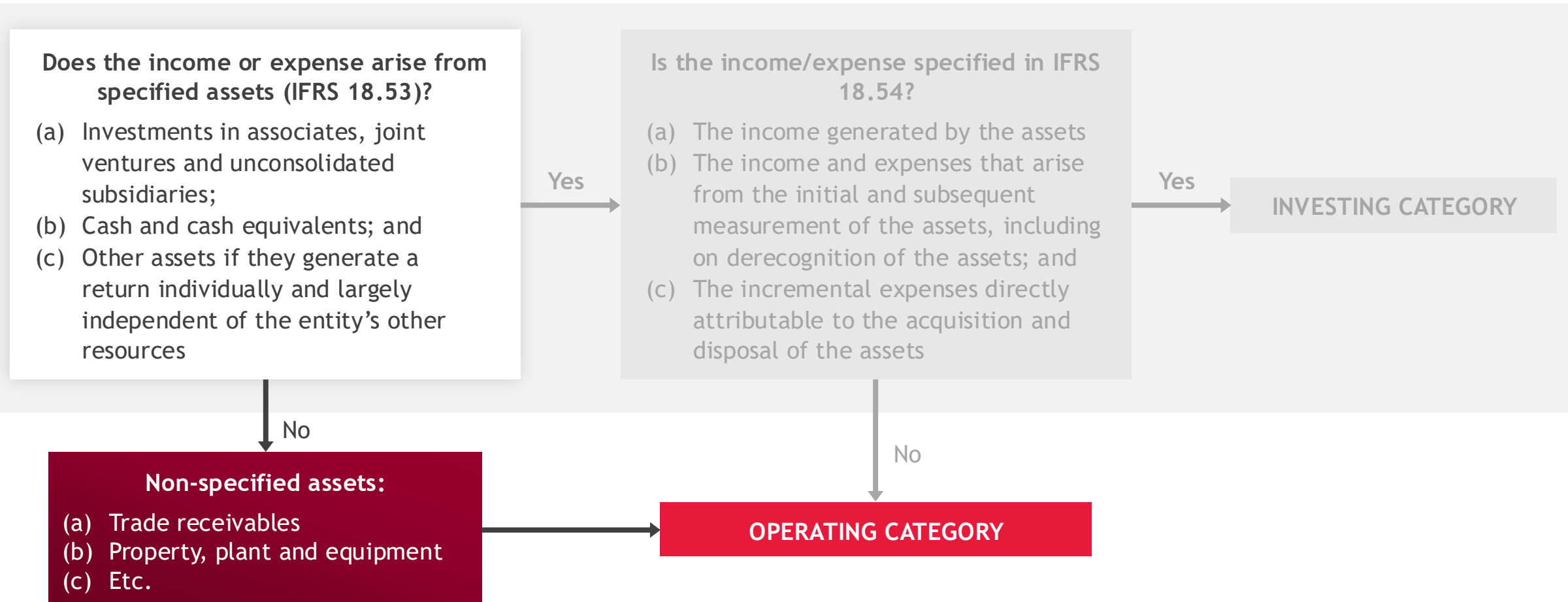
What should be the categorization of depreciation on the

- a) property, plant, and equipment
- b) investment property?

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Investing Category: Illustrative Example 1

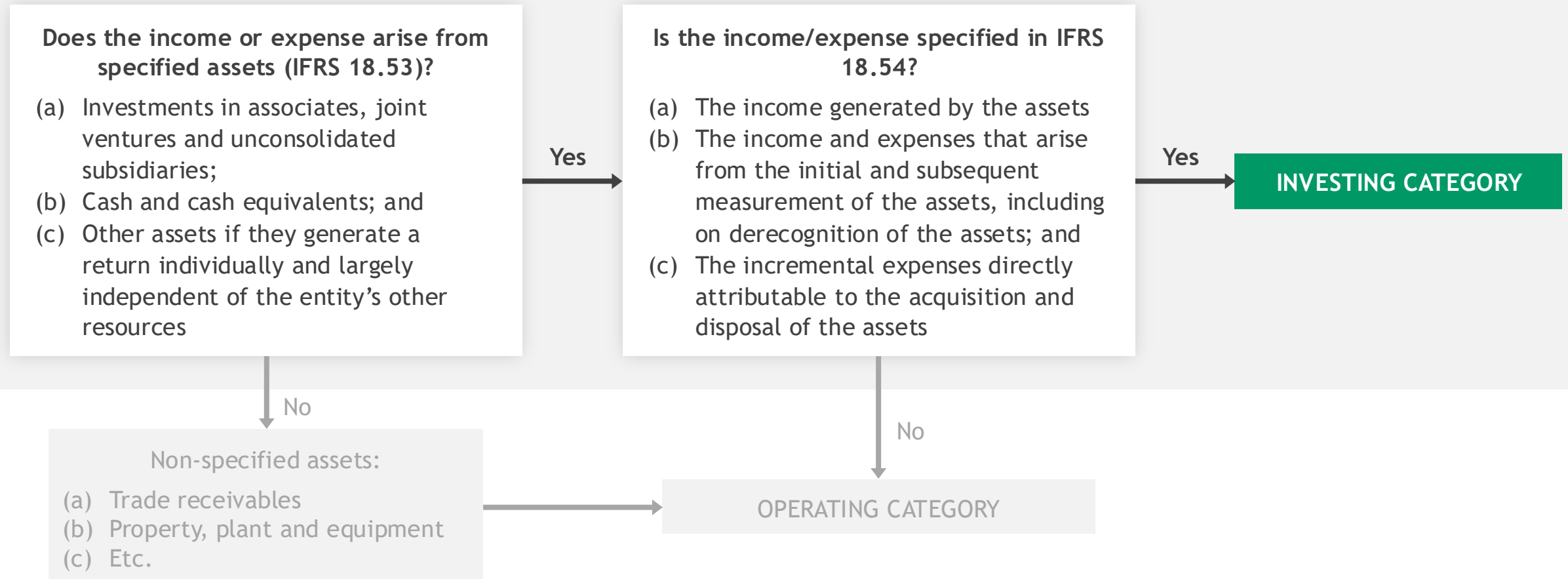
Property, Plant, and Equipment Depreciation



CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Investing Category: Illustrative Example 1

Investment Property Depreciation (assuming the cost model is used)



Investing Category: Illustrative Example 2

FACT PATTERN:

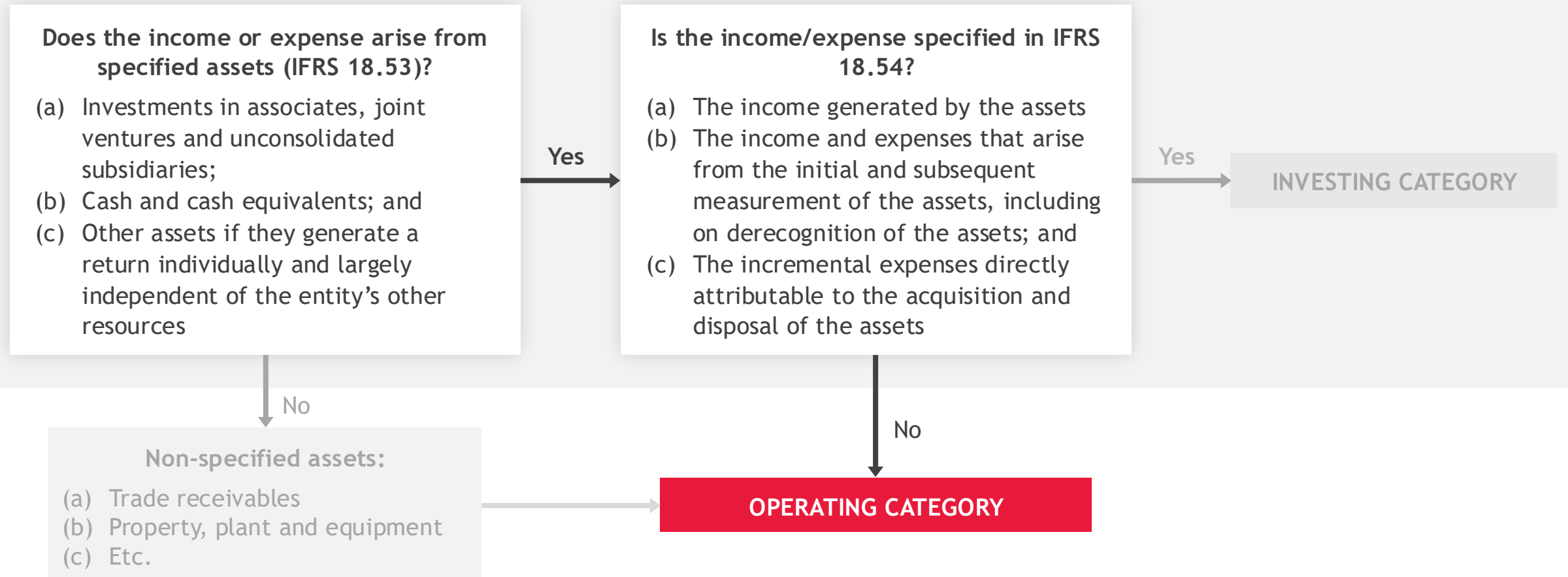
- ▶ Entity A owns an item of property, plant and equipment that it uses to manufacture widgets.
- ▶ Entity A also owns a building that it rents out to tenants to earn rental income.
- ▶ Entity A accounts for the building as investment property in the scope of IAS 40 *Investment Property*, and uses the cost model.
- ▶ Entity A does not have specified main business activities.

Entity A incurs cleaning and maintenance fees on the investment property.

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

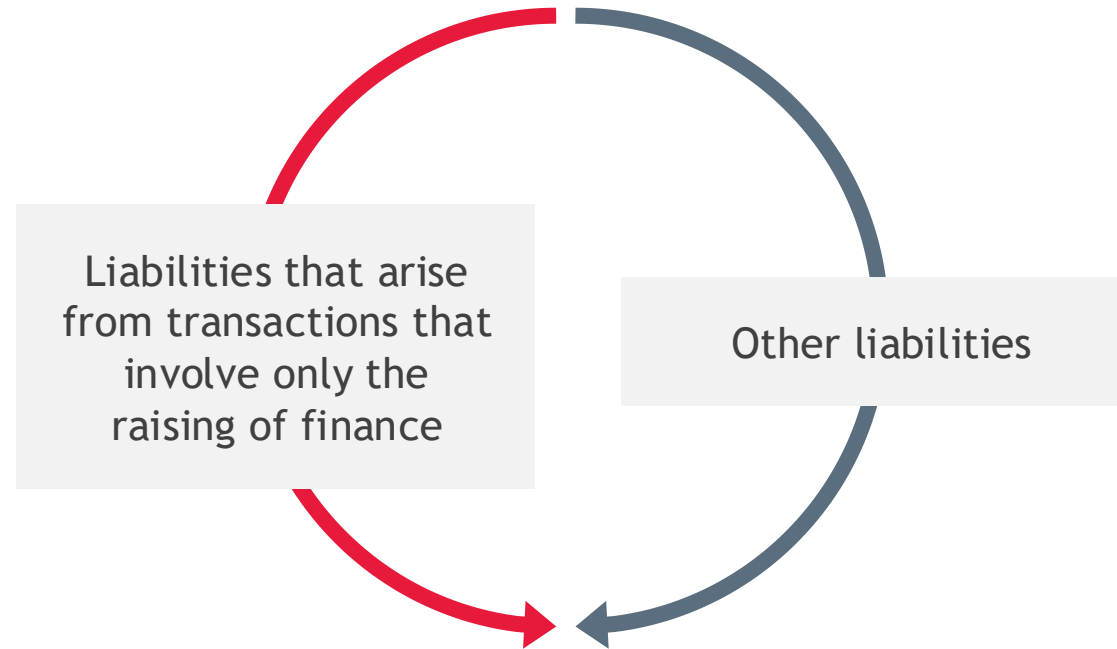
Investing Category: Illustrative Example 2

Cleaning and Maintenance Fees of the Investment Property



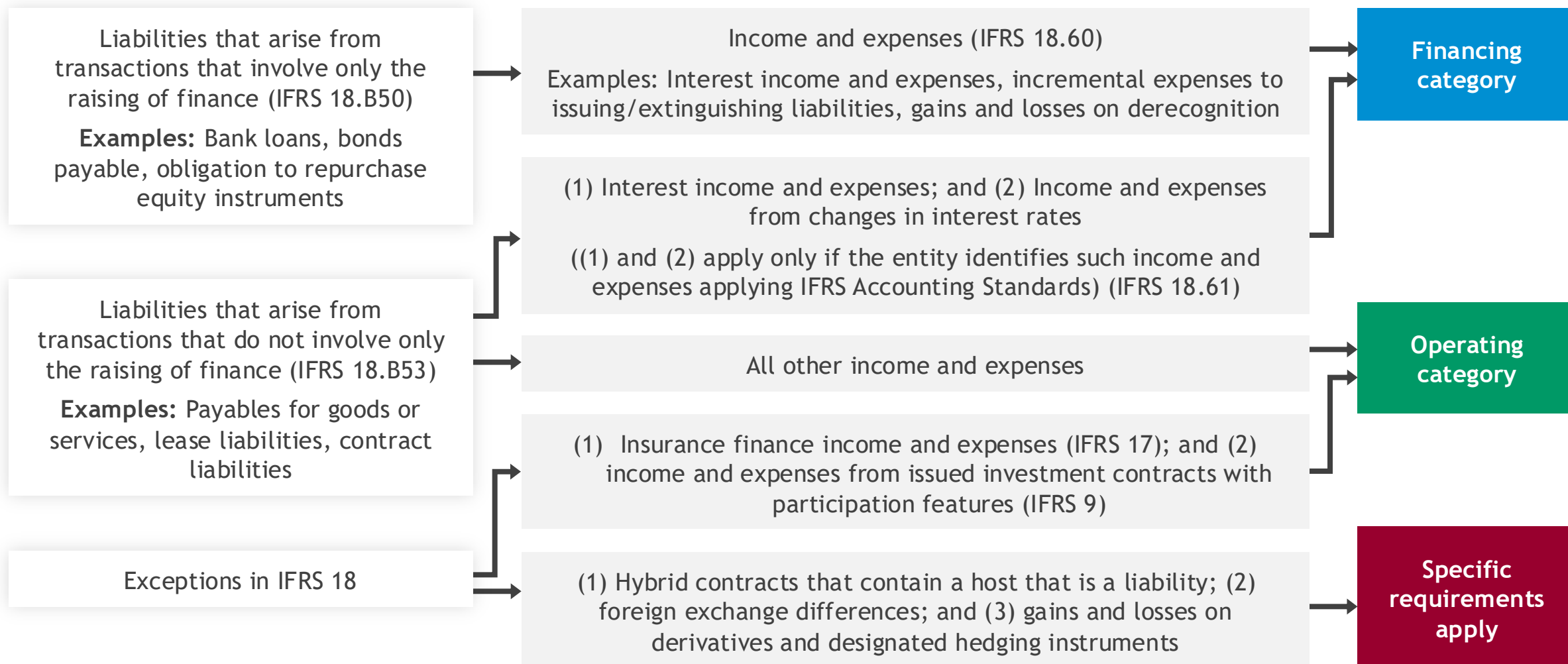
CATEGORIES IN THE
STATEMENT OF
PROFIT OR LOSS

Financing
Category



CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Financing Category: Practice Aid



Financing Category: Illustrative Example 3

FACT PATTERN:

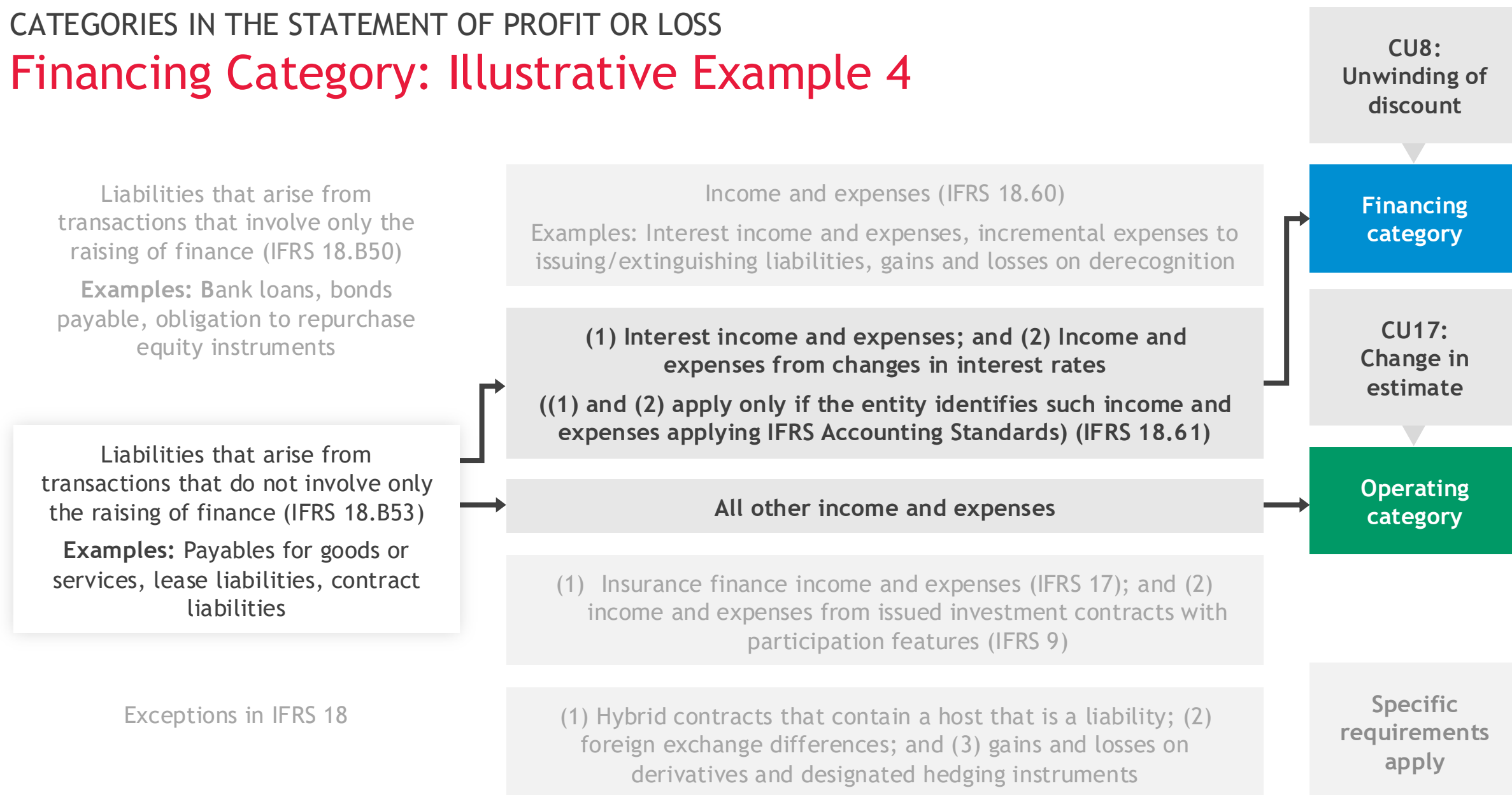
- ▶ Entity B recognizes a provision of CU100 as at 31 December 2024 for a legal settlement.
- ▶ The liability is discounted to reflect the time value of money, as settlement is not expected for several years.
- ▶ As at 31 December 2025, Entity B has revised its best estimate for the legal settlement, and the carrying amount of the provision is now CU125.
- ▶ Assume this total CU25 change in carrying amount is comprised of:
 - CU8 reflecting the unwinding of the discount as time passes; and
 - CU17 reflecting a change in the best estimate of the legal settlement.

Change in estimate relating to a legal provision (IAS 37)

Part classified under financing category and partly under operating category

CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

Financing Category: Illustrative Example 4



Polling Question 2

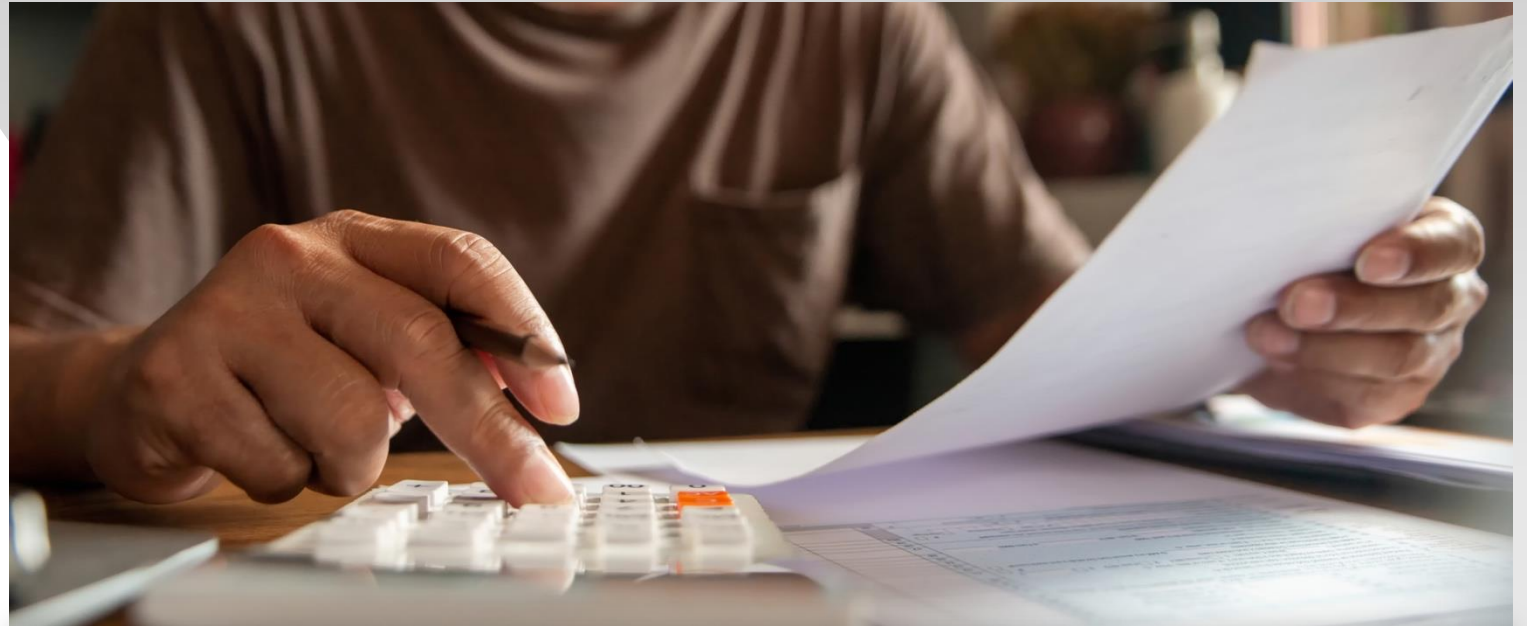
IFRS 18 will affect **every entity** that applies IFRS Accounting Standards

- A) YES
- B) NO

IFRS 18 - Principals of Aggregation and Disaggregation

Principles of Aggregation and Disaggregation

The objective of the IFRS 18 Aggregation guidance is for the primary financial statements to provide a **“useful structured summary”** of a reporting entity’s assets, liabilities, equity, income, expenses and cash flows.



IAS 1 vs IFRS 18

The extent to which entities must change their existing presentation in IAS 1 (other than the requirements applicable to classification of items of income and expenses and specified subtotals), will depend on an entity’s precise facts and circumstances

The Roles of the Primary Statements and Notes

- ▶ Primary Financial Statements (IFRS 18.16)
- ▶ A **useful structured summary** of a reporting entity's assets, liabilities, equity, income, expenses and cash flows
- ▶ Useful structured summary should give its users:
 - An understandable overview of the business
 - Allow comparisons between entities and reporting periods

- ▶ Notes to the financial statements (IFRS 18.17)
- ▶ Provide material information:
 - Enable understanding of line items in the primary statements
 - Supplement primary financial statements with additional information to achieve a **useful structured summary**

Principles of Aggregation and Disaggregation

IFRS 18.41 Requirements

- a) Classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics;
- b) Disaggregate items based on characteristics that are not shared in the primary financial statements and in the notes;
- c) Aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries;
- d) Aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information; and
- e) Ensure that aggregation and disaggregation in the financial statements do not obscure material information.

Principles of Aggregation and Disaggregation

Examples of income, expenses, assets, liabilities and items of equity that warrant separate presentation in the primary financial statements or disclosure in the notes:

Assets and Liabilities: Statement of Financial Position (IFRS 18.B111)	Income and Expenses: Statement of Profit or Loss (IFRS18.B79)
PPE disaggregated into classes (IAS 16)	Impairment losses and reversals for PPE
Receivables disaggregated into amounts receivable from trade customers, related parties, prepayments and other amounts	Income and expenses from restructuring
Provisions disaggregated according to their nature (e.g., employee benefits, decommissioning liabilities & others)	Write downs of inventories and reversals
Equity, capital and reserves into classes based upon their nature and underlying function	

Principles of Aggregation and Disaggregation

CHARACTERISTICS TO USE

Characteristics (IFRS 18.B78)	Example of Items with Dissimilar Characteristics
Nature	Salaries and wages vs depreciation of PPE
Function (role) within the entity's business activities	Operating expenses classified into selling, finance and R&D
Persistence (including whether it is recurring or not)	Impairment of property due to poor sales or impairment due to change in regulation
Measurement basis	Items measured at FVTPL
Size	Salaries and wages that are quantitatively material vs advertising expense that are not quantitatively material

How to Analyze the Most Useful Structured Summary of Operating Expenses



What provides the most useful structure summary of Operating expenses? It should be one based on:

Basis	Example
Nature	Salaries and wages, depreciation
Function	Cost of good sold, R&D, Administrative expenses
“Mixed” Presentation	Hybrid of above

The requirement to present operating expenses by nature, function or a mixed presentation applies only to items classified in the operating category, not the other four categories being: investing, financing, income taxes and discontinued operations.

What should be considered when assessing which presentation to use?

IFRS 18.B80

- a** What provides the most useful information about the main components of profitability?
- b** What most closely represents how the business is managed?
- c** Standard industry practice
- d** Whether allocations to expenses by function would be arbitrary

Descriptions Used



- ▶ When describing line items or subtotals, the description must be a faithful representation of the characteristics of the item.
- ▶ If “Other” is used in a line-item description, additional requirements in IFRS 18.B26 apply to describe the aggregated items (for example “Other operating expenses” or “other finance expenses”, rather than “other expenses) or additional narrative disclosure regarding the nature of the components of a particular line item.

Use of “Other”

“Other” can only be used if another more informative label cannot be found (IFRS 18.B35)

IFRS 18 - Totals and Subtotals Presented in the Statement of Profit and Loss

IFRS 18: A DEEPER
DIVE (PART FOUR)

New Totals
and Subtotals

Line item		Classification
Revenue	XXX	Operating category
Cost of sales	<u>XXX</u>	
Gross profit	XXX	
Other operating income	XXX	
Selling expenses	XXX	
Research and development	XXX	
General and administrative	<u>XXX</u>	
Operating profit	XXX	
Fair value gains on investments in equity instruments	<u>XXX</u>	Investing category
Profit before financing and income taxes	XXX	<u>Mandatory</u> specified subtotal
Interest expense on borrowings and lease liabilities	<u>XXX</u>	Financing category
Profit before income taxes	XXX	Additional subtotal
Income tax expense	<u>XXX</u>	Income taxes category
Profit from continuing operations	XXX	Additional subtotal
Loss from discontinued operations	<u>XXX</u>	Discontinued operations category
Profit	XXX	Mandatory total

Additional Subtotals – IFRS 18.24



Comprise amounts recognized and measured in accordance with IFRS Accounting Standards



Be compatible with the statement structure of IFRS 18
(e.g. all categorization requirements and mandatory subtotals)



Be consistent from period to period



Be displayed no more prominently than the totals and subtotals required by IFRS Accounting Standards

Additional Subtotals – IFRS 18.24

- ▶ IFRS 18 paragraph 24 is not optional
- ▶ Must always consider whether the information presented is a useful structured summary
- ▶ Additional permitted subtotals (examples only):
 - Gross Profit
 - Net interest income
- ▶ Can be driven by industry norms



IFRS 18: *Presentation and Disclosure in Financial Statements*
EBITDA

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)

- ▶ IFRS 18.118b does exempt “operating profit or loss before depreciation, amortization and impairments in the scope of IAS 36”

Polling Question 3

Use of “Other”

“Other” can only be used if another more informative label cannot be found.

- A) YES
- B) NO

IFRS 18 - Management-Defined Performance Measures (MPMs)

Management-Defined Performance Measures

WHAT ARE MANAGEMENT-DEFINED PERFORMANCE MEASURES (MPMS)?

Subtotal of income and expenses that:

- ▶ is used in public communications outside financial statements
- ▶ is used to communicate to investors management's view of an aspect of the financial performance of the entity as a whole
- ▶ is not listed in IFRS 18 or specifically required by IFRS Accounting Standards.



Management-Defined Performance Measures

WHAT ARE MANAGEMENT-DEFINED PERFORMANCE MEASURES (MPMS)?

PERFORMANCE MEASURES

Subtotals of income and expenses

MPMs

IFRS-specified (IFRS 18.118)

Other performance measures

- | | | |
|---|--|--|
| <ul style="list-style-type: none">▶ Adjusted profit▶ Adjusted operating profit▶ Adjusted earnings before interest, tax, depreciation and amortization | <ul style="list-style-type: none">▶ Gross profit/loss▶ Operating profit before depreciation, amortization and impairments within the scope of IAS 36 <i>Impairment of Assets</i>▶ Profit or loss before income taxes▶ ... | <ul style="list-style-type: none">▶ Subtotal of income only▶ Free cash flow▶ Financial ratios (e.g., Return on equity)▶ Asset, liabilities, equity (e.g., Net debt)▶ Non-financial performance measures (e.g., Number of customers, customer satisfaction) |
|---|--|--|

Management-Defined Performance Measures

WHAT ARE THE DISCLOSURE REQUIREMENTS FOR MPMS?

Disclose information about MPMs in a **single note** to the financial statements.

- ▶ Statement that the MPMs provide management's view of any aspect of the entity's financial performance and are not necessarily comparable to MPMs of other entities.
- ▶ Description of the aspect of financial performance, that it communicates, including **how** it is calculated and **why** management believes the MPM provides useful information about the entity's financial performance.
- ▶ **Reconciliation** between the MPM and the most directly comparable subtotal listed in IFRS 18 or total or subtotal required by IFRS Accounting Standards.
- ▶ Determination of effect on non-controlling interest and income tax effect for each item disclosed in the reconciliation by calculating:
 - Statutory tax rate
 - Reasonable pro rata allocation of current and deferred tax, or
 - Any other method that achieves a more appropriate allocation in the circumstances

Any change, addition or termination of MPMs are required to be explained, disclosed and recalculated

Management-Defined Performance Measures

HOW TO IDENTIFY A MPM FROM PUBLIC COMMUNICATIONS?

Used in public communications outside financial statements:



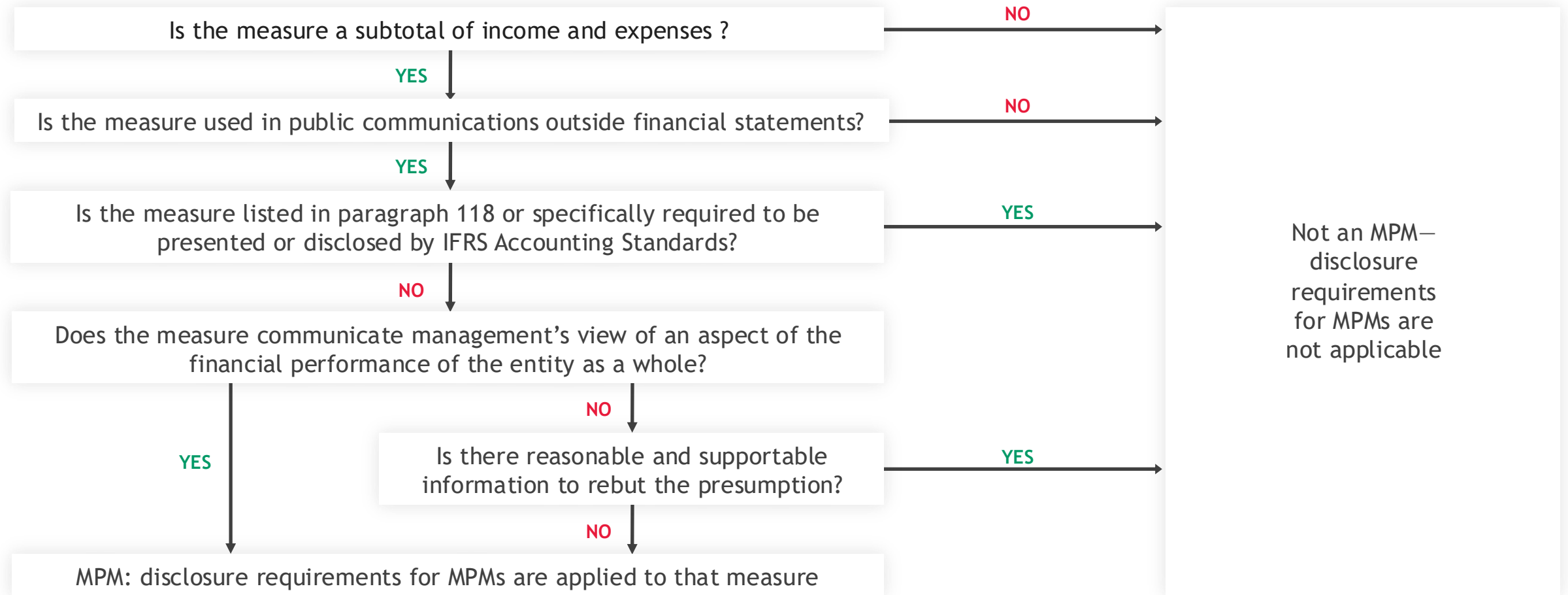
- ▶ Management commentary
- ▶ Press releases
- ▶ Investor presentations



- ▶ Oral communications
- ▶ Written transcripts of oral communication
- ▶ Social media posts

Management-Defined Performance Measures

IDENTIFYING MANAGEMENT-DEFINED PERFORMANCE MEASURES



Management-Defined Performance Measures

ILLUSTRATIVE EXAMPLE OF AN MPM RECONCILIATION

	ADJUSTING ITEMS				
	IFRS	Impairment losses	Restructuring expenses	Gains on disposals of property, plant & equipment	Management defined performance measures
Other operating income				(1,800)	
Research and development expenses		1,600	-	-	
General and administrative expenses		-	3,800	-	
Goodwill impairment loss		4,500			
Operating profit/Adjusted operating profit	57,000	6,100	3,800	(1,800)	65,100
Income tax expense		-	(589)	297	
Profit from continuing operations/Adjusted profit from continuing operations	32,100	6,100	3,211	(1,503)	39,908
Profit attributable to non-controlling interests		305	161	-	
Impairment losses	Impairment losses incurred in 20X2 did not yield any tax benefits because they were not eligible for tax deductions in Country A and Country B.				
Litigation expenses	The restructuring expenses in 20X2 are related to XYZ Group's restructuring programme 'Apollo 20X2'. These expenses include redundancy expenses, employee retraining expenses and relocation expenses, all related to the closure of several factories in Country C. The tax effect of these restructuring expenses is calculated based on the statutory tax rate applicable in Country C at the end of 20X2, which was 15.5%.				
Gains on disposals of property, plant and equipment	The tax effect of gains on disposal of property, plant and equipment is calculated based on the statutory tax rate applicable in Country D at the end of 20X2, which was 16.5%				

*(in thousands of CU)

Management-Defined Performance Measures

ILLUSTRATIVE EXAMPLE OF AN MPM RECONCILIATION

	ADJUSTING ITEMS				
	IFRS	Impairment losses	Restructuring expenses	Gains on disposals of property, plant & equipment	Management defined performance measures
Research and development expenses		1,500	–	–	
General and administrative expenses			3,500	–	
Operating profit/Adjusted operating profit	51,800	1,500	3,500	--	56,800
Share of profit and gains on disposal of associates and joint ventures		-	-	(2,200)	
Income tax expense		–	-	319	
Profit from continuing operations/Adjusted profit from continuing operations	29,925	1,500-	3,500	(1,881)	33,044
Profit attributable to non-controlling interests		75	-	–	
Impairment losses		Impairment losses incurred in 20X1 did not yield any tax benefits because they were not eligible for tax deductions in Country E.			
Litigation expenses		Litigation expenses incurred in 20X1 did not yield any tax benefits because they were not eligible for tax deductions in Country F			
Gains on disposals of property, plant and equipment		The tax effect of gains on disposal of associates and joint ventures is calculated based on the statutory tax rate applicable in Country G at the end of 20X1, which was 14.5%.			

*(in thousands of CU)

Polling Question 4

IFRS 18 introduces the concept of an MPM: a Management defined performance measure.

- A) YES
- B) NO

Transition

Transition

ANNUAL REPORTING PERIOD ENDING	IFRS 18 MANDATORILY EFFECTIVE FOR FIRST TIME IN ANNUAL PERIOD ENDING
March 31	March 31, 2028
June 30	June 30, 2028
September 30	September 30, 2028
December 31	December 31, 2027



Remember the comparative periods too!

Transition

- ▶ Depending on the level of complexity in an entity, the level of effort required for transition will vary
- ▶ Issues to consider
 - Classifying all income and expenses into one of the five categories
 - Assessing any impact of foreign exchange differences
 - Determination of appropriate levels of aggregation and disaggregation
 - Management Performance Measures
 - Impacts on primary statements (outside statement of profit or loss)



Polling Question 5

IFRS 18 MANDATORILY EFFECTIVE FOR FIRST TIME IN ANNUAL PERIOD ENDING DECEMBER 31st

- A) December 31st, 2027
- B) December 31st, 2028
- C) December 31st, 2029

Wrap Up

Resources

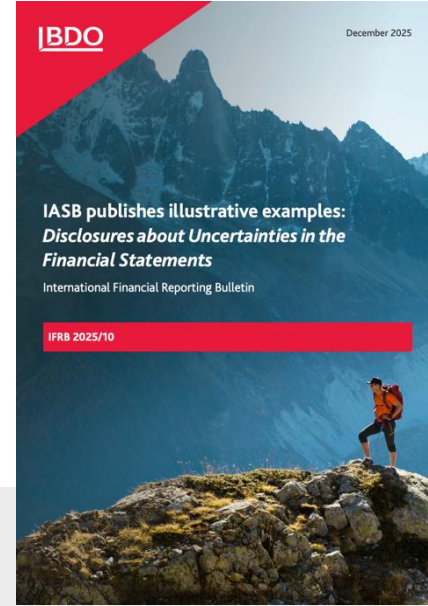
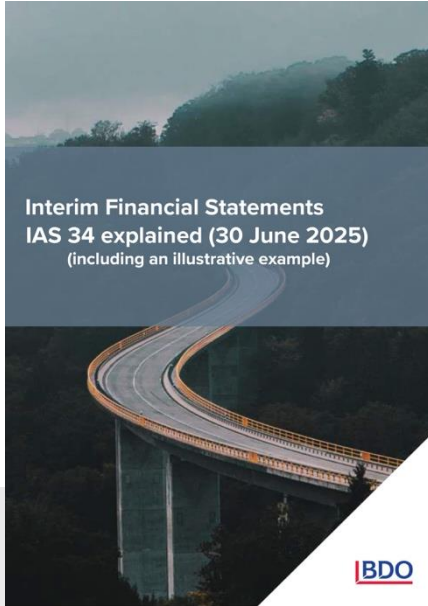


IFRS 18: *Presentation and Disclosure in Financial Statements*

Resources



IFRS Resources



IFRS Global:

- ▶ International Financial Reporting Bulletin (IFRB)
- ▶ IFRS At-a-Glance
- ▶ IFRS in Practice
- ▶ Interim Illustrative Financial Statements
- ▶ Year-end Illustrative Financial Statements (December 31, 2025)

[LEARN MORE ▶](#)

About BDO's IFRS Accounting Standards Quarterly Update

BDO's IFRS Accounting Standards Quarterly Update webcast series is designed to help financial management, board directors, and audit committees stay on top of today's hot IFRS accounting topics and key regulatory developments.

Our series covers a variety of topics intended to:

- ▶ Describe timely IFRS guidance, hot-topics and resources and their general impact on global accounting and financial reporting
- ▶ Describe updates to IFRS that have occurred over the past quarter and how they compare with the guidance included in the U.S. Generally Accepted Accounting Practice
- ▶ Describe anticipated upcoming changes to IFRS Guidance



About BDO's Quarterly Technical Update Webcast Series

BDO's Quarterly Technical Update webcast series is designed to help financial management, board directors, and audit committees stay on top of today's hot accounting topics and key regulatory developments.

The series is produced and delivered by qualified professionals in BDO's Assurance practice. One (1) hour of CPE may be earned for each of the quarterly events.

Following these webinars, attendees will be able to:

- ▶ Recognize recently released, project and proposal stage accounting and financial reporting guidance developed by the FASB, EITF and PCC
- ▶ Describe timely SEC guidance, topics and resources and their general impact on accounting and financial reporting
- ▶ Describe project and proposal stage literature that may have a broad impact on financial reporting
- ▶ Describe evolving corporate governance activities including those of the PCAOB, CAQ and other organizations



About CAW Network USA



“Networking and educating the International Accountant in the USA”

- ▶ Chartered Accounts Worldwide Network USA has more than 8,000 members and associates. These include Chartered Professional Accountants and Chartered Accountants from 6 home institutes: CA, ANZ, CAI, CPA Canada, ICAEW, ICAS & SAICA. We connect with our members through in-person and online networking and educational opportunities.
- ▶ For more information, please contact our chief executive, David Powell, chiefexecutive@cawnetworkusa.com.
- ▶ If you are a Chartered Accountant and not currently a member of CAW Network USA, sign up at cawnetworkusa.com and follow up on [Social Media](#).

Thank You!



A modern office interior featuring a staircase with a glass railing, a reception desk with the BDO logo, and large windows overlooking a city skyline. The scene is dimly lit, with light coming from the windows and the BDO logo on the desk.

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2025 BDO USA, P.C. All rights reserved.

