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Introduction

IFRS Example Consolidated Financial Statements 2021

The preparation of financial statements in accordance These Example Financial Statements have been updated to

with International Financial Reporting Standards (‘IFRS’) is reflect changes in IFRS that are effective for the year ending

challenging. Each year, new Standards and amendments 31 December 2021. No account has been taken of any new

are published by the International Accounting Standards developments after 31 October 2021.

Board (‘IASB’) with the potential to significantly impact the

presentation of a complete set of financial statements.

Telling the COVID Story

The member firms of Grant Thornton International Ltd

(‘GTIL’) have extensive expertise in the application of IFRS. Reporting the impact of COVID-19 global pandemic in the

GTIL, through its IFRS Team, develops general guidance financial statements will, for many reporting entities, still

that supports its member firms’ commitment to high quality, be a challenge. Preparers of financial statements will need

consistent application of IFRS and is therefore pleased to to think about how, where and in what form they should

share our insights by publishing ‘IFRS Example Consolidated report COVID-19 in their financial statements in light of

Financial Statements 2021’ (‘Example Financial Statements’). IFRS as they currently exist. We believe it is important to

not only comply with the guidance set out in IFRS, but

These Example Financial Statements are based on the activities also ensure the financial statements are an effective part

and results of Illustrative Corporation and its subsidiaries (‘the of any wider communication the entity intends to share

Group’) – a fictional consulting, service and retail entity that with its stakeholders. COVID-19 was the main focus of

has been preparing IFRS consolidated financial statements for the financial statements for reporting entities in 2020,

several years. The form and content of IFRS financial statements be it positive or negative, and has continued to remain

will always depend on the activities and transactions of the prominent this year, so financial statements with an

reporting entity. Our objective in preparing these Example annual reporting date in 2021 should be prepared with

Financial Statements is to illustrate one possible approach to this in mind.

financial reporting by an entity engaging in transactions that

are typical across a range of non-specialist sectors. However,

as with any publication of this type, these examples financial

statements cannot envisage every possible transaction and

therefore, cannot be regarded as comprehensive. Management

as defined by the IASB, is ultimately responsible for the fair

presentation of financial statements and therefore they

may find other approaches more appropriate for its specific

circumstances.

About us

We’re a network of independent assurance, tax and

advisory firms, made up of 56,000+ people in 140

countries. For more than 100 years, we have helped

dynamic organizations realize their strategic ambitions.

Whether you’re looking to finance growth, manage

risk and regulation, optimize your operations or realize

stakeholder value, we can help you.

We’ve got scale, combined with local market understanding.

That means we’re everywhere you are, as well as whe re

you want to be.

Illustrative Corporation Group: IFRS Example Consolidated Financial Statements 1

Using the Example Financial Statements ‘Most importantly, these

The Appendices illustrate an alternative presentation of the

statement of profit or loss and the statement of comprehensive Example Financial Statements

income and contain an overview of effective dates of

should not be used as a

new Standards.

For guidance on the Standards and Interpretations applied, disclosure checklist as

reference is made to IFRS sources throughout the Example facts and circumstances

Financial Statements on the left-hand side of each page.

The Example Financial Statements do not address any vary between entities and

jurisdictional or regulatory requirements in areas such as each entity should assess

management commentary, remuneration reporting or audit

individually what information

reporting. They also do not take into account any specific

economic situations around the world. They do however provide needs to be disclosed in its

commentary around COVID-19 given this has been a global

pandemic impacting virtually every reporting entity that exists. financial statements.’

Most importantly, these Example Financial Statements

should not be used as a disclosure checklist as facts and

circumstances vary between entities and each entity should

assess individually what information needs to be disclosed in

its financial statements.

IFRS Taxonomy

The IFRS taxonomy reflects the presentation and disclosure

requirements of the IFRS Standards issued by the IASB. It

improves communication between prepares and users of IFRS

financial statements by enabling preparers to tag required

disclosures making them easily accessible when viewing

financial statements electronically. The IASB usually publishes

the annual IFRS taxonomy in the first quarter of each year.

Climate-related matters and financial reporting

There is an increasing interest in the impact of climate change

on an entity’s financial position, financial performance and

cashflows as well as their business strategies for this. In

November 2020, the IASB released educational material on

the effects of climate related matters on financial statements

prepared applying IFRS Standards. It does not change

existing IFRS requirements, it simply highlights how existing

requirements require entities to consider climate-related

matters when the impact to the financial statements is material.

Grant Thornton International Ltd

November 2021

2 Illustrative Corporation Group: IFRS Example Consolidated Financial Statements

Telling the COVID Story

Disclosures outside financial statements When reporting on the economic consequences of the

The financial statements are just one part of a reporting pandemic on the reporting entity a key factor is considering

entity’s communication with stakeholders. Depending on whether the message is communicated in a consistent and

jurisdictional requirements, an annual report typically coherent way. It should always align with any narrative

includes the financial statements, a management contained elsewhere in the annual report.

commentary and information about governance, strategy

and business developments (often including corporate and Our view when drafting content for the annual report and

social responsibility). It is important the annual report is the financial statements, is that preparers should question:

considered holistically to ensure it delivers a consistent and • what is important to the business and what are its main

coherent message about COVID-19 to investors and other objectives?

stakeholders (‘users’). • are these objectives consistent throughout the annual

report?

IAS 1 ‘Presentation of Financial Statements’ acknowledges • is the right level of emphasis being placed on disclosures

an entity may present, outside the financial statements, relating to COVID-19?

a financial review that describes and explains the main • are the messages about the impact of COVID-19

features of the organisation’s financial performance consistent?

(including cashflows) and financial position, both locally and • is the disclosure sufficient for the reader to be able to

internationally. Reports and statements presented outside understand the impact of COVID-19 on the entity and

financial statements are outside the scope of IFRS. assist them in making economic decisions?

• are the financial statements using the same terminology

Even though reports and statements outside financial between the financial statements, management

statements are excluded from the scope of IFRS, they are commentary and any APMs that are being referred

not outside of scope of domestic regulation. If users are told to? For example, if the statement of financial position

what they need to know in a well-constructed and logical is referred to as the balance sheet, is reference to the

manner, it is highly likely the reporting entity will have balance sheet made consistently throughout the report –

done a great deal to comply and satisfy local regulatory rather than switching between the two titles for the same

requirements. In certain jurisdictions there may be certain primary financial statement?

reconciliations required between alternative performance • where the annual report includes alternative performance

measures (APMs) and IFRS. measures (APMs), have they all been properly reconciled

Remember it is always important to make sure certain to IFRS-based amounts included in the financial

required information is placed either in the primary statements?

financial statements or in the notes to the financial • if any changes have been made to assumptions in light

statements. Particular attention should be given to of the pandemic since the entity last reported or if any

making sure any disclosures placed outside the financial new assumptions have been made, has a full explanation

statements are not required by IFRS to be included within of these changes and their impact on the financial

the financial statements. statements been disclosed?

For more information, please refer to our article on

COVID 19: Alternative performance measures.

Illustrative Corporation Group: IFRS Example Consolidated Financial Statements 3

IFRS Example Consolidated

Financial Statements

Illustrative Corporation Group

31 December 2021

[image]

[image] [image]

[image]

[image]

Consolidated statement of

profit or loss

For the year ended 31 December 2021

(expressed in thousands of Euroland currency units, except per share amounts)

Telling the COVID Story

An entity should present additional line items when it is In other words, due to the above IAS 1 requirements, it would

relevant to an understanding of the entity’s financial position, not be appropriate to present some selected items of revenue

financial performance or its cash flows. While an entity is and expenses as non-recurring or unusual, and they should

allowed to add lines into its primary financial statements never be described as extraordinary. When preparing

in respect of COVID-19, it is important to ensure COVID- financial statements bear in mind that an unusual or new

19 related matters are not given undue prominence and type of transaction is more likely to be material than a

therefore we would discourage this approach. In our view, it routine or regularly occurring transaction of the same size.

would not be appropriate to add columns that exclude the

impact of COVID-19 in the financial statements. IAS 1.98 provides some examples of items considered

‘unusual’ that could warrant disclosure that may otherwise

In respect of the above view, IAS 1 requirements would not fall below materiality thresholds, and some these could be

allow such a presentation. It states that total comprehensive relevant when reporting on the consequences of COVID-19:

income comprises all of ‘profit or loss’ and of ‘other • write-downs of inventories to net realisable value or of

comprehensive income’. These are defined as: property, plant and equipment to recoverable amount,

• ‘the total of income less expenses, excluding the as well as reversals of such write-downs

components of other comprehensive income’ for profit • restructurings of the activities of an entity and reversals

or loss, and of any provisions for the costs of these restructurings

• ‘items of income and expense (including reclassification • disposals of items of property, plant and equipment

adjustments) that are not recognised in profit or • disposals of investments

loss as required or permitted by other IFRS’ for other • discontinued operations

comprehensive income. • litigation settlements, and

• other reversals of provisions.

Illustrative Corporation Group: IFRS Example Consolidated Financial Statements – 31 December 2021 5

profit or loss

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) Notes 2021 2020

IAS 1.51(d-e) Guidance note

IAS 1 permits an entity to present a statement of profit

IAS 1.82(a) Revenue 8, 9 205,793 191228 or loss and comprehensive income as:

• a single statement with profit or loss and other

IAS 1.85 Other income 299 708 comprehensive income presented in two sections, or

IAS 1.85 Changes in inventories (7,923) -6815 • two statements: a separate statement of profit

or loss and a separate statement of other

IAS 1.85 Costs of material (42,535) -39420 comprehensive income. If so, the separate

IAS 1.85 Employee benefits expense 22 (113,809) -109515 statement of profit or loss shall immediately

precede the statement presenting other

IAS 1.85 Change in fair value of investment property 14 310 175 comprehensive income, which shall begin with profit

or loss (IAS 1.10A).

IAS 1.85 "Depreciation, amortization and impairment

of non-financial assets" (10,093) -8881 These Example Financial Statements illustrate a

statement of profit or loss and other comprehensive

IAS 1.82(ba) Impairment losses of financial assets 34.2 (212) -228 income in two statements. A single statement

IAS 1.85 Other expenses (8,598) -8943 presentation is shown in Appendix B.

This statement of profit or loss illustrates an example

Operating profit 23,232 18309 of the ‘nature of expense’ method. See Appendix A for

a format illustrating the ‘function of expense’ or ‘cost

of sales’ method.

IAS 1.82(c) "Share of profit from equity accounted

investments" 7 391 141 There may be situations where additional line items,

headings and subtotals need to be included. IAS 1.85

IAS 1.82(b) Finance costs 27 (3,869) -3993 requires an entity to present such additional items

(including the disaggregation of the line items listed

IAS 1.85 Finance income 27 964 885 in IAS 1.82) in the statements of profit or loss and other

IAS 1.85 Other financial items 28 ,943 1182 comprehensive income when such presentation is

relevant to an understanding of the entity’s financial

Profit before tax 21,661 16524 performance.

IAS 1.85A requires any additional subtotals presented

to be:

IAS 1.82(d) Tax expense 29 (6,794) -4888 • comprised of line items made up of amounts

recognised and measured in accordance with IFRS

"Profit for the year from continuing

operations" 14,867 11636 • presented and labelled in a manner that makes

the line items that constitute the subtotal clear and

IAS 1.82(ea) Loss for the year from discontinued operations 20 (9) -325 understandable

• consistent from period to period

• no more prominent than the subtotals and totals

IAS 1.81A(a) Profit for the year 14,858 11311 required in IFRS for the statement(s) presenting

profit or loss and other comprehensive income.

This statement of profit or loss presents an operating

Profit for the year attributable to: profit subtotal, which is commonly seen but is not

required or defined in IFRS. Where this subtotal is

IAS 1.81B(a)(i) Non-controlling interest 121 116 provided, the figure disclosed should include items

IAS 1.81B(a)(ii) Owners of the parent 14,737 11195 that would normally be considered to be operating.

It is inappropriate to exclude items clearly related

14,858 11311 to operations (eg inventory write-downs and

restructuring and relocation expenses) on the basis

they do not occur regularly or are unusual in amount

Notes 2021 2020 (IAS 1.BC56).

Earnings per share 30 This statement of profit or loss includes an amount

representing the entity’s share of profit from equity

IAS 33.67A Basic earnings (loss) per share accounted investments (after tax and, if applicable,

non-controlling interest).

IAS 33.66 – From continuing operations 1.19 0.93

IAS 33.68A – From discontinued operations (0.00) -0.03

IAS 33.66 Total 1.19 0.9

IAS 33.67A Diluted earnings (loss) per share

IAS 33.66 – From continuing operations 1.19 0.93

IAS 33.68A – From discontinued operations (0.00) -0.03

IAS 33.66 Total 1.19 0.9

6 Illustrative Corporation Group: IFRS Example Consolidated Financial Statements – 31 December 2021

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | profit or loss |  |  |  |  |  |
|  | For the year ended 31 December 2021 |  |  |  |  |  |
|  |  |  |  |  |  | (expressed in thousands of Euroland currency units, except per share amounts) |
| IAS 1.51(c) |  | Notes | 2021 | 2020 |  |  |
| IAS 1.51(d-e) |  |  |  |  |  | Guidance note |
|  |  |  |  |  |  | IAS 1 permits an entity to present a statement of profit |
| IAS 1.82(a) | Revenue | 8, 9 | 205,793 | 191228 |  | or loss and comprehensive income as: |
|  |  |  |  |  | • | a single statement with profit or loss and other |
| IAS 1.85 | Other income |  | 299 | 708 |  | comprehensive income presented in two sections, or |
| IAS 1.85 | Changes in inventories |  | (7,923) | -6815 | • | two statements: a separate statement of profit |
|  |  |  |  |  |  | or loss and a separate statement of other |
| IAS 1.85 | Costs of material |  | (42,535) | -39420 |  | comprehensive income. If so, the separate |
| IAS 1.85 | Employee benefits expense | 22 | (113,809) | -109515 |  | statement of profit or loss shall immediately |
|  |  |  |  |  |  | precede the statement presenting other |
| IAS 1.85 | Change in fair value of investment property | 14 | 310 | 175 |  | comprehensive income, which shall begin with profit |
|  |  |  |  |  |  | or loss (IAS 1.10A). |
| IAS 1.85 | Depreciation, amortisation and impairment of non-financial assets |  | (10,093) | -8881 |  | These Example Financial Statements illustrate a |
|  |  |  |  |  |  | statement of profit or loss and other comprehensive |
| IAS 1.82(ba) | Impairment losses of financial assets | 34.2 | (212) | -228 |  | income in two statements. A single statement |
| IAS 1.85 | Other expenses |  | (8,598) | -8943 |  | presentation is shown in Appendix B. |
|  |  |  |  |  |  | This statement of profit or loss illustrates an example |
|  | Operating profit |  | 23,232 | 18309 |  | of the ‘nature of expense’ method. See Appendix A for |
|  |  |  |  |  |  | a format illustrating the ‘function of expense’ or ‘cost |
|  |  |  |  |  |  | of sales’ method. |
| IAS 1.82(c) | Share of profit from equity accounted investments | 7 | 391 | 141 |  | There may be situations where additional line items, |
|  |  |  |  |  |  | headings and subtotals need to be included. IAS 1.85 |
| IAS 1.82(b) | Finance costs | 27 | (3,869) | -3993 |  | requires an entity to present such additional items |
|  |  |  |  |  |  | (including the disaggregation of the line items listed |
| IAS 1.85 | Finance income | 27 | 964 | 885 |  | in IAS 1.82) in the statements of profit or loss and other |
| IAS 1.85 | Other financial items | 28 | ,943 | 1182 |  | comprehensive income when such presentation is |
|  |  |  |  |  |  | relevant to an understanding of the entity’s financial |
|  | Profit before tax |  | 21,661 | 16524 |  | performance. |
|  |  |  |  |  |  | IAS 1.85A requires any additional subtotals presented |
|  |  |  |  |  |  | to be: |
| IAS 1.82(d) | Tax expense | 29 | (6,794) | -4888 | • | comprised of line items made up of amounts |
|  |  |  |  |  |  | recognised and measured in accordance with IFRS |
|  | Profit for the year from continuing operations |  | 14,867 | 11636 | • | presented and labelled in a manner that makes |
|  |  |  |  |  |  | the line items that constitute the subtotal clear and |
| IAS 1.82(ea) | Loss for the year from discontinued operations | 20 | (9) | -325 |  | understandable |
|  |  |  |  |  | • | consistent from period to period |
|  |  |  |  |  | • | no more prominent than the subtotals and totals |
| IAS 1.81A(a) | Profit for the year |  | 14,858 | 11311 |  | required in IFRS for the statement(s) presenting |
|  |  |  |  |  |  | profit or loss and other comprehensive income. |
|  |  |  |  |  |  | This statement of profit or loss presents an operating |
|  | Profit for the year attributable to: |  |  |  |  | profit subtotal, which is commonly seen but is not |
|  |  |  |  |  |  | required or defined in IFRS. Where this subtotal is |
| IAS 1.81B(a)(i) | Non-controlling interest |  | 121 | 116 |  | provided, the figure disclosed should include items |
|  | IAS 1.81B(a)(ii) Owners of the parent |  | 14,737 | 11195 |  | that would normally be considered to be operating.  It is inappropriate to exclude items clearly related  to operations (eg inventory write-downs and |
|  |  |  |  |  |  |
|  |  |  | 14,858 | 11311 |  |
|  |  |  |  |  |  | restructuring and relocation expenses) on the basis |
|  |  |  |  |  |  | they do not occur regularly or are unusual in amount |
|  |  | Notes | 2021 | 2020 |  | (IAS 1.BC56). |
|  | Earnings per share | 30 |  |  |  | This statement of profit or loss includes an amount |
|  |  |  |  |  |  | representing the entity’s share of profit from equity |
| IAS 33.67A | Basic earnings (loss) per share |  |  |  |  | accounted investments (after tax and, if applicable, |
|  |  |  |  |  |  | non-controlling interest). |
| IAS 33.66 | – From continuing operations |  | 1.19 | 0.93 |  |  |
| IAS 33.68A | – From discontinued operations |  | (0.00) | -0.03 |  |  |
| IAS 33.66 | Total |  | 1.19 | 0.9 |  |  |
| IAS 33.67A | Diluted earnings (loss) per share |  |  |  |  |  |
| IAS 33.66 | – From continuing operations |  | 1.19 | 0.93 |  |  |
| IAS 33.68A | – From discontinued operations |  | (0.00) | -0.03 |  |  |
| IAS 33.66 | Total |  | 1.19 | 0.9 |  |  |
|  | 6 Illustrative Corporation Group: IFRS Example Consolidated Financial Statements – 31 December 2021 | |  |  |  |  |