

IndAS 1.2 - Financial Statements

General purpose financial statements (referred to as ‘financial statements’) are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.^{^1}

SYNOPSIS

Meaning of financial statements

- Balance Sheet
- Statement of profit and loss
- Statement of changes in equity
- Statement of cash flows
- Notes

Objective of financial statements

Meaning of Financial Statements

Financial statements are a structured representation of the financial position and financial performance of an entity. An entity shall present with equal prominence all of the financial statements in a complete set of financial statements.^{^ 2} A complete set of financial statements comprises:^{^3}

- (a) a balance sheet as at the end of the period;
- (b) a statement of profit and loss for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and

¹ Para 7 of IndAS 1

² Para 11 of IndAS 1

³ Para 10 of IndAS 1

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- (g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

**Balance Sheet:** As a minimum, the balance sheet shall include line items that present the following amounts:<sup>4</sup>

- (a) property, plant and equipment;
- (b) investment property;
- (c) intangible assets;
- (d) financial assets (excluding amounts shown under (e), (h) and (i));
- (e) investments accounted for using the equity method;
- (f) biological assets within the scope of Ind AS 41 Agriculture;
- (g) inventories;
- (h) trade and other receivables;
- (i) cash and cash equivalents;
- (j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations;
- (k) trade and other payables;
- (l) provisions;
- (m) financial liabilities (excluding amounts shown under (k) and (l));
- (n) liabilities and assets for current tax, as defined in Ind AS 12,
- (o) Income Taxes;
- (p) deferred tax liabilities and deferred tax assets, as defined in Ind AS 12;

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<sup>4</sup> Para 54 – 80A of IndAS 1

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- (q) liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105;
- (r) non-controlling interests, presented within equity; and
- (s) issued capital and reserves attributable to owners of the parent.

**Statement of profit and loss:** The statement of profit and loss shall present, in addition to the profit or loss and other comprehensive income sections:<sup>5</sup>

- (a) profit or loss;
- (b) total other comprehensive income;
- (c) comprehensive income for the period, being the total of profit or loss and other comprehensive income.
- (d) profit or loss for the period attributable to: (i) non-controlling interests, and (ii) owners of the parent.
- (e) comprehensive income for the period attributable to: (i) non-controlling interests, and (ii) owners of the parent.
- (f) revenue, presenting separately interest revenue calculated using the effective interest method;
- (g) gains and losses arising from the derecognition of financial assets measured at amortised cost;
- (h) finance costs; impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of Ind AS 109;
- (i) share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (j) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the

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<sup>5</sup> Para 81 – 105 of IndAS 1

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financial asset and its fair value at the reclassification date (as defined in Ind AS 109);

- (k) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
- (l) tax expense;
- (m) a single amount for the total of discontinued operations (see Ind AS 105);

**Statement of changes in equity:** The statement of changes in equity includes the following information:<sup>6</sup>

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Ind AS 8;
- (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from: profit or loss; other comprehensive income; transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control; and any item recognised directly in equity such as amount recognised directly in equity as capital reserve with paragraph 36A of Ind AS 103.

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<sup>6</sup> Para 106 – 110 of IndAS 1

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**Statement of cash flows:** Ind AS 7 sets out requirements for the presentation and disclosure of cash flow information. Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows.<sup>7</sup>

**Notes:** Notes contain information in addition to that presented in the balance sheet, statement of profit and loss, statement of changes in equity and statement of cash flows. Notes provide narrative descriptions of items presented in those statements and information about items that do not qualify for recognition in those statements.<sup>8</sup>

**Objective of financial statements<sup>9</sup>**

The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management’s stewardship of the resources entrusted to it.

To meet this objective, financial statements provide information about an entity’s:

- (a) assets;
- (b) liabilities;
- (c) equity;
- (d) income and expenses, including gains and losses;

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<sup>7</sup> Para 111 of IndAS 1

<sup>8</sup> Para 112 – 138 of IndAS 1

<sup>9</sup> Para 9 of IndAS 1

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- (e) contributions by and distributions to owners in their capacity as owners; and
- (f) cash flows.

This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

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