IAS 34 INTERIM FINANCIAL REPORTING

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Effective Date Periods beginning on or after 1 January 1999

IAS 34 Interim Financial Reporting

Scope

IAS 34 does not mandate which entities should produce interim financial reports.

Applies to entities required by legislation or other pronouncements or publically-traded entities to publish interim financial reports · IAS 34 not applicable when interim financial statements included in a prospectus ·

- If complete set is published in the interim report, full compliance with IFRS is required ·
- If condensed set is published the interim report is required to include at a minimum:
  - A condensed statement of financial position
  - A condensed statement of comprehensive income
  - A condensed statement of changes in equity
  - A condensed statement of cash flows
  - Selected explanatory notes

Recognition Requirements

- **Accounting policies,** principles for recognition of assets, liabilities, income and expenses are same as in the previous reported annual financial statement, unless:
- There is a change in an accounting policy.
- Tax recognition should be based on weighted average tax rate expected for the full year.
- Tax rate changes during the year are adjusted in the subsequent interim period during the year.
- Uses of estimates are higher in interim than compared to final financial statement
- In case of seasonal or cyclical revenue the cost and revenue both are recording when it is incurred or earned.
- Any revenue received during the year should not be anticipated or deferred where anticipation, would not be appropriated at the year end.
- Disclose the fact that interim financial statements are prepared as per IAS34.

Inclusions

The condensed financial statements are required to include at least:

- Headings and subtotals included in most recent annual financial statements.
- Selected set of minimum explanatory notes which explains the events and transactions significant to understand the changes in financial position/performance since previous annual reporting date.
- Selected line items or notes if not presented would make the condensed financial statements misleading for the users of financial statements.
- Basic and diluted earnings per share (if applicable) on the face of statement of comprehensive income.

Periods to be covered

- Periods to be covered by the interim financial statements are as follows: [IAS 34.20]

- Statement of financial position as of the end of the current interim period and a comparative statement of financial position of immediately preceding financial year.
- Statement of comprehensive income for the current interim period with comparative statement of comprehensive income for immediately preceding financial year.
- Statement of changes in equity cumulatively for the current financial year to date, with a comparative statement of the immediately preceding financial year.
- Statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.
- In case of entities with highly seasonal business, IAS 34 encourages disclosure of financial information for the latest 12 months, and comparative information for the prior 12-month period, in addition to the interim period financial statements.

Examples of specific disclosure requirements of IAS 34

- Write-down of inventories
- Recognition or reversal of an impairment loss
- Reversal of provision for the costs of restructuring
- Acquisitions and disposals of property, plant and equipment
- Commitments for the purchase of property, plant and equipment
- Litigation settlements
- Corrections of prior period errors
- Changes in business or economic circumstances affecting the fair value of financial assets and liabilities
- Unremedied loan defaults and breaches of loan agreements
- transfers between levels of the 'fair value hierarchy' or changes in the classification of financial assets
- changes in contingent liabilities and contingent assets

Examples of other disclosure requirements of IAS 34

- changes in accounting policies
- Explanation of any seasonality or cyclicality of interim operations
- Unusual items affecting assets, liabilities, equity, net income or cash flows
- Changes in estimates
- issues, repurchases and repayment of debt and equity securities
- dividends paid
- particular segment information (where IFRS 8 Operating Segments applies to the entity)
- events after the end of the reporting period
- changes in the composition of the entity, such as business combinations, obtaining or losing control of subsidiaries, restructurings and discontinued operations
- disclosures about the fair value of financial instruments

Illustrative Disclosure

Example:
An employer is required to pay 2% of annual salaries into an insurance fund. Contributions are capped at CU 130,000, which means that no contributions for salaries in excess of this amount are required. For an employee with a monthly salary of CU 20,000 (annual salary of CU 240,000) the employer would recognise an expense of CU 1,300 (CU 130,000 x 2% / 2) and not CU 2,400 (6 x CU 20,000 x 2%) in its half year interim financial statements.

Example:
Entity A's pre-tax period in its interim financial statements (for the six month ended 30 June) is CU 450,000. It expects to earn an annual pre-tax profit of CU 650,000 due to its seasonal business. Entity A's jurisdiction applies a tax rate of 20% for earnings below CU 500,000. A tax rate of 30% is applied to all earnings above this amount. The estimated annual tax charge will therefore amount to CU 145,000 (22.31%). Entity A is required to recognise a tax expense of CU 100,000 (450,000 x 22.31%) and not an amount of 90,000 (450,000 x 20%) in its interim financial statements.

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