



IFRS -18

NEW PRESENTATION & DISCLOSURE STANDARD

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18, replacing IAS 1, Presentation of Financial Statements in response to investor demand for better comparability of financial performance reported by similar entities. This new standard will significantly impact the presentation and disclosures of financial statements, particularly the statement of profit or loss, and will affect entities across diverse industries .

Scope	Effective date	Early adoption	What changes	Does this apply to you?
All IFRS reporters (standalone, separate, and consolidated financial statements)	Annual reporting periods beginning on or after 1 January 2027	Annual reporting periods beginning on or Permitted (subject to local endorsement rules, e.g., EU)	<ol style="list-style-type: none"> New Profit or Loss structure with defined categories and subtotals including operating profit (or loss), new MPM disclosures, and improved disaggregation. No impact on recognition or measurement is expected. 	<p>Impact will be felt by every entity including:</p> <p>Large listed companies with regular MPM reporting, Financial and investment companies with distinct income categories and Volatile or capital-intensive industries with significant operating vs investing splits</p>

What are the main changes in IFRS 18?

1 More structured statement of profit or loss

- Classification of income and expenses into five categories: operating, investing, financing, income taxes, and discontinued operations.
- Classification to be determined by specified main business activities.
- New defined subtotals to enable analysis: Operating profit" and "Profit or loss before financing and income tax".

2 New disclosure requirements:

- Management-defined performance measures (MPMs) have been defined, with new disclosure requirements presented in a single note, including a reconciliation.
- MPM's will now be subject to audit.
- Operating expenses presented by function requires new disclosure in the notes

3 New requirement for grouping of information:

- Enhanced guidance on how to organise information and whether to provide it in the primary financial statements or notes
- More transparency about operating expenses

4 Other limited changes:

- Limited changes to IAS 7, IAS 33, and IAS 34, impacting cash flow statements, earnings per share, and interim financial statements

Statement of profit or loss		
Companies without specified main business activities		20XX
Operating	Revenues	XX
	Cost of sales	XX
	Gross profit	XX
	Other operating income	XX
	Selling expenses	XX
	Research and development expenses	XX
	General and administrative expenses	XX
	Goodwill impairment loss	XX
	Other operating expenses	XX
	Operating profit	
Investing	Share of profit and gains on disposal of associates and joint ventures	XX
Profit before financing and income taxes		XX
Financing	Interest expenses on borrowings and lease liabilities	XX
	Interest expenses on pension liabilities and provisions	XX
Profit before income taxes		XX
Income Tax	Income tax expense	XX
Profit from continuing operations		XX
Discontinued Operations	Loss from discontinued operations	XX
Profit for the year		XX

When is it applicable?

IFRS 18 is effective for annual reporting periods beginning on or after **1 January 2027**, and is to be applied retrospectively for comparative periods. Early application is permitted but must be disclosed in notes.

09/04/2024



Final standard issued



Early application permitted



01/01/2027



Effective date

How can A&M help?

Impact assessment

- Analyze the statement of profit or loss to identify necessary reclassifications into the new categories required by IFRS 18.
- Assess current systems and processes to identify required changes.
- Evaluate updates to the financial statement close process and information systems.
- Provide analysis and recommendations for changes to the chart of accounts.
- Identify MPMs to be disclosed in the financial statements.



Policies and memorandums

- Prepare a memorandum to define and apply the new standard, including:
- MPM calculation policies.
 - Policies for aggregating and disaggregating accounting balances.
 - Classification policies for profit and loss accounts (nature vs. function).
 - IFRS 18 rules for the breakdown of foreign exchange differences.



Preparation of financial statements

- Preparation of the financial statement considering IFRS 18 impacts, including the reconciliation of the required income statement lines and explanatory notes on performance indicators.
- Discussion with the independent auditors and other areas involved



Conclusion

IFRS 18 introduces significant changes to the presentation and disclosure of financial statements, enhancing comparability and transparency. A&M is committed to supporting organizations through this transition, ensuring compliance and effective implementation of the new standard.

Contact Information



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- 22+ years of financial reporting and transactions experience in USA / EMEA / LATAM.
- Patricia has led multiple large-scale IFRS implementation and GAAP change projects, including the adoption of new standards such as revenue recognition and leases, as well as broader accounting change and policy transformation initiatives.



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- 10 years of experience in technical accounting, including implementation of new accounting standards and supporting complex accounting assessments.

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