



# LKAS 34 - INTERM FINANCIAL REPORTING

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## Objective.

- prescribe the minimum content of an interim financial report.
- prescribe the principles for recognition and measurement in complete or condensed financial statements.



## Scope

- Entities are not required by SLFRSs to comply with LKAS 34.
- However, a regulator or national standard-setter may require compliance with LKAS 34, or an entity may choose to comply with LKAS 34 voluntarily.
- If a publicly traded entity reports in accordance with LKAS 34, then the standard recommends that the interim financial report be made available not later than **60 days** after the interim reporting date.

## CSE Ruling (Sec 7.4)

- 7.4 INTERIM FINANCIAL STATEMENTS

“A Listed Entity shall give to the Exchange for public release, an Interim Financial Statement prepared on a quarterly basis (hereinafter referred to as ‘Financial Statements’), as soon as the figures have been approved by the board of directors of the Entity and in any event not later than forty five (45) days from the end of the first, second and third quarters and two (2) months from the end of the fourth quarter.”

## For Banks - CBSL Guideline

CBSL Circulars on 30<sup>th</sup> September 2005, 26<sup>th</sup> January 2006 and 21<sup>st</sup> February 2006 - Public Disclosure by Publication of Quarterly Financial Statements of Banks in the Press

- The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper. If the bank publishes its annual audited financial statements within three months from the end of the financial year, the requirement to publish the financial statements for the fourth quarter in terms of these instructions would not be mandatory.

## Question ???

If a company chooses *not* to comply with LKAS 34, can its annual financial statements still state compliance with SLFRSs?

YES

NO

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YES

**Whether or not an entity complies with LKAS 34 in respect of the Interim Reporting has no impact on its compliance with SLFRSs in its Annual Financial Statement.**

## Definitions.....

- **Interim Period** – Financial Reporting period shorter than a full financial year.
- **Interim Financial Report** – Financial report containing either complete set of Financial Statements (LKAS 1) or a set of Condensed Financial Statements (LKAS 34)

## Question ???

If Company chooses to prepare a **complete set of financial statements** for an interim period, does it state that its interim financial statements comply with SLFRSs or with LKAS 34?

SLFRSs

LKAS 34

## Question ???

If Company chooses to prepare a **complete set of financial statements** for an interim period, does it state that its interim financial statements comply with SLFRSs or with LKAS 34?

SLFRSs

Interim Financial Statements will be complied with SLFRSs because they comply with all SLFRSs, including the additional requirements in LKAS 34.

## Question ???

- If Company chooses to prepare a **condensed set of financial statements** for an interim period, does it state that its interim financial statements comply with SLFRSs or with LKAS 34?

SLFRSs

LKAS 34

## Question ???

- If Company chooses to prepare a **condensed set of financial statements** for an interim period, does it state that its interim financial statements comply with SLFRSs or with LKAS 34?

**LKAS 34**

Interim Financial Statements will be complied with LKAS 34. they do not comply with all SLFRSs. LKAS 34 will differ from certain aspects from SLFRSs.

## Minimum components of condensed financial statements

- Current period vs. Comparative period

The following table summarises the minimum components of condensed interim financial statements, for both the current and comparative period.

	Current period	Comparative period
<b>Condensed statement of financial position</b>	As of interim reporting date	As of preceding annual reporting date
<b>Condensed statement of Comprehensive Income</b>	· Interim period; and · Year-to-date period	· Comparable interim period of preceding year; and · Comparable year-to-date period of preceding year
<b>Condensed statement of changes in equity</b>	Year-to-date period	Comparable year-to-date period of preceding year
<b>Condensed statement of cash flows</b>	Year-to-date period	Comparable year-to-date period of preceding year
<b>Selected explanatory notes</b>	Explanation of significant events and transactions that occurred since the last annual report	Comparative quantitative and narrative information

Question ?? relating to  
Condensed statement of **financial position**

- ABC Company's annual reporting date is 31 December. Company prepares quarterly interim financial statements in accordance with LKAS 34. For the quarter ended 30 September 2011, consider which statements are required?

	Required	Not required
At 30 September 2011		
At 30 September 2010		
At 31 December 2010		

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At 30 September 2011	<b>YES</b>	
At 30 September 2010		
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At 31 December 2010		

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At 30 September 2011	<b>YES</b>	
At 30 September 2010		<b>NO</b>
At 31 December 2010	<b>YES</b>	

Question ?? relating to **Condensed statement of comprehensive income for the period**

- ABC Company's annual reporting date is 31 December. Company prepares quarterly interim financial statements in accordance with LKAS 34. For the quarter ended 30 September 2011, consider which statements are required?

	Required	Not required
1 January to 30 September 2011		
1 July to 30 September 2011		
1 January to 30 September 2010		
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1 July to 30 September 2010	YES	

Question ?? relating to **Condensed statement of Changes in Equity for the period**

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Question ?? relating to **Condensed statement of cash flows for the period**

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1 January to 30 September 2010	YES	
1 July to 30 September 2010		NO

**Things to Note.....**

- Nothing in LKAS 34 is intended to prohibit or discourage an entity from **publishing a complete set of financial statements**.
- Nor does this Standard prohibit or discourage an entity from including in condensed interim financial statements more than the minimum line items or selected explanatory notes as set out in this Standard.
- An interim financial report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements.

## Selected Explanatory Notes

- The notes normally be reported on a financial year-to-date basis.

Following Information need to be include **as minimum**,

1. a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

if those policies or methods have **been changed**, a description of the nature and effect of the change

## Selected Explanatory Notes

2. explanatory comments about the seasonality or cyclicity of interim operations.
3. the nature and amount of Unusual transactions.
4. the nature and amount of **changes in estimates** of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;

## Selected Explanatory Notes

5. Issuances, repurchases, and repayments of debt and equity securities;
6. dividends paid
7. material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
8. the effect of changes in the composition of the entity during the interim period
9. changes in contingent liabilities or contingent assets since the end of the last annual reporting period.

## Question ?? True or False

- An entity is required to disclose...information about seasonal fluctuations in its operations.

True

False

## Question ?? True or False

- An entity is required to disclose...information about seasonal fluctuations in its operations.

True

**Entities with Highly Seasonal Activities are encouraged to supplement the required disclosures with information for the 12 months period ending on the interim reporting date as well as comparatives .**

## Question ?? True or False

- An entity is required to disclose...the nature and amount of changes in estimates only in respect of amounts reported in **prior interim periods** ??

True

False

## Question ?? True or False

- An entity is required to disclose...the nature and amount of changes in estimates only in respect of amounts reported in prior interim periods ??

**False**

**An entity also is required to disclose the nature and amount of changes in estimate in respect of amounts reported in **prior financial years.****

## Question ?? True or False

- An entity is required to disclose...segment information if the entity has more than one operating segment.

**True**

**False**

## Question ?? True or False

- An entity is required to disclose...segment information if the entity has more than one operating segment.

**False**

**Only an entity that is required to disclose segment information in its annual financial statements is required to disclose segment information in its condensed interim financial statements.**

## Question ?? True or False

- An entity is required to disclose...full information about contingent liabilities and contingent assets.

**True**

**False**

## Question ?? True or False

- An entity is required to disclose...full information about contingent liabilities and contingent assets.

**False**

**An entity discloses information about changes in contingent assets and liabilities since the last annual reporting date.**

## Things to Note.....

- The disclosures required by those other SLFRSs are **not required** if an entity's interim financial report includes only condensed financial statements and selected explanatory notes rather than a complete set of financial statements.
- An interim financial report shall not be described as complying with SLFRSs unless it complies with all the requirements of SLFRSs.



## Materiality

- How to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.
- Most of the Information will be based on Estimate when compare with the annual Financial data.
- Definition – LKAS 1 and LKAS 8  
“item is material if its omission or misstatement could influence the economic decisions of users of the financial statements”



## Disclosure in annual financial statements

- If an **estimate** of an amount reported in an interim period is **changed significantly** during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.

Ex : inventory write-downs, restructurings, or impairment losses



- **General principles**

An entity generally follows the same accounting policies as in its previous annual financial statements.

The interim period is a **discrete reporting period**.

Therefore:

- Measurement is on a **year-to-date basis**; and
- Income and expenses are recognized when they occur.

### Planned periodic maintenance or overhaul

Will be recognised when incurred unless an event has caused the entity to have a legal or constructive obligation.

### Provisions

Will be recognised when an entity has no realistic alternative.

Same criteria will be applicable when recognising and measuring a provision at an interim date as it would at the end of its financial year.

### Year End Bonuses

**A bonus is anticipated for interim reporting purposes if and only if,**

- (a) the bonus is a legal obligation or past practice would make the bonus a constructive obligation for which the entity has no realistic alternative but to make the payments, and**
- (b) a reliable estimate of the obligation can be made.**

### Other planned but irregularly occurring costs

**Will be recognised when incurred even budgeted for the financial year.**

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### Other planned but irregularly occurring costs

**Will be recognised when incurred even budgeted for the financial year.**

### Income tax expenses

Income tax expense is based on the best estimate of the **weighted** average annual income tax rate expected for the full year applied to the pre-tax income of the interim period.

Ex :

	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Actual	Expected	Expected	Expected	Expected
Pre Tax Profit/ (Loss)	15,000	(5,000)	(5,000)	(5,000)	
Annual Income tax rate	20%	20%	20%	20%	
	3,000	(1,000)	(1,000)	(1,000)	0

## Question ??

- ABC Company depreciates certain plant and equipment on a unit-of-production basis, and most units are produced in the period from January to June. Should the depreciation charge be calculated based on the annual number of units expected to be produced over the year, and then recognised evenly in each month?

YES

NO

## Question ??

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**NO**

**Company should not calculate the expected annual depreciation charge and spread it evenly over the year. Consistent with the principle of treating the interim period as a discrete reporting period depreciation charge should be based on the production during the interim period.**

## Restatement of previously reported interim periods

- A change in accounting policy
- 2 options
- a) restating the financial statements of **prior interim periods** of the current financial year and the **comparable interim periods of any prior financial years** that will be restated in the annual financial statements in accordance with LKAS 8; or
  - (b) when it is **impracticable** to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of **prior interim periods** of the current financial year, and **comparable interim periods of prior financial years** to apply the new accounting policy **prospectively** from the earliest date practicable.



## Do not forget...

Discussed the  
applicability of LKAS 34

LKAS 34 is not mandatory for compliance with SLFRSs



## Do not forget...

Discussed the  
applicability of LKAS 34

LKAS 34 is not mandatory for compliance with SLFRSs

Explain the minimum  
contents of a set of  
condensed Interim  
Financial Statements

The Following, as a minimum are presented in condensed interim financial statements: Condensed statement of financial position, Condensed statement of comprehensive income, Condensed statement of changes in equity, Condensed statement of cash flow and explanatory notes

## Do not forget...

Discussed the applicability of LKAS 34

LKAS 34 is not mandatory for compliance with SLFRSs

Explain the minimum contents of a set of condensed Interim Financial Statements

The Following, as a minimum are presented in condensed interim financial statements: Condensed statement of financial position, Condensed statement of comprehensive income, Condensed statement of changes in equity, Condensed statement of cash flow and explanatory notes

Explain the minimum contents of a set of condensed Interim Financial Statements

Items other than income tax, generally are recognised and measure as if the interim period were a discrete period. Income tax expenses for an interim period is based on an estimated average annual effective tax rate.

## Questions ??

**Thank you.**