PROPOSED FINANCIAL REPORTING STANDARD

ED/FRS

Draft Implementation Guidance

FRS for Small and Medium-sized Entities Illustrative Financial Statements and Disclosure Checklist

Comments to be received by 1 September 2007

ILLUSTRATIVE FINANCIAL STATEMENTS

DISCLOSURE CHECKLIST

DISCLOSURE REQUIREMENTS IN THE [DRAFT] *FRS FOR SMEs*
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[Draft] Implementation Guidance

This [draft] guidance accompanies, but is not part of, the Financial Reporting Standard for Small and Medium-sized Entities (FRS for SMEs).

Illustrative Financial Statements

F1 Section 3 *Financial Statement Presentation* of the [draft] *FRS for SMEs* defines a complete set of financial statements and prescribes general standards of financial statement presentation. Sections 4–8 prescribe the format and content of the individual financial statements and notes. Other sections of the [draft] *FRS for SMEs* establish additional presentation and disclosure requirements. The financial statements set out below illustrate how those presentation and disclosure requirements might be met by a typical small or medium-sized entity. Of course, each entity will need to consider the content, sequencing and format of presentation and the descriptions used for line items to achieve a fair presentation in that entity's particular circumstances.

F2 The illustrative balance sheet presents current assets followed by non-current assets, and presents current liabilities followed by non-current liabilities and then by equity. This is one way in which a balance sheet distinguishing between current and non-current items may be presented. Other formats may be equally appropriate, provided the distinction is clear. Consistently with paragraph 3.19 of the [draft] FRS for SMEs, an entity may use titles for the financial statements other than those used in these illustrations.

F3 Two statements of income and retained earnings are provided to illustrate the alternative classifications of income and expenses, by nature and by function—see paragraph 5.9 of the [draft] FRS for SMEs.

F4 The examples are not intended to illustrate all aspects of the [draft] FRS for SMEs.

XYZ Group

Consolidated statement of income and retained earnings for the year ended 31 December 20X2

(Alternative 1 – illustrating the classification of expenses by function)

	Notes	**20X2 CU**	**20X1 CU**
Revenue	**5**	6,863,545	5,808,653
Cost of sales		(5,178,530)	(4,422,575)
Gross profit		1,685,015	1,386,078
Other income		88,850	25,000
Distribution costs		(175,550)	(156,800)
Administrative expenses		(810,229)	(660,389)
Other expenses		(105,763)	(100,030)
Finance costs	**6**	(26,366)	(36,712)
Profit before tax	**7**	655,957	457,147
Income tax expense	**8**	(270,651)	(189,559)
Profit for the period		385,306	267,588
Retained earnings at start of year		2,171,352	2,003,764
Dividends (per share 20X2 5.00, 20X1 3.33)		(150,000)	(100,000)
Retained earnings at end of year		2,406,658	2,171,352

Note: The format illustrated above aggregates expenses according to their function (cost of sales, distribution, administrative etc). As the only changes to XYZ Group's equity during the year arose from profit or loss and payment of dividends, it has elected to present a combined statement of income and retained earnings instead of separate income and equity statements.

XYZ Group

Consolidated statement of income and retained earnings for the year ended 31 December 20X2

(Alternative 2 – illustrating the classification of expenses by nature)

	Notes	**20X2 CU**	**20X1 CU**
Revenue	**5**	6,863,545	5,808,653
Other income		88,850	25,000
Changes in inventories of finished goods and work in progress		3,310	(1,360)
Raw material and consumables used		(4,786,699)	(4,092,185)
Employee salaries and benefits		(936,142)	(879,900)
Depreciation and amortisation expense		(272,060)	(221,247)
Impairment of property, plant and equipment		(30,000)	—
Other expenses		(248,481)	(145,102)
Finance costs	**6**	(26,366)	(36,712)
Profit before tax	**7**	655,957	457,147
Income tax expense	**8**	(270,651)	(189,559)
Profit for the year		385,306	267,588
Retained earnings at start of year		2,171,352	2,003,764
Dividends (per share 20X2 5.00, 20X1 3.33)		(150,000)	(100,000)
Retained earnings at end of year		2,406,658	2,171,352

Note: The format illustrated above aggregates expenses according to their nature (raw materials and consumables, employee benefits, depreciation and amortisation, impairment etc). As the only changes to XYZ Group's equity during the year arose from profit or loss and payment of dividends, it has elected to present a combined statement of income and retained earnings instead of separate income and equity statements.

XYZ Group

Consolidated balance sheet at 31 December 20X2

	Notes	20X2 CU	20X1 CU
ASSETS			
Current assets			
Cash		26,700	20,875
Trade and other receivables	**14**	585,548	573,862
Inventories	**13**	57,250	47,920
		669,498	642,657
Non-current assets			
Investment in associate	**11**	107,500	107,500
Property, plant and equipment	**9**	2,548,473	2,401,455
Intangible assets	**10**	850	2,550
Deferred tax assets	**12**	3,909	2,912
		2,660,732	2,514,417
Assets held for sale	**15**	1,603	—
Total assets		3,331,833	3,157,074
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	**17**	83,600	115,508
Trade payables		433,130	425,560
Current tax liabilities		271,648	190,316
Current portion of employee benefit obligations	**18**	6,181	5,943
Current portion of obligations under finance leases	**19**	21,461	19,884
		816,020	757,211
Non-current liabilities			
Bank loans	**17**	50,000	150,000
Long-term employee benefit obligations	**18**	4,442	3,887
Obligations under finance leases	**19**	23,163	44,624
		77,605	198,511
Liabilities directly associated with assets classified as held for sale	**15**	1,550	—
Total liabilities		895,175	955,722
Equity			
Share capital	**16**	30,000	30,000
Retained earnings	**4**	2,406,658	2,171,352
		2,436,658	2,201,352
Total liabilities and equity		3,331,833	3,157,074

XYZ Group

Consolidated cash flow statement for the year ended 31 December 20X2

	Notes	20X2 CU	20X1 CU
Cash flows from operating activities			
Profit for the year		385,306	267,588
Adjustments for:			
Finance costs		26,366	36,712
Income tax expense		270,651	189,559
Depreciation of property, plant and equipment		270,360	219,547
Impairment loss		30,000	—
Amortisation of intangibles		1,700	1,700
Gain on disposal of property, plant and equipment		(63,850)	—
Decrease (increase) in trade and other receivables		(11,686)	(52,628)
Decrease (increase) in inventories (20X2 includes CU131 of production supplies reclassified as assets held for sale)		(9,461)	(2,870)
Increase (decrease) in trade payables (20X2 includes CU1,550 reclassified as liabilities directly associated with assets classified as held for sale)		9,120	10,870
Increase in current and long-term employee benefits payable		793	193
Cash generated from operations		909,299	670,671
Interest paid		(26,366)	(36,712)
Income taxes		(190,316)	(172,426)
Net cash from operating activities		692,617	461,533
Cash flows from investing activities			
Proceeds from sale of equipment		100,000	—
Purchases of equipment		(485,000)	(435,000)
Net cash used in investing activities		(385,000)	(435,000)
Cash flows from financing activities			
Payment of finance lease liabilities		(19,884)	(18,423)
Repayment of borrowings		(100,000)	—
Dividends paid		(150,000)	(100,000)
Net cash used in financing activities		(269,884)	(118,423)
Net increase (decrease) in cash and cash equivalents		37,733	(91,890)
Cash and cash equivalents at beginning of year		(94,633)	(2,743)
Cash and cash equivalents at end of year	**20**	(56,900)	(94,633)

Note: The format above illustrates the indirect method of reporting cash flows from operating activities.

XYZ Group

Accounting policies and explanatory notes to the financial statements for the year ended 31 December 20X2

1. General information

XYZ (Holdings) Limited (the Company) is a limited company incorporated in A Land. The address of its registered office and principal place of business is _________. XYZ Group consists of the Company and its wholly-owned subsidiary XYZ (Trading) Limited. Their principal activities are the manufacture and sale of candles.

2. Basis of preparation and accounting policies

These consolidated financial statements have been prepared in accordance with the [draft] *Financial Reporting Standard for Small and Medium-sized Entities (FRS for SMEs)* issued by the Council of Corporate Disclosure & Governance (CCDG). They are presented in the currency units (CU) of A Land.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary. All intragroup transactions, balances, income and expenses are eliminated.

Investments in associates

Investments in associates are accounted for at cost less any accumulated impairment losses.

Dividend income from investments in associates is recognised when the shareholders' rights to receive payment have been established and is shown as other income.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes. Revenue from sales of goods is recognised when the goods are delivered and title has passed. Royalty revenue from licensing candle-making patents for use by others is recognised over the licence period.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (temporary differences). Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Property, plant and equipment

Items of property plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Fixtures and equipment	10% to 30%

Intangible assets

Intangible assets are purchased computer software that is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortised over its estimated life of five years using the straight-line method.

Impairment of non-current assets

At each balance sheet date, the carrying amounts of tangible and intangible assets and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the fair value less costs to sell of an asset (or group of assets) is estimated to be less than its carrying amount, the carrying amount of the asset (or group of assets) is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of assets) is increased to the revised estimate of its fair value less costs to sell, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciation and impairment losses are recognised.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

3. Key sources of estimation uncertainty

Long-service payment

In determining the liability for other long-term benefits (explained in note 18), management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation and the number of employees expected to leave before they receive the benefits. Note 18 provides details of the carrying amount of the obligation at the year-end.

4. Restriction on payment of dividend

Under the terms of the bank loan and bank overdraft agreements, dividends cannot be paid to the extent that they would reduce the balance of retained earnings below the sum of the outstanding balance of the bank loan and the bank overdraft.

5. Revenue

An analysis of the Group's revenue is as follows:

	20X2	**20X1**
	CU	**CU**
Sale of goods	6,743,545	5,688,653
Royalties – licensing of candle-making patents	120,000	120,000
	6,863,545	5,808,653

6. Finance costs

	20X2	**20X1**
	CU	**CU**
Interest on bank loan and overdraft	(21,250)	(30,135)
Interest on finance leases	(5,116)	(6,577)
	(26,366)	(36,712)

7. Profit before tax

The following items have been recognised as expenses (income) in determining profit before tax:

	20X2	**20X1**
	CU	**CU**
Gain on disposal of property, plant and equipment	(63,850)	—
Depreciation of property, plant and equipment	270,360	219,547
Impairment of property, plant and equipment (included in impairment of property, plant and equipment/administrative expenses)	30,000	
Amortisation of software (included in depreciation and amortisation/administrative expenses)	1,700	1,700
Employee benefits expense	936,142	879,900
Cost of inventories recognised as expense	4,783,389	4,093,545

8. Income tax expense

	20X2 CU	20X1 CU
Current tax	271,648	190,316
Deferred tax (note 12)	(997)	(757)
	270,651	189,559

Domestic income tax is calculated at 40% (20X1: 40%) of the estimated assessable profit for the year.

The total income tax expense for the year can be reconciled to the accounting profit as follows:

	20X2 CU	20X1 CU
Profit before tax	655,957	457,147
Tax at domestic rate of 40%	262,383	182,859
Tax effect of certain employee compensation expenses (CU20,670 in 20X2 and CU16,750 in 20X1) recognised in measuring profit before tax that are not tax-deductible	8,268	6,700
Tax expense for the year	270,651	189,559

9. Property, plant and equipment

	Land and buildings CU	Fixtures and equipment CU	Total CU
Cost			
1 January 20X1	1,960,000	907,045	2,867,045
Additions	—	435,000	435,000
Disposals	—	(240,000)	(240,000)
At 31 December 20X1	1,960,000	1,102,045	3,062,045
Additions	—	485,000	485,000
Disposals	—	(241,000)	(241,000)
Reclassified as held for sale (note 15)		(1,550)	(1,550)
At 31 December 20X2	1,960,000	1,344,495	3,304,495
Accumulated depreciation and impairment			
1 January 20X1	360,000	321,043	681,043
Annual depreciation	30,000	189,547	219,547
Less accumulated depreciation on assets disposed of		(240,000)	(240,000)
At 31 December 20X1	390,000	270,590	660,590
Annual depreciation	30,000	240,360	270,360
Impairment	—	30,000	30,000
Less accumulated depreciation on assets disposed of	—	(204,850)	(204,850)
Less accumulated depreciation on assets reclassified as held for sale (note 15)		(78)	(78)
At 31 December 20X2	420,000	336,022	756,022
Carrying amount			
31 December 20X1	1,570,000	831,455	2,401,455
31 December 20X2	1,540,000	1,008,473	2,548,473

During the period, the Group noticed a significant decline in the efficiency of two of its vehicles and so carried out a review of their fair values less costs to sell. The review led to the recognition of an impairment loss of CU30,000.

The carrying amount of the Group's fixtures and equipment includes an amount of CU40,000 (20X1: CU60,000) in respect of assets held under finance leases.

10. Intangible assets

Software:

Cost	**CU**
1 January 20X1	8,500
Additions	—
Disposals	—
At 31 December 20X1	8,500
Additions	—
Disposals	—
At 31 December 20X2	8,500
Accumulated depreciation and impairment	
1 January 20X1	4,250
Annual amortisation	1,700
At 31 December 20X1	5,950
Annual amortisation	1,700
At 31 December 20X2	7,650
Carrying amount	
31 December 20X1	2,550
31 December 20X2	850

11. Investment in associate

	20X2	**20X1**
	CU	**CU**
Cost of investment in associate	107,500	107,500

The Group owns 35 per cent of an associate whose shares are not publicly traded. Summarised financial information of the associate is set out below:

	20X2	**20X1**
	CU	**CU**
Total assets	559,509	589,423
Total liabilities	(167,128)	(156,312)
Net assets	392,381	433,111

	20X2	**20X1**
	CU	**CU**
Revenue	518,887	528,536
Profit for the year	111,137	118,534

12. Deferred tax

Differences between amounts recognised in the income statement and amounts reported to tax authorities in connection with investments in the subsidiary and associate are insignificant.

The deferred tax asset is the tax effect of an expected future income tax benefit relating to the long-service benefit (note 18) that will not be tax-deductible until the benefit is actually paid but has already been recognised as an expense in measuring the Group's profit for the year. The Group has recognised the full related deferred tax asset because, on the basis of past years and future expectations, management considers it probable that taxable profits will be available against which the future income tax deduction can be utilised.

The following are the deferred tax liabilities (assets) recognised by the Group during the current and prior years:

	Software	Long-service benefit	Total
	CU	CU	CU
At 1 January 20X1	1,700	(3,855)	(2,155)
Charge (credit) to profit or loss for the year	(680)	(77)	(757)
At 1 January 20X2	1,020	(3,932)	(2,912)
Charge (credit) to profit or loss for the year	(680)	(317)	(997)
At 31 December 20X2	340	(4,249)	(3,909)

The deferred tax asset for long-service benefits and the deferred tax liability for software relate to income taxes in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the balance sheet as follows:

	20X2	20X1
	CU	CU
Deferred tax liability	340	1,020
Deferred tax asset	(4,249)	(3,932)
	(3,909)	(2,912)

13. Inventories

	20X2	20X1
	CU	CU
Raw materials	42,470	36,450
Work in progress	1,140	900
Finished goods	13,640	10,570
	57,250	47,920
Production supplies classified as part of a disposal group held for sale (note 15)	131	—
	57,381	47,920

14. Trade and other receivables

	20X2	20X1
	CU	CU
Trade debtors	528,788	528,384
Prepayments	56,760	45,478
	585,548	573,862

15. Assets held for sale

On 10 December 20X2, the directors resolved to dispose of one of the Group's recently acquired rolling machines for beeswax candles. Negotiations with several interested parties have taken place. The machine, along with related supplies purchased for use with the machine and the liability to the supplier of the machine, is expected to be sold within twelve months and so has been classified as a disposal group held for sale and presented separately in the balance sheet.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the assets classified as held for sale.

The major classes of assets and liabilities in the disposal group classified as held for sale are as follows:

	20X1 CU
Property, plant and equipment	1,472
Production supplies	131
	1,603
Payable associated with assets classified as held for sale	(1,550)
	53

16. Share capital

Balances as at 31 December 20X1 and 20X2 of CU30,000 comprise 30,000 ordinary shares with par value CU1.00 fully paid, issued and outstanding. An additional 70,000 shares are legally authorised but unissued.

17. Bank overdrafts and loans

	20X2 CU	20X1 CU
Bank overdrafts	83,600	115,508
Bank loans—fully repayable in 20X4, prepayable without penalty	50,000	150,000
	133,600	265,508

The bank overdraft and loan are secured by a floating lien over the Group's assets.

18. Long-service benefit

The liability for employee benefit obligations relates to government mandated long-service payments. All full-time members of staff, excluding directors, are covered by the programme. A payment is made of 5 per cent of salary (as determined for the twelve months before the payment) at the end of each of five years of employment. The payment is made as part of the December payroll in the fifth year. The Group does not fund this obligation in advance.

The accrual to be recognised at the year-end is determined on the basis of a present value calculation assuming a 3 per cent average annual salary increase, with employee turnover based on the Group's recent experience, discounted using the current market yield for high quality corporate bonds.

	CU
At 1 January 20X2	9,830
Additional accrual during year	7,033
Payment made in year	(6,240)
At 31 December 20X2	10,623

Analysed as:

	20X2 CU	20X1 CU
Current liability	6,181	5,943
Non-current liability	4,442	3,887
Total	10,623	9,830

19. Obligations under finance leases

The Group holds one piece of specialised machinery with an estimated useful life of five years under a five-year finance lease. The future minimum lease payments at the end of the year, for each future year, are as follows:

	20X2	**20X1**
	CU	**CU**
In 20X2	n/a	25,000
In 20X3	25,000	25,000
In 20X4	25,000	25,000
	50,000	75,000

The obligation is analysed as:

	20X2	**20X1**
	CU	**CU**
Current	21,461	19,884
Non-current	23,163	44,624
	44,624	64,508

20. Cash and cash equivalents

	20X2	**20X1**
	CU	**CU**
Cash on hand	26,700	20,875
Overdrafts	(83,600)	(115,508)
	(56,900)	(94,633)

21. Obligations under operating leases

	20X2	**20X1**
	CU	**CU**
Minimum lease payments under operating leases recognised as an expense during the year	26,100	26,100

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases that fall due as follows:

	20X2	**20X1**
	CU	**CU**
In 20X2	n/a	26,100
In 20X3	13,050	13,050

Operating lease payments represent rentals payable by the Group for certain items of equipment. Leases are negotiated for an average period of three years, with fixed rentals over the same period.

22. Contingent liabilities

During 20X2, a customer of the Group instigated proceedings against XYZ (Trading) Limited for a fire caused by a faulty candle. The customer asserts that its total losses are CU50,000 and has claimed this amount from the company.

The Group's lawyers do not consider that the claim has merit, and they have recommended that it be contested. No provision has been recognised in these financial statements as the Group's management does not consider it probable that a loss will arise.

23. Event after the balance sheet date

On 25 January 20X3, there was a flood in one of the candle storage rooms. The cost of refurbishment is expected to be CU36,000. The reimbursements from insurance are estimated to be CU16,000.

24. Related party transactions

Transactions between the Company and its subsidiary, which is a related party, have been eliminated in consolidation.

The Group sells goods to its associate (see note 11), which is a related party, as follows:

	Sales of goods		**Amounts owed to the Group by the related party at year-end**	
	20X2	**20X1**	**20X2**	**20X1**
	CU	**CU**	**CU**	**CU**
Associate	10,000	8,000	800	400

The payments under the finance lease (see note 19) are personally guaranteed by a principal shareholder of the Company. No charge has been requested for this guarantee.

The remuneration of directors and other members of key management during the year was as follows:

	20X2	**20X1**
	CU	**CU**
Salaries	190,500	169,300
Other short-term benefits	15,213	9,200
Post-employment benefits	44,205	29,760

25. Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 10 March 20X3.

Disclosure checklist

This disclosure checklist has been derived from the disclosure requirements in the [draft] FRS for SMEs*.*

D1 This disclosure checklist summarises the disclosures that are required throughout the [draft] *FRS for SMEs*. In most cases, the [draft] *FRS for SMEs* does not specify whether the disclosure should be made in the notes or on the face of the financial statements. In several cases, however, disclosures are expressly required to be on face of financial statements; these are identified in this checklist.

D2 This checklist deals with disclosures. While it does not deal with presentation format, often a required presentation is the equivalent of a disclosure requirement. To illustrate, Sections 3–6 of the [draft] *FRS for SMEs* require the presentation of some specific line items on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement. Those presentation requirements are essentially disclosure requirements and are included in this checklist.

D3 The disclosure requirements in the [draft] *FRS for SMEs* should be regarded as minimum requirements. An entity must present additional line items, headings and subtotals on the face of the financial statements when such presentation is relevant to an understanding of the entity's financial position, performance, and changes in financial position. Similarly, an entity must include in the notes to financial statements information that is not presented on the face of the financial statements but is relevant to an understanding of them.

D4 Under the [draft] *FRS for SMEs*, an entity is required or permitted to apply an Financial Reporting Standard (FRS) in the following cases:

(a) The entity elects to apply an accounting policy option that is included in the [draft] *FRS for SMEs* by cross-reference to an FRS. Examples include the direct method of preparing the cash flow statement; accounting for financial instruments under FRS 39 *Financial Instruments: Recognition and Measurement* rather than under the provisions of Section 11; the equity method of accounting for investments in associates and joint ventures; the proportionate consolidation method of accounting for investments in joint ventures; the fair value through profit or loss model for investment property; the revaluation model for property, plant and equipment and for intangible assets; capitalisation of development costs; and capitalisation of borrowing costs.

(b) The entity is required or permitted to apply an FRS because the [draft] *FRS for SMEs* does not address specific events, transactions or circumstances that are covered in FRSs. That may be the case either because:

(i) the [draft] *FRS for SMEs* states that if an SME does encounter such events, transactions or circumstances it should apply the provisions of the relevant FRS. Examples include calculation of the recoverable amount of goodwill; equity-settled share-based payment; financial reporting in a hyperinflationary economy; specialised industry accounting (extractive industries and agriculture); and interim reporting.

(ii) paragraph 10.4 of the [draft] *FRS for SMEs* permits the entity to apply the requirements and guidance in FRSs and Interpretations of FRSs dealing with similar and related issues.

(c) The entity elects to follow FRS 39 rather than Section 11 in accounting for financial assets and financial liabilities.

An entity that applies an FRS in the foregoing circumstances is required to make the relevant disclosures as required by that FRS. This disclosure checklist does not include those potential disclosures.

Disclosure requirements in the [draft] *FRS for SMEs* section by section

Section 1 Scope

No disclosures required by this section.

Section 2 Concepts and Pervasive Principles

No disclosures required by this section.

Section 3 Financial Statement Presentation

Compliance with the [draft] *FRS for SMEs*

Paragraph	
3.2	An entity whose financial statements comply with the *FRS for SMEs* shall make an explicit and unreserved statement of such compliance in the notes.
3.4	When an entity departs from a requirement of this [draft] standard in accordance with paragraph 3.3, it shall disclose: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows; (b) that it has complied with the *FRS for SMEs*, except that it has departed from a particular requirement to achieve a fair presentation; (c) the nature of the departure, including the treatment that the *FRS for SMEs* would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, and the treatment adopted; and (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.
3.5	When an entity has departed from a requirement of this [draft] standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.4(c) and (d).
3.6	In the extremely rare circumstances in which management concludes that compliance with a requirement in this [draft] standard would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing: (a) the nature of the requirement in this [draft] standard, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2; and

	(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.
3.7	When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

Reclassifications

3.10	When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.
3.11	When it is impracticable to reclassify comparative amounts, an entity shall disclose: (a) the reason for not reclassifying the amounts; and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Comparative information

3.12	Except when this [draft] standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts reported in the financial statements (including the information on the face of the financial statements and in the notes). An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Identification of the financial statements

3.20	Disclose: (a) the name of the reporting entity and any change in its name since the end of the preceding reporting period; (b) whether the financial statements cover the individual entity or a group of entities; (c) the date of the end of the reporting period and the period covered by the financial statements; (d) the presentation currency, as defined in Section 31; and (e) the level of rounding, if any, used in presenting amounts in the financial statements.

Section 4 Balance Sheet

Information to be presented on the face of the balance sheet

4.2	As a minimum, an entity shall include, on the face of the balance sheet, line items that present the following amounts: (a) cash and cash equivalents; (b) trade and other receivables; (c) financial assets (excluding amounts shown under (a), (b) and (h)); (d) inventories; (e) property, plant and equipment; (f) intangible assets; (g) biological assets; (h) investments accounted for using the equity method; (i) the total of non-current assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Section 36; (j) trade and other payables; (k) financial liabilities (excluding amounts shown under (j) and (o); (l) liabilities and assets for current tax; (m) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current); (n) liabilities included in disposal groups classified as held for sale. (o) provisions; (p) minority interest, presented within equity separately from the parent shareholders' equity; and (q) equity attributable to shareholders of the parent.

Current/non-current distinction

4.5	An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet in accordance with paragraphs 4.6–4.9, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity.

Information to be presented either on the face of the balance sheet or in the notes

4.12	An entity shall disclose, either on the face of the balance sheet or in the notes, the following subclassifications of the line items presented: (a) classes of items of property, plant and equipment in accordance with Section 16; (b) amounts receivable from trade customers, receivables from related parties, prepayments and other amounts; (c) classes of inventories in accordance with Section 12, such as merchandise, production supplies, materials, work in progress and finished goods; (d) provisions for employee benefits and other provisions; and (e) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this [draft] standard, are recognised directly in equity.
4.13	An entity with share capital shall disclose the following, either on the face of the balance sheet or in the notes: (a) for each class of share capital: (i) the number of shares authorised; (ii) the number of shares issued and fully paid, and issued but not fully paid; (iii) par value per share, or that the shares have no par value; (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period (see paragraph 21.12 for further guidance); (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital; (vi) shares in the entity held by the entity or by its subsidiaries or associates; (vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and (b) a description of each reserve within equity.
4.14	An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.13(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.
21.12	Paragraph 4.13(a)(iv) requires an entity with share capital to disclose, either on the face of the balance sheet or in the notes, for each class of share capital, a reconciliation of the number of shares outstanding (or other measure of quantity) at the beginning and at the end of the period. In that reconciliation, the entity shall identify separately each significant type of change in the number of shares outstanding, including new issues; exercises of options, rights and warrants; conversions of convertible securities; treasury share transactions; business combinations; and bonus issues (share dividends) and share splits.

Section 5 Income Statement

Information to be presented on the face of the income statement

5.3	As a minimum, an entity shall include, on the face of the income statement, line items that present the following amounts for the period: (a) revenue; (b) finance costs; (c) share of the profit or loss of investments in associates and joint ventures accounted for using the equity method; (d) tax expense; (e) a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation (see Section 36); and (f) profit or loss.
5.4	An entity shall disclose separately the following items on the face of the income statement as allocations of profit or loss for the period: (a) profit or loss attributable to minority interest; and (b) profit or loss attributable to equity holders of the parent.

Information to be presented either on the face of the income statement or in the notes

5.7	An entity shall disclose separately the nature and amount of material components of income and expense. Such disclosures shall include: (a) write-downs of property, plant and equipment to fair value less costs to sell, and the reversal of such write-downs; (b) write-downs of inventories to net realisable value, and the reversal of such write-downs; (c) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring; (d) disposals of items of property, plant and equipment; (e) disposals of investments; (f) discontinued operations; (g) litigation settlements; and (h) the reversal of other provisions.

5.9	An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function of expenses within the entity, whichever provides information that is reliable and more relevant.
5.11	Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings

Information to be presented on the face of the statement of changes in equity

6.2	An entity shall present a statement of changes in equity showing on the face of the statement: (a) profit or loss for the period; (b) each item of income and expense for the period that, as required by this [draft] standard, is recognised directly in equity, and the total of those items; (c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with Section 10.

Information to be presented either on the face of the statement of changes in equity or in the notes

6.3	An entity shall also present, either on the face of the statement of changes in equity or in the notes: (a) the amounts of investments by, and dividends and other distributions to, equity holders, showing separately issues of shares, treasury share transactions, and dividends and other distributions to equity holders; (b) the balance of retained earnings (ie accumulated profit or loss) at the beginning of the reporting period and at the end of the period, and the changes during the period; and (c) a reconciliation of the carrying amount of each class of contributed equity and each item of income and expense recognised directly in equity (see paragraph 6.2(b)) at the beginning and the end of the period, separately disclosing each change.

Information to be presented on the face of the statement of income and retained earnings

6.5	An entity shall present, on the face of the statement of income and retained earnings, the following items in addition to the information required by Section 5: (a) retained earnings at the beginning of the reporting period; (b) dividends declared and paid or payable during the period; (c) restatements of retained earnings for corrections of prior period errors; (d) restatements of retained earnings for changes in accounting policy; and (e) retained earnings at the end of the reporting period.

Section 7 Cash Flow Statement

7.3	An entity shall present a cash flow statement that reports cash flows for a period classified by operating activities, investing activities and financing activities.
7.7	An entity shall report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Reporting cash flows from investing and financing activities

7.10	An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as operating activities.

Interest and dividends

7.14	An entity shall disclose separately cash flows from interest and dividends received and paid.

Income taxes

7.17	An entity shall disclose separately cash flows arising from taxes on income and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid.

Non-cash transactions

7.18	An entity shall exclude from the cash flow statement investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Components of cash and cash equivalents

7.20	An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts reported in the cash flow statement to the equivalent items reported in the balance sheet.

Other disclosures

7.21	An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.

Section 8 Notes to the Financial Statements

8.3	An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item on the face of the financial statements to any related information in the notes.
8.4	An entity normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with the *FRS for SMEs* (see paragraph 3.2); (b) a summary of significant accounting policies applied (see paragraph 8.5); (c) supporting information for items presented on the face of the financial statements, in the order in which each statement and each line item is presented; and (d) other disclosures, including: (i) contingent liabilities and contingent assets (see Section 20) and unrecognised contractual commitments; (ii) non-financial disclosures (iii) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and (iv) the amount of any cumulative preference dividends not recognised.

Disclosure of accounting policies

8.5	An entity shall disclose in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; (b) the accounting policy the entity has chosen whenever the entity has adopted an accounting policy for an event, a transaction, other event or condition for which this [draft] standard allows an accounting policy choice; and (c) the other accounting policies used that are relevant to an understanding of the financial statements.

Information about judgements

8.6	An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Information about key sources of estimation uncertainty

8.7	An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.

Information about externally imposed capital requirements

8.8	If an entity is subject to externally imposed capital requirements, it shall disclose the nature of those requirements and how they are managed, including whether the requirements have been complied with.

Section 9 Consolidated and Separate Financial Statements

Separate financial statements

9.19	When a parent, a venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall disclose: (a) that the statements are separate financial statements and the reasons why those statements are prepared if not required by law;

	(b) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and (c) a description of the method used to account for the investments listed under (b); and shall identify the consolidated financial statements to which they relate.

Combined financial statements

9.22	If an entity prepares combined financial statements and describes them as conforming to the *FRS for SMEs*, those statements shall comply with all of the requirements of this [draft] standard. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognised in assets such as inventory and fixed assets shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is impracticable to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances. Disclosures shall include the fact that the financial statements are combined financial statements and the related party disclosures required by Section 33.

Section 10 Accounting Policies, Estimates and Errors

Disclosure of a change in accounting policy

10.11	When initial application of this [draft] standard, or an amendment to this [draft] standard, has an effect on the current period or any prior period or might have an effect on future periods, an entity shall disclose: (a) the nature of the change in accounting policy; (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c) above. Financial statements of subsequent periods need not repeat these disclosures.

10.12	When a voluntary change in accounting policy has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (e) an explanation if it is not practicable to determine the amounts to be disclosed in (c) or (d) above. Financial statements of subsequent periods need not repeat these disclosures.

Disclosure of a change in estimate

10.16	An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.
10.17	If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Disclosure of prior period errors

10.23	An entity shall disclose the following about prior period errors: (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected. Financial statements of subsequent periods need not repeat these disclosures.

Section 11 Financial Assets and Financial Liabilities

Disclosure of accounting policies for financial instruments

11.40	In accordance with paragraph 8.5 of Section 8, an entity shall disclose, in the summary of significant accounting policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements.

Balance sheet – categories of financial assets and financial liabilities

11.41	An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities, in total and by each significant type of financial asset or financial liability within each category, either on the face of the balance sheet or in the notes: (a) financial assets measured at fair value through profit or loss (paragraph 11.8); (b) financial assets measured at amortised cost less impairment (paragraph 11.7(a)); (c) equity instruments measured at cost (paragraph 11.7(c)); (d) forward commitments and options measured at cost less impairment (paragraph 11.7(b)); (e) financial liabilities measured at fair value through profit or loss (paragraph 11.8); and (f) financial liabilities measured at amortised cost (paragraph 11.7(a)).
11.42	For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, eg quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.
11.43	If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact.

Derecognition

11.44	If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.24–11.26), the entity shall disclose for each class of such financial assets: (a) the nature of the assets; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; (c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.

Collateral

11.45	When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose: (a) the carrying amount of the financial assets pledged as collateral; and (b) the terms and conditions relating to its pledge.

Defaults and breaches on loans payable

11.46	For loans payable recognised at the reporting date, an entity shall disclose: (a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable; (b) the carrying amount of the loans payable in default at the reporting date; and (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.
11.47	If, during the period, there were breaches of loan agreement terms other than those described in paragraph 11.46, an entity shall disclose the same information as required by paragraph 11.46 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).

Income statement and equity – items of income, expense, gains or losses

11.48	An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains or net losses recognised on: (i) financial assets measured at fair value through profit or loss; (ii) financial liabilities measured at fair value through profit or loss; (iii) financial assets measured at amortised cost; and (iv) financial liabilities measured at amortised cost; (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; and (c) the amount of any impairment loss for each class of financial asset.

Hedge accounting

11.49	An entity shall disclose the following separately for each type of hedge described in paragraph 11.31: (a) a description of the hedge; (b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and (c) the nature of the risks being hedged, including a description of the hedged item.
11.50	For a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 11.33–11.36) the entity shall disclose: (a) the amount of the change in fair value of the hedging instrument recognised in profit or loss and (b) the amount of the change in fair value of the hedged item recognised in profit or loss.
11.51	For a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation (paragraphs 11.37–11.39) the entity shall disclose: (a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss; (b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur; (c) the amount of the change in fair value of the hedging instrument that was recognised in equity during the period (paragraph 11.37); (d) the amount that was removed from equity and recognised in profit or loss for the period, showing the amount included in each line item in the income statement (paragraphs 11.38 and 11.39).

Risks relating to financial instruments measured at cost or amortised cost

11.52	For financial assets measured at amortised cost less impairment, the entity shall disclose the significant terms and conditions that may affect the amount, timing and certainty of future cash flows, including interest rate risk, foreign currency exchange rate risk and credit risk.

Section 12 Inventories

12.21	An entity shall disclose: (a) (a)the accounting policies adopted in measuring inventories, including the cost formula used; (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity; (c) the amount of inventories recognised as an expense during the period ('cost of goods sold'); (d) the amount of any impairment of inventories recognised as an expense in the period in accordance with paragraph 12.18 and paragraphs 26.2–26.4; (e) the amount of any reversal of any impairment recognised in the period in accordance with paragraph 12.18 and paragraph 26.4, and a description of the circumstances or events that led to such reversal; and (f) the carrying amount of inventories pledged as security for liabilities.

Section 13 Investments in Associates

13.7	An investor in an associate shall disclose: (a) its accounting policy for investments in associates; (b) the fair value of investments in associates for which there are published price quotations; (c) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss, along with the investor's percentage of ownership of the associates; and (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

Section 14 Investments in Joint Ventures

14.16	An investor in a joint venture shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities: (a) any contingent liabilities that the investor has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers; (b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and (c) those contingent liabilities that arise because the investor is contingently liable for the liabilities of the other venturers of a joint venture.
14.17	An investor in a joint venture shall also disclose: (a) the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves; (b) a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities; and (c) the method it uses to recognise its interests in jointly controlled entities.

Section 15 Investment Property

Fair value model

15.5	An entity that elects to use the fair value model shall apply FRS 40 *Investment Property* (see especially paragraphs 33–55), and shall make the disclosures required by paragraphs 76–78 of that standard.

Cost model

15.6	An entity that elects to use the cost model shall account for all of its investment property as property, plant and equipment in accordance with the requirements for the cost model in Section 16. The entity shall make the disclosures required by that section.

Section 16 Property, Plant and Equipment

16.29	An entity shall disclose, for each class of property, plant and equipment: (a) the measurement bases used for determining the gross carrying amount;

	(b) the depreciation methods used; (c) the useful lives or the depreciation rates used; (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and (e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions; (ii) disposals, including assets classified as held for sale or included in a disposal group classified as held for sale; (iii) acquisitions through business combinations; (iv) impairment losses recognised or reversed in profit or loss in accordance with Section 26; (v) depreciation; (vi) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity (see Section 30); and (vii) other changes.
16.30	The entity shall also disclose: (a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; (b) the amount of contractual commitments for the acquisition of property, plant and equipment; and (c) if it is not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is recognised in profit or loss.
16.31	An entity shall present property, plant and equipment that is held for sale separately from other assets on the face of the balance sheet. The entity shall present any liabilities related to property, plant and equipment that is held for sale separately from other liabilities on the face of the balance sheet.

Section 17 Intangible Assets other than Goodwill

17.23	An entity that uses the revaluation model shall apply paragraphs 75-87 of FRS 38 *Intangible Assets* and shall make the disclosures required by paragraphs 124 and 125 of FRS 38.
17.32	An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;

	(b) the amortisation methods used for intangible assets with finite useful lives; (c) the gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) the line item(s) of the income statement in which any amortisation of intangible assets is included; (e) a reconciliation of the carrying amount at the beginning and end of the period showing separately additions, disposals, amortisations, impairment losses, and other changes.
17.33	An entity shall also disclose: (a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. (b) a description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the entity's financial statements. (c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 17.10): (i) the fair value initially recognised for these assets; (ii) their carrying amount; and (iii) whether they are measured after recognition using the cost model or the revaluation model. (d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities. (e) the amount of contractual commitments for the acquisition of intangible assets.
17.34	An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

Section 18 Business Combinations and Goodwill

For business combinations effected during the reporting period

18.23	For each business combination that was effected during the period (or group of individually immaterial business combinations), the acquirer shall disclose the following: (a) the names and descriptions of the combining entities or businesses. (b) the acquisition date. (c) the percentage of voting equity instruments acquired. (d) the cost of the combination and a description of the components of that cost,

	including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed: (ii) the number of equity instruments issued or issuable; and (iii) the fair value of those instruments and the basis for determining that fair value. (e) details of any operations the entity has decided to dispose of as a result of the combination. (f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill. (g) the amount of any excess recognised in profit or loss in accordance with paragraph 18.22, and the line item in the income statement in which the excess is recognised. (h) a description of the factors that contributed to a cost that results in the recognition of goodwill—a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably—or a description of the nature of any excess recognised in profit or loss in accordance with paragraph 18.22. (i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

For business combinations effected after the end of the reporting period but before the financial statements are authorised for issue

18.24	For each business combination effected after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall make the disclosures required by paragraph 18.23 unless such disclosure would be impracticable. If disclosure of any of that information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

For all business combinations

18.25	An acquirer shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately changes arising from new business combinations, impairment losses, disposals of previously acquired businesses, and other changes. An acquirer shall also disclose the gross amount and accumulated impairment losses at the end of the period.

Section 19 Leases

Financial statements of lessees – finance leases

19.12	Lessees shall make the following disclosures for finance leases:

<table>
<tr><td></td><td>
(a) for each class of asset, the net carrying amount at the end of the reporting period.

(b) the total of future minimum lease payments at the end of the reporting period, for each future year.

(c) contingent rents recognised as an expense.

(d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period.

(e) a general description of the lessee’s leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.
</td></tr>
</table>

Financial statements of lessees – operating leases

<table>
<tr><td>19.14</td><td>
Lessees shall make the following disclosures for operating leases:

(a) the total of future minimum lease payments under non-cancellable operating leases for each future year.

(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period.

(c) lease and sublease payments recognised as an expense, with separate amounts for minimum lease payments, contingent rents, and sublease payments.

(d) a general description of the lessee’s significant leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(iii) (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.
</td></tr>
</table>

Financial statements of lessors: finance leases

<table>
<tr><td>19.15</td><td>A lessor in a finance lease shall apply paragraphs 36–46 of FRS 17 Leases and shall make the disclosures required by paragraph 47 of FRS 17.</td></tr>
</table>

Financial statements of lessors: operating leases

<table>
<tr><td>19.23</td><td>
Lessors shall disclose the following for operating leases:

(a) the future minimum lease payments under non-cancellable operating leases in the
</td></tr>
</table>

	aggregate and for each future year. (b) total contingent rents recognised as income. (c) a general description of the lessor's leasing arrangements.

Sale and leaseback transactions

19.27	Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

Section 20 Provisions and Contingencies

Disclosures about provisions

20.14	For each class of provision, an entity shall disclose: (a) the carrying amount at the beginning and end of the period. (b) additional provisions made in the period, including increases to existing provisions. (c) amounts used (ie incurred and charged against the provision) during the period. (d) unused amounts reversed during the period. (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. (f) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits. (g) an indication of the uncertainties about the amount or timing of those outflows. (h) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement. Comparative information is not required.

Disclosures about contingent liabilities

20.15	Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, when practicable: (a) an estimate of its financial effect, measured in accordance with paragraphs 20.6–20.9. (b) an indication of the uncertainties relating to the amount or timing of any outflow. (c) the possibility of any reimbursement.

	If it is impracticable to make one or more of these disclosures, that fact shall be stated.

Disclosures about contingent assets

20.16	If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period, and, when practicable, an estimate of their financial effect, measured using the principles set out in paragraphs 20.8–20.11. If it is impracticable to make this disclosure, that fact shall be stated.

Prejudicial disclosures

20.17	In extremely rare cases, disclosure of some or all of the information required by paragraphs 20.14–20.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Section 21 Equity

No disclosures required by this section (but see paragraph 4.13).

Section 22 Revenue

22.28	An entity shall disclose: (a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services. (b) the amount of each category of revenue recognised during the period, including revenue arising from: (i) the sale of goods; (ii) the rendering of services; (iii) interest; (iv) royalties; (v) dividends. (c) the amount of revenue arising from exchanges of goods or services included in each category of revenue.

Disclosures relating to revenue from construction contracts

22.29	An entity shall disclose: (a) the amount of contract revenue recognised as revenue in the period; (b) the methods used to determine the contract revenue recognised in the period; and (c) the methods used to determine the stage of completion of contracts in progress.
22.30	An entity shall disclose each of the following for contracts in progress at the balance sheet date: (a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; (b) the amount of advances received; and (c) the amount of retentions (progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified).
22.31	An entity shall present: (a) the gross amount due from customers for contract work as an asset; and (b) the gross amount due to customers for contract work as a liability.

Section 23 Government Grants

23.5	An entity shall disclose the following regardless of which choice it has made under paragraph 23.3: (a) the accounting policy adopted for government grants, including an explanation of how the grant is presented in the financial statements; (b) the nature and amounts of government grants recognised in the financial statements; (c) unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income; and (d) an indication of other forms of government assistance from which the entity has directly benefited.

Section 24 Borrowing Costs

24.5	An entity shall disclose the accounting policy adopted for borrowing costs. If the capitalisation model is adopted as provided in paragraph 24.4, the entity shall include the relevant disclosures required by FRS 23 *Borrowing Costs*.

Section 25 Share-based Payment

25.8	An entity shall disclose a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (eg whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.
25.9	An entity shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position, including at least the following: (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions. (b) with respect to liabilities arising from share-based payment transactions: (i) the total carrying amount at the end of the period; and (ii) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (eg vested share appreciation rights).

Section 26 Impairment of Non-financial Assets

26.25	An entity shall disclose the following for each class of assets: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included. (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed. (c) the amount of impairment losses on revalued assets recognised directly in equity during the period. (d) the amount of reversals of impairment losses on revalued assets recognised directly in equity during the period.
26.26	An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no separate information is disclosed: (a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses. (b) the main events and conditions that led to the recognition of these impairment losses and reversals of impairment losses.

Section 27 Employee Benefits

Disclosures about short-term employee benefits

27.36	Section 27 does not require specific disclosures about short-term employee benefits.

Disclosures about defined contribution plans

27.37	An entity shall disclose the total cost of defined contribution plans for the period and their amounts (a) recognised in profit or loss as an expense and (b) included in the cost of an asset.

Disclosures about defined benefit plans

27.38	An entity shall disclose the following information about defined benefit plans: (a) a general description of the type of plan, including funding policy. (b) the entity's accounting policy for recognising actuarial gains and losses and the amount of actuarial gains and losses recognised during the period. (c) a reconciliation of opening and closing balances of the defined benefit liability showing separately benefits paid and all other changes. (d) an analysis of the defined benefit liability into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded. (e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable: (i) contributions by the employer; (ii) contributions by plan participants; (iii) benefits paid; and (iv) other changes in plan assets. (f) the total cost relating to defined benefit plans recognised in profit or loss as an expense for the period, and the line item(s) in which they are included. (g) the total cost relating to defined benefit plans during the period that was: (i) included in the cost of producing inventories in accordance with Section 12; or (ii) included in the cost of property, plant and equipment in accordance with Section 16. (h) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets. (i) the amounts included in the fair value of plan assets for:

	(i) each category of the entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the entity. (j) the actual return on plan assets. (k) the principal actuarial assumptions used, including, when applicable: (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of salary increases; and (iv) medical cost trend rates.

Disclosures about other long-term benefits

27.39	For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the funding status at the balance sheet date, and the amount of any actuarial gains and losses arising in the current period and its accounting policy for such actuarial gains and losses.

Disclosures about termination benefits

27.40	For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, its accounting policy, and the amount of its obligation and the funding status at the balance sheet date.
27.41	When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 20 requires an entity to disclose information about its contingent liability unless the possibility of an outflow in settlement is remote.

Section 28 Income Taxes

28.28	An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include: (a) current tax expense (income). (b) any adjustments recognised in the period for current tax of prior periods. (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences. (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes. (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense.

	(f) deferred tax expense (or income) arising from the impairment, or reversal of a previous impairment, of a deferred tax asset (see paragraph 28.26).
28.29	An entity shall disclose the following separately: (a) the aggregate current and deferred tax relating to items that are recognised directly in equity. (b) a numerical reconciliation between tax expense (income) as recognised and tax expense (income) that would be expected by multiplying profit by the applicable tax rate(s), with each (g) significant difference disclosed separately. (c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period. (d) the amount (and expiry date, if any) of temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised. (e) the aggregate amount of temporary differences associated with investments in foreign subsidiaries, branches and associates and joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 28.18(b)). (f) the aggregate amount of temporary differences associated with the initial recognition of goodwill for which deferred tax liabilities have not been recognised (see paragraph 28.18(c))
28.30	In the circumstances described in paragraph 28.25, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences, if practicably determinable, and whether there are any potential income tax consequences not practicably determinable.

Section 29 Financial Reporting in Hyperinflationary Economies

29.2	An entity whose functional currency is the currency of a hyperinflationary economy shall apply FRS 29 *Financial Reporting in Hyperinflationary Economies* in preparing and presenting its financial statements in accordance with this [draft] standard.

Section 30 Foreign Currency Translation

30.25	In paragraphs 30.27 and 30.29, references to ‘functional currency’ apply, in the case of a group, to the functional currency of the parent.
30.26	An entity shall disclose: (a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with Section 11.

	(b) net exchange differences classified in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.
30.27	An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency.
30.28	When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity shall disclose that fact and the reason for the change in functional currency.
30.29	When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency (for example, a ‘convenience translation’ of all amounts at closing rate), it shall: (a) clearly identify the information as supplementary information to distinguish it from the information that complies with this [draft] standard; (b) disclose the currency in which the supplementary information is displayed; and (c) disclose the entity’s functional currency and the method of translation used to determine the supplementary information.

Section 31 Segment Reporting

31.1	An entity using this [draft] standard is not required to present information about operating segments. An entity that chooses to disclose segment information in financial statements described as conforming to the *FRS for SMEs* shall comply fully with the requirements of FRS 8 *Operating Segments*. If an entity discloses information about segments that does not comply with FRS 8, it shall not describe the information as segment information.

Section 32 Events after the End of the Reporting Period
Date of authorisation for issue

32.8	An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity’s owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

Non-adjusting events after the end of the reporting period

32.9	An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

32.10	The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure: (a) a major business combination (Section 18 requires specific disclosures in such cases) or disposing of a major subsidiary. (b) announcing a plan to discontinue an operation. (c) major purchases of assets, classification of assets as held for sale in accordance with Section 16, other disposals of assets, or expropriation of major assets by government. (d) the destruction of a major production plant by a fire. (e) announcing, or commencing the implementation of, a major restructuring (see Section 20). (f) major ordinary share transactions and potential ordinary share transactions. (g) abnormally large changes in asset prices or foreign exchange rates. (h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities (see Section 28). (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees. (j) commencing major litigation arising solely out of events that occurred after the end of the reporting period.

Section 33 Related Party Disclosures

Disclosure of relationships

33.4	Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed.

Disclosure of key management personnel compensation

33.5	Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in Section 27) including those in the form of share-based payment (see Section 25). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (for example, by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity.
33.6	An entity shall disclose key management personnel compensation in total and for each of the following categories:

	(a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment.

Disclosure of related party transactions

33.7	A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Examples of related party transactions that are common to SMEs include, but are not limited to: (a) transactions between an entity and its principal owner(s). (b) transactions between an entity and another entity where both entities are under the common control of a single entity or individual. (c) transactions in which an entity or individual that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity.
33.8	If there have been transactions between related parties, an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to the requirements in paragraph 33.6 to disclose key management personnel compensation. At a minimum, disclosures shall include: (a) the amount of the transactions. (b) the amount of outstanding balances and: (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and (ii) details of any guarantees given or received. (c) provisions for uncollectible receivables related to the amount of outstanding balances. (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
33.9	An entity shall make the disclosures required by paragraph 33.8 separately for each of the following categories: (a) the parent. (b) entities with joint control or significant influence over the entity. (c) subsidiaries. (d) associates.

	(e) joint ventures in which the entity is a venturer. (f) key management personnel of the entity or its parent (in the aggregate). (g) other related parties.
33.10	The following are examples of transactions that are disclosed if they are with a related party: (a) purchases or sales of goods (finished or unfinished). (b) purchases or sales of property and other assets. (c) rendering or receiving of services. (d) leases. (e) transfers of research and development. (f) transfers under licence agreements. (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind). (h) provision of guarantees or collateral. (i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party. (j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.
33.11	An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.
33.12	An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Section 34 Earnings per Share

34.1	An entity using this [draft] standard is not required to present amounts of earnings per share. However, if the entity discloses earnings per share, it shall calculate and disclose earnings per share in accordance with FRS 33 *Earnings per Share*.

Section 35 Specialised Industries
Agriculture

35.1	An entity using this [draft] standard that is engaged in agricultural activity shall determine, for each of its biological assets, whether the fair value of that biological asset is readily determinable without undue cost and effort: (a) The entity shall apply the fair value model in paragraphs 10–29 of FRS 41

	Agriculture to account for those biological assets whose fair value is readily determinable without undue cost or effort, and the entity shall make all related disclosures required by FRS 41. (b) The entity shall measure at cost less any accumulated depreciation and any accumulated impairment losses those biological assets whose fair value is not readily determinable without undue cost or effort. The entity shall disclose, for such biological assets: (i) a description of the biological assets; (ii) an explanation of why fair value cannot be measured reliably; (iii) if possible, the range of estimates within which fair value is highly likely to lie; (iv) the depreciation method used; (v) the useful lives or the depreciation rates used; and (vi) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

Section 36 Discontinued Operations and Assets Held for Sale

Presentation and disclosure

36.2	An entity shall disclose: (a) a single amount on the face of the income statement comprising the total of: (i) the post-tax profit or loss of discontinued operations; and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or group(s) of assets and liabilities constituting the discontinued operation. (b) an analysis of the single amount in (a) into: (i) the revenue, expenses, pre-tax profit or loss and income tax expense of discontinued operations; (ii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or group(s) of assets constituting the discontinued operation and the related income tax expense. The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement it shall be presented in a section identified as relating to discontinued operations, ie separately from continuing operations. (c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or on the face of the financial statements.

36.3	Unless impracticable, an entity shall restate the disclosures in the preceding paragraph for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.
36.4	If an entity ceases to classify a component of an entity as held for sale, the entity shall reclassify the results of operations of the component previously presented in discontinued operations and shall include them in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been restated.

Non-current assets held for sale

36.8	An entity shall disclose the following information in the period in which property, plant and equipment has been either classified as held for sale or sold: (a) a description of the asset or disposal group; (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; and (c) the gain or loss recognised, if not separately presented on the face of the income statement.

Section 37 Interim Financial Reporting

37.1	An entity that issues an interim financial report that is described as complying with this [draft] standard shall apply either FRS 34 *Interim Financial Reporting* or all of the requirements of this [draft] standard, except as provided in paragraph 37.2.

Section 38 Transition to the *FRS for SMEs*

Explanation of transition to the *FRS for SMEs*

38.10	An entity shall explain how the transition from its previous GAAP to this [draft] standard affected its reported financial position, financial performance and cash flows.

Reconciliations

38.11	To comply with paragraph 38.10, an entity's first financial statements prepared using this [draft] standard shall include: (a) reconciliations of its equity reported under previous GAAP to its equity under the [draft] standard for both of the following dates: (i) the date of transition to this [draft] standard; and (ii) the end of the latest period presented in the entity's most recent annual financial statements under previous GAAP; and

	(b) a reconciliation of the profit or loss reported under previous GAAP for the latest period in the entity's most recent annual financial statements to its profit or loss under this [draft] standard for the same period.
38.12	If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 39.11(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.
38.13	If an entity did not present financial statements for previous periods, it shall disclose that fact in its first financial statements that conform to this [draft] standard.