

# From Compliance to Clarity IFRS 18 and the New Architecture of Financial Statement Presentation: Implications for Comparability, Transparency and Implementation: A Conceptual and Technical Research Review

Muhammad Farooq Zafar\*, Rajat Kush and Dr. Madhvi Kush

Bahrain Institute of Banking & Finance – BIBF

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## ABSTRACT

IFRS 18 Presentation and Disclosure in Financial Statements represents a major development in the architecture of general-purpose financial reporting. Issued by the International Accounting Standards Board (IASB) in April 2024 and effective for annual reporting periods beginning on or after 1 January 2027, the Standard replaces IAS 1 while retaining and relocating a number of existing presentation principles. This paper examines the principal changes highlighted in the new Standard and develops them into a structured conceptual review. Particular attention is given to the new structure of the statement of profit or loss, the classification of income and expenses into operating, investing and financing categories, the defined subtotals, management-defined performance measures (MPMs), and the strengthened principles of aggregation and disaggregation. The paper also considers implementation consequences for accounting systems, chart-of-accounts design, data governance, comparative information, internal controls, auditors and regulators. The analysis indicates that IFRS 18 is not merely a presentation-format exercise: it changes how entities organise, explain and govern information for financial performance. Its principal promise is greater comparability and transparency; its principal implementation risk is treating presentation as a year-end reporting problem rather than as a data, systems and governance transformation. (IASB, 2024a)

**Keywords:** IFRS 18, IAS 1, financial statement presentation, operating profit, management-defined performance measures, aggregation, disaggregation, comparability, transparency, implementation.

## INTRODUCTION

Financial statements are not only records of accounting outcomes; they are communication mechanisms through which investors, lenders and other users evaluate performance, financial position and prospects. The new Standard identified a central weakness in the previous presentation regime: entities could present performance information in forms that were technically compliant but difficult to compare across companies. The IASB's Primary Financial Statements project was developed partly in response to concerns about comparability and transparency in performance reporting. IFRS 18 is the resulting Standard and focuses particularly on the statement of profit or loss, management-defined performance measures and the grouping of information. (IASB, 2024c; Viana Júnior, 2026)

IFRS 18 was issued in April 2024 and is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. It replaces IAS 1 Presentation of Financial Statements. The IASB did not redesign every aspect of IAS 1: some requirements were retained in IFRS 18, while other material was moved to IAS 8 - Basis of Preparation of Financial Statements and IFRS 7 - Financial Instruments: Disclosures. Accordingly, the transition should be understood as a reorganisation and enhancement of presentation and disclosure requirements rather than a wholesale replacement of financial reporting concepts. (IASB, 2024a)

This paper has four objectives: (1) to explain the conceptual rationale for IFRS 18; (2) to examine its principal presentation and disclosure changes; (3) to assess the operational and governance implications of implementation; and (4) to identify areas where entities, auditors and regulators should focus their readiness efforts before mandatory application.

## RESEARCH METHODOLOGY AND SCOPE

This paper adopts a structured narrative review approach based primarily on authoritative publications issued by the IFRS Foundation relating to IFRS 18, supplemented by a comparison with the requirements of IAS 1 and a review of relevant publications by other authors. The review was conducted from 2 January 2025 to mid-August 2026 to identify the principal requirements introduced by IFRS 18, examine how they differ from IAS 1, and assess their practical implications for financial statement presentation and implementation.

The paper does not include an original survey, archival dataset, or statistical analysis. It therefore does not claim empirical evidence of IFRS 18's effects on investor behaviour or corporate reporting outcomes. Its contribution is analytical, connecting the Standard's technical requirements with implementation consequences and identifying practical governance issues that warrant further empirical research.

### From IAS 1 to IFRS 18: why presentation needed reform

#### The Problem of Comparability

Under IAS 1, entities had considerable flexibility in the structure and subtotals used in the statement of profit or loss. Although flexibility can accommodate different business models, it can also reduce comparability when entities use the same label, particularly "operating profit" for measures calculated on different bases. The IASB's rationale for IFRS 18 is therefore closely connected to the decision-usefulness of financial performance information: users need a consistent starting point to analyse operating performance and compare companies. (IASB, 2024c; Viana Júnior, 2026)

The reform is best understood as a move from broad presentation principles toward a more structured communication model. IFRS 18 retains flexibility where it is useful, but it establishes defined categories, defined subtotals, stronger principles for grouping information, and disclosure requirements for selected management-created performance measures.

#### Continuity as well as change

IFRS 18 does not discard the foundations of financial reporting. The principles of fair presentation, accrual accounting and going concern remain part of the IFRS framework, although some IAS 1 material has been relocated to IAS 8 and IFRS 7. Comparative information and consistency remain important. The significance of IFRS 18 lies in how information is organised and communicated, particularly in the statement of financial performance and the notes. (IASB, 2024a)

### Core changes introduced by IFRS 18

#### Categories in the statement of profit or loss

IFRS 18 introduces a structured classification model for income and expenses in the statement of profit or loss. It introduces three new categories, operating, investing and financing. In addition, the statement includes income tax and discontinued operations categories as applicable. This classification provides a consistent framework for communicating different aspects of performance. (IASB, 2024a, 2026a)

The operating category is the residual category for income and expenses not classified in the investing, financing, income-tax, or discontinued-operations categories, subject to the Standard's specific requirements and exceptions.

Entities must also assess whether they have specified main business activities, particularly investing in assets or providing financing to customers, because that assessment can affect the classification of certain income and expenses.

### **Classification of Gains and Losses**

The new standard highlights an important practical consequence: gains and losses should generally follow the category of the underlying transaction or activity. For example, foreign-exchange effects associated with trade receivables are generally connected with operating activities, whereas foreign-exchange effects on financing arrangements may fall within financing. The precise classification depends on the requirements of IFRS 18 and the facts and circumstances. Where the Standard permits a cost or effort exception, an entity must apply the related disclosure requirements. (IASB, 2026a)

### **Mandatory Subtotals**

IFRS 18 requires an entity to present three specified totals/subtotals: operating profit or loss, profit or loss before financing and income taxes, and profit or loss. The first two are the new defined subtotals introduced by IFRS 18. Operating profit or loss comprises all income and expenses classified in the operating category, while profit or loss before financing and income taxes comprises operating profit or loss plus all income and expenses classified in the investing category. Profit or loss is the overall total of income less expenses.

If an entity's main business activity is providing financing to customers and it elects the accounting policy under paragraph 65(a)(ii), certain income and expenses from liabilities related to providing financing to customers may be classified in the operating category. This is particularly relevant to entities such as banks and other financing businesses. As a result, operating profit may already include certain financing-related amounts. Therefore, presenting a subtotal labelled "profit or loss before financing and income taxes" would not meaningfully distinguish operating from financing results in this circumstance.

However, income and expenses from liabilities that do not relate to providing financing to customers are classified separately in the financing category. For example, interest on borrowing used to finance the entity's own infrastructure or expansion may fall into this category, depending on the facts and circumstances. Consequently, if an additional subtotal is presented after operating profit, its label must faithfully describe its contents and must not be labelled "profit before financing", because the operating result may already include certain financing-related amounts. (IASB, 2024a, 2024b)

### **Determination of Specified Business Activities Exception by IFRS 18**

IFRS 18 requires an entity to determine whether its specified main business activity is investing in assets or providing financing to customers. This assessment is based on facts and evidence, involves management judgement, and is performed at the reporting entity level. Where such a specified main business activity is identified, certain items of income and expense that would otherwise be classified within the investing or financing categories are instead classified within the operating category. Entities are required to disclose whether they have either of these specified main business activities. (IASB, 2024a, 2024b)

### **Operating Expenses Presentation by IFRS 18**

IFRS 18 requires operating expenses to be presented by nature, by function, or by a combination of both, depending on which approach provides the most useful structured summary of the entity's expenses. A mixed presentation is therefore required when it provides the most useful structured summary. Each individual line item must be aggregated on the basis of a single characteristic only, although different line items may be aggregated using different characteristics.

Where an entity presents any operating-expense line item by function, paragraph 83 requires disclosure, in a single note, of specified expenses analysed by nature. These comprise depreciation, amortisation, employee benefits, impairment of non-financial assets, and inventory write-downs, together with an indication of the amounts of each included in the relevant functional line items. (IASB, 2024a, 2024b)

### Amendments to IAS 7 – Statement of Cash Flows

IFRS 18 introduces three consequential amendments to IAS 7. Entities are now required to commence the reconciliation of cash flows from operating activities under the indirect method of cash flow with operating profit or loss, rather than with profit or loss before tax. In addition, the amendments remove the previous election that permitted interest paid and dividends paid to be classified as either operating or financing cash flows. Under the revised requirements, dividends paid must be classified under financing activities, and interest payments must be classified as financing cash flows, except where the entity’s specified main business activities dictate otherwise, such as financing services. Therefore, IFRS 18 affects both the statement of profit or loss and the statement of cash flows. (IASB, 2024c)

### Amendment to IAS 34 - Interim Reporting

IFRS 18 also amends IAS 34 Interim Financial Reporting. In the first year of application, an entity preparing condensed interim financial statements is required to present the headings it expects to use in its annual financial statements under IFRS 18, together with the subtotals mandated by that Standard. In addition, the entity must provide a reconciliation, for each line item in the statement of profit or loss, between the comparative amounts restated under IFRS 18 and the amounts previously reported under IAS 1. IFRS 18 further requires disclosure of information about management-defined performance measures (MPMs) in the notes to the condensed interim financial statements. (IASB, 2024c)

**Table 1. IAS 1 And IFRS 18 — High-Level Comparison**

| Area                        | IAS 1 environment                                                                   | IFRS 18 direction                                                                                      |
|-----------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Profit or loss structure    | Broad presentation requirements with significant entity-level flexibility.          | Structured categories and defined subtotals designed to improve comparability.                         |
| Operating profit            | Commonly presented but not defined by IFRS Standards.                               | Defined operating profit or loss subtotal.                                                             |
| Management measures         | Limited IFRS-specific discipline over many company-specific subtotals.              | MPM definition and prescribed disclosures.                                                             |
| Aggregation/disaggregation  | General principles with less detailed application structure.                        | More explicit principles and guidance for grouping information.                                        |
| Primary statements vs notes | Role distinction exists but is less explicitly integrated with grouping principles. | Useful structured summary in primary statements; material supporting information in notes.             |
| Implementation              | Existing reporting architecture largely familiar.                                   | Potential redesign of chart of accounts, data mappings, systems, controls and comparative information. |

### Aggregation and disaggregation: from data volume to useful information

One of IFRS 18's most significant changes is its more explicit approach to aggregation and disaggregation. The objective is not simply to show more information. It is to show information at a level that preserves useful characteristics and does not obscure material information. (IASB, 2024a, 2024b)

The Standard requires entities to identify assets, liabilities, equity, income, expenses and cash flows arising from individual transactions and other events; classify and aggregate items based on shared characteristics; and disaggregate items when their characteristics differ and the resulting information is material. This creates a link between the primary financial statements and the notes: primary statements provide useful structured summaries, while notes provide material information needed to understand and supplement those summaries.

IFRS 18 provides a practical five-stage way of thinking about this process: identify line items; classify and aggregate; disaggregate; decide what belongs in the primary financial statements; and determine what should be presented in the notes. This is a useful implementation framework, although the Standard's application guidance should be followed rather than treating these steps as a rigid mechanical sequence.

### **Labelling is Part of Faithful Representation**

IFRS 18 strengthens the importance of labels and descriptions. Aggregated line items should be labelled in a way that faithfully represents the characteristics of what they contain. This reduces the risk that broad labels such as 'other' conceal economically different items. The issue is therefore not merely presentation aesthetics; labels affect the information users infer from reported amounts.

### **Management-Defined Performance Measures (MPM): Bringing Management's Language into the Notes**

Management-defined performance measures (MPM) are one of the most visible changes introduced by IFRS 18. An MPM is a subtotal of income and expenses that the entity uses in public communications outside the financial statements to communicate management's view of an aspect of the entity's overall financial performance and that is not otherwise specified or required by IFRS Accounting Standards. (IASB, 2024a, 2026a)

The concept is important because many entities already communicate performance through company-specific measures such as adjusted EBITDA, adjusted operating profit, or profit measures excluding specified restructuring or other items. IFRS 18 does not prohibit such measures. Instead, it brings qualifying measures within a disciplined disclosure framework so users can understand what management is communicating and how the measure differs from IFRS-defined measures.

Public communication is an important boundary. IFRS 18 identifies communications such as management commentary, press releases and investor presentations as relevant public communications, while social-media posts and verbal communications are excluded from the definition. The distinction can require judgment, particularly for investor materials distributed privately or subject to confidentiality restrictions.

### **What MPM Disclosure is Intended to Achieve**

The disclosure objective is not to certify that management's measure is economically superior to an IFRS measure. Rather, the disclosure should enable users to understand what aspect of financial performance management is being communicated and how the MPM compares with measures defined by IFRS Accounting Standards. Entities must label and describe MPM clearly and in a way that does not mislead users, and provide the required reconciliation and explanatory information. (IASB, 2024a)

In addition, the entity must provide a reconciliation to the most directly comparable total or subtotal specified by IFRS Accounting Standards. The reconciliation must disclose the income-tax effect and the non-controlling-interest effect of each reconciling item, together with an explanation of how the tax effect was determined.

This is particularly significant for audit and governance. Once IFRS 18's MPM requirements capture a measure, the entity's public reporting language becomes linked to the financial statements and subject to the related disclosure requirements. Accordingly, investor-relations practices, finance processes, accounting policies and audit procedures need to be aligned.

Where an entity changes, adds or ceases to use an MPM, it must explain the nature of the change and the reasons for it, and provide restated comparative information unless it is impracticable to do so.

### **Non-GAAP Measures Outside the MPM Definition**

Not every non-GAAP measure constitutes a management-defined performance measure (MPM) under IFRS 18. The definition is limited to subtotals of income and expenses that are used in public communications to convey management's view of an aspect of the entity's financial performance and that are not otherwise specified or required by IFRS Accounting Standards.

Consequently, revenue growth percentages, margins expressed as percentages, operational KPIs, customer numbers, volume measures, financial ratios (such as return on assets), liquidity or cash-flow measures (such as free cash flow), non-financial performance measures, and measures that relate solely to assets, liabilities or equity fall outside the current definition of an MPM. They do not automatically fall within the original IFRS 18 MPM definition simply because management uses them publicly. However, a subtotal of income and expenses that is used as the numerator or denominator of a ratio may still qualify as an MPM if that subtotal independently satisfies the definition.

### **Statement of Financial Position and Other Statements**

The most substantial changes under IFRS 18 are concentrated in financial performance presentation rather than a wholesale redesign of the statement of financial position. Nevertheless, IFRS 18 applies broader principles on useful structured summaries, aggregation and disaggregation, and line-item presentation and labeling across the primary financial statements. (IASB, 2024a, 2024b)

The presentation of goodwill requires a notable change in the statement of financial position. In practice, entities should not treat this as an isolated formatting issue: the broader IFRS 18 principles may require reconsideration of how line items are aggregated, described and linked to note disclosures.

### **Implementation Implications: IFRS 18 as a Data and Governance Project**

A central insight from IFRS 18 is that it may require changes to accounting systems, chart-of-accounts structures, and procedures for producing reporting data. That observation is strategically important. The new presentation is generated from underlying accounting data; if the existing data architecture cannot identify the characteristics needed for classification, aggregation, and disaggregation, year-end manual adjustments may become costly and error-prone. (IASB, 2024a, 2024b)

### **Chart of Accounts and Data Mapping**

Entities should assess whether general-ledger accounts and subledgers contain enough information to map transactions consistently to IFRS 18 categories. The mapping should be documented, controlled and capable of supporting comparative information. Where one account contains transactions with materially different characteristics, the entity may need additional dimensions, subaccounts or analytical tags rather than relying on post-close spreadsheet allocation. (IASB, 2024b)

### **Systems and Reporting Architecture**

IFRS 18 readiness should include an assessment of enterprise resource planning systems, consolidation tools, reporting cubes, data warehouses and financial-reporting software. The objective is not necessarily to replace systems; rather, management should determine whether existing systems can capture, retain and reproduce the information required by the new presentation and disclosure model.

## Comparative Information and Transition

IFRS 18 requires retrospective application in accordance with IAS 8. For the comparative period immediately preceding the date of initial application, entities must present a reconciliation, for each line item in the statement of profit or loss, between the amounts restated under IFRS 18 and the amounts previously reported under IAS 1. Consequently, successful implementation of IFRS 18 depends on the availability of historical data that is sufficiently granular to support both the required reclassifications and the reconciliations. Concurrently, the title of IAS 8 has been amended from “Accounting Policies, Changes in Accounting Estimates and Errors” to “Basis of Preparation of Financial Statements”. (IASB, 2024b)

## Internal Controls and Governance

IFRS 18 creates new control points. Examples include controls over classification of income and expenses, identification of specified main business activities, determination of MPM, reconciliation of MPM, aggregation and disaggregation judgements, and approval of external communications containing performance measures. (IASB, 2024a, 2024b)

## Auditors and Regulators

Auditors will need to evaluate not only the arithmetic accuracy of reported amounts but also the consistency of classification, the appropriateness of judgements and the completeness and clarity of MPM disclosures. Regulators may likewise need to update reporting templates, supervisory guidance and review procedures. The European Banking Authority's 2026 implementation work for FINREP illustrates the wider operational implications for regulated entities. (IASB, 2024c; EBA, 2026)

## Implementation for Non-financial and Financial Entities

The presentation layout differs for non-financial entities and financial entities because of their main business activities. A non-financial entity, such as a manufacturer, retailer, trader, or service provider, presents information starting with Revenue, Cost of sales, Operating expenses, Operating profit or loss, and Investment income. Profit before financing and income tax, Finance cost, Income tax and Net profit or loss.

However, for financial institutions such as banks and financing entities with a specified main business entity, certain interest income and expenses will be part of operating income or loss rather than investment or financing.

## Worked Statement of Profit or Loss Examples for Non-Financial and Financial Entities

Suppose a company has Revenue of BD 1,000,000, Cost of sales BD 600,000, Administrative expenses BD 150,000, Gain on disposal of property, plant and equipment BD 30,000, Interest income from investments BD 20,000, Financing cost on borrowings BD 50,000 and Income tax expense of BD 50,000.

### Illustration - Presentation Under IAS 1 – Statement of Profit or Loss

|                                                 | BD             |
|-------------------------------------------------|----------------|
| Revenue                                         | 1,000,000      |
| Less: Cost of sales                             | (600,000)      |
| <b>Gross profit</b>                             | <b>400,000</b> |
| Administrative expenses                         | (150,000)      |
| Gain on disposal of property, plant & equipment | 30,000         |
| Interest income from investments                | 20,000         |
| Finance cost                                    | (50,000)       |
| <b>Profit before tax</b>                        | <b>250,000</b> |

|                            |                       |
|----------------------------|-----------------------|
| Income tax expense         | <u>(50,000)</u>       |
| <b>Profit for the year</b> | <b><u>200,000</u></b> |

### Illustration - Presentation Under IFRS 18 – Statement of Profit or Loss

|                                                 |            | <b>BD</b>             |
|-------------------------------------------------|------------|-----------------------|
| Revenue                                         | Operating  | 1,000,000             |
| Less: Cost of sales                             | Operating  | <u>(600,000)</u>      |
| <b>Gross profit</b>                             |            | <b>400,000</b>        |
| Administrative expenses                         | Operating  | (150,000)             |
| Gain on disposal of property, plant & equipment | Operating  | <u>30,000</u>         |
| <b>Operating profit</b>                         |            | <b>280,000</b>        |
| Interest income from investments                | Investing  | <u>20,000</u>         |
| <b>Profit before financing &amp; income tax</b> |            | <b>300,000</b>        |
| Finance cost                                    | Financing  | <u>(50,000)</u>       |
| <b>Profit before income tax</b>                 |            | <b>250,000</b>        |
| Income tax expense                              | Income Tax | <u>(50,000)</u>       |
| <b>Profit for the year</b>                      |            | <b><u>200,000</u></b> |

### Critical Assessment of IFRS 18

#### Expected Benefits

- Greater comparability of operating performance through a defined operating profit subtotal and structured categories. (IASB, 2024c; Viana Júnior, 2026)
- Improved transparency around company-specific performance measures through MPM disclosures.
- Better linkage between primary financial statements and notes through explicit aggregation and disaggregation principles. (IASB, 2024a, 2024b)
- Improved ability for investors and lenders to identify information requiring deeper analysis.
- More disciplined financial-performance communication across accounting and investor-relations channels.

#### Potential Costs and Risks

- Higher implementation costs, particularly for entities with fragmented systems or weak historical data. (IASB, 2024c; Djemai, 2025)
- Increased judgement and documentation requirements in classification and aggregation decisions.
- Potential inconsistency during the transition period if finance, investor relations and external reporting teams use different definitions.
- Risk of mechanical compliance; for example, changing statement layouts without improving the underlying data architecture.
- Training demands for preparers, auditors, audit committees and regulators.

#### The central Trade-off

The central trade-off is between standardisation and business-model relevance. Too little standardisation can impair comparability; too much rigidity can make financial statements less informative for entities with unusual activities. IFRS 18 addresses this by combining defined categories and subtotals with judgement-based requirements, particularly for entities with specified main business activities and for the level of aggregation and disaggregation. (IASB, 2024a, 2024b)

## Recommended IFRS 18 Readiness Roadmap

| Phase             | Core action                                                                                                          | Key output                            | Primary owners                 |
|-------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------|
| 1. Diagnostic     | Compare current IAS 1 presentation with IFRS 18 requirements.                                                        | Gap assessment                        | Finance / Technical accounting |
| 2. Classification | Map income and expenses to operating, investing and financing categories; assess specified main business activities. | Documented classification policy      | Technical accounting / Finance |
| 3. Data           | Review chart of accounts, subledgers and historical data availability.                                               | Data and mapping design               | Finance / IT                   |
| 4. MPM            | Performance measures used in public communications.                                                                  | MPM register and disclosure framework | Finance / IR / Legal           |
| 5. Reporting      | Redesign statements, notes and management reporting outputs.                                                         | IFRS 18 reporting pack                | Financial reporting            |
| 6. Controls       | Design controls over classification, reconciliations, judgements and communications.                                 | Control matrix and evidence           | Internal control / Audit       |
| 7. Comparatives   | Reconstruct and test comparative information.                                                                        | Restated comparative data             | Finance / IT                   |
| 8. Dry run        | Run a full IFRS 18 close before mandatory adoption.                                                                  | Parallel reporting results            | All functions                  |

## Current Implementation Developments (June 2026)

Current implementation developments are also relevant because mandatory application has not yet occurred.

In June 2026, the IFRS Interpretations Committee considered several IFRS 18 questions, including management-defined performance measures, public communications, classification of income and expenses from cash and cash equivalents, financing activities and operating-expense presentation. These developments demonstrate that application questions are emerging before the first mandatory reporting cycle and that preparers should monitor IFRS Foundation implementation materials. (IASB, 2026a)

The June 2026 IFRIC discussions considered several of the following practical IFRS 18 implementation matters. These discussions provide useful clarification on areas requiring judgement when applying IFRS 18. However, the matters identified as tentative agenda decisions should not be treated as amendments or mandatory requirements of IFRS 18 until their status is finalized. (IASB, 2026a)

| June 2026 Implementation Topic                                       | What was considered?                                                                                                                                                            | Status                    |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| MPMs for Hypothetical Income and Expenses                            | A hypothetical income/expense measure can qualify as an MPM if it meets the criteria of MPM; faithful representation does not mean the measure is necessarily a “good” measure. | Tentative agenda decision |
| MPMs Used in Public Communications                                   | Confidential presentations to a small number of identifiable investors are not automatically public communications; therefore, judgement is required.                           | Tentative agenda decision |
| Classification of Income and Expenses from Cash and Cash Equivalents | Paragraph 56(a) can require income/expenses from all cash and cash equivalents to be operating where the specified main business activity condition applies.                    | Tentative agenda decision |

|                                                                            |                                                                                                                                                                                                                                     |                           |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Main Business Activity is Providing Financing to Customers                 | It applies at the reporting-entity/consolidated-group level; inability to distinguish specified liabilities can affect classification of all such liabilities.                                                                      | Tentative agenda decision |
| Assessment of Specified Main Business Activities for a Manufacturer-Lessor | Assessing whether investing in assets or providing financing to customers is a specified main business activity requires applying IFRS 18's specific principles to the facts.                                                       | Tentative agenda decision |
| Labels of Subtotals                                                        | Labels must faithfully represent the characteristics of the subtotal; the label does not necessarily have to list every excluded item if the accompanying description provides the required explanation.                            | Tentative agenda decision |
| Presentation of Operating Expenses                                         | Paragraph 78 can require mixed presentation where it provides the most useful, structured summary; paragraph B82 permits expenses of the same nature to appear in both nature and function-based lines when appropriately labelled. | Tentative agenda decision |

These developments demonstrate that application questions are emerging before the first mandatory reporting cycle and that preparers should monitor IFRS Foundation implementation materials. These are not all final amendments or final IFRIC Interpretations. Several were tentative agenda decisions open for comment until 9 September 2026.

### Opinion Issued by EBA (July 2026)

The European Banking Authority (EBA) also issued an opinion on 8 July 2026 concerning IFRS 18 implementation in supervisory financial reporting. The EBA noted that institutions will apply IFRS 18 in public financial statements from 1 January 2027, while amended FINREP requirements are expected to apply later. This illustrates that IFRS 18 may affect not only external financial statements but also regulatory reporting architecture, data models and reporting interfaces. (EBA, 2026)

### Future Research Agenda

The literature on IFRS 18 is still developing because mandatory application has not yet occurred. Future research should move beyond conceptual descriptions and test whether the Standard produces the outcomes the IASB anticipated. (Viana Júnior, 2026; Djemai, 2025)

- Whether operating-profit comparability improves across industries after IFRS 18 adoption.
- Whether MPM disclosures reduce information asymmetry or merely increase disclosure volume.
- How investors interpret MPM reconciliations and whether disclosure quality affects valuation relevance.
- The cost of IFRS 18 implementation by entity size, industry and degree of system complexity.
- Whether IFRS 18 changes the frequency or content of earnings-management and non-GAAP reporting practices.
- How auditors assess classification and MPM judgements and whether assurance practices become more consistent.
- The effects of IFRS 18 on financial reporting in emerging markets and smaller IFRS jurisdictions.

## CONCLUSION

IFRS 18 represents a significant evolution in the presentation and disclosure of financial statements. Its importance lies not simply in replacing IAS 1 or changing the layout of the statement of profit or loss, but in establishing a more coherent communication architecture for financial performance.

Three changes are particularly consequential. First, the structured operating, investing and financing categories and defined subtotals create a more consistent basis for analysing performance. Second, MPM requirements bring qualifying management-created performance measures into a transparent disclosure framework. Third, strengthened

aggregation and disaggregation principles seek to prevent both excessive summarisation and excessive detail from obscuring useful information. (IASB, 2024a, 2026a)

The implementation challenge is therefore broader than technical accounting. Entities need reliable data, appropriate system architecture, documented judgements, effective internal controls and coordination between finance and external communications. A successful IFRS 18 implementation should begin well before the first mandatory reporting period and should be treated as a financial-reporting transformation project.

The overall conclusion is that IFRS 18 has the potential to move financial reporting from greater formal compliance toward greater decision-useful clarity. Whether that potential is realised will depend on the quality of implementation, the discipline applied to management-defined measures, and the ability of preparers, auditors and regulators to apply the Standard consistently without losing the economic substance of different business models.

## LIMITATIONS

This paper is a conceptual and technical review prepared from available resources on IFRS 18 from publicly available IFRS Foundation and related literature. It does not contain original company-level data, interviews or survey evidence. It should therefore be regarded as a research-based analytical paper and not as evidence of the realised economic effects of IFRS 18. Those effects can only be assessed reliably after sufficient post-adoption reporting data become available.

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