Amendments to MFRS 101 *Presentation of Financial Statements*

Paragraphs 7, 15, 19–20, 23–24, 28 and 89 are amended and paragraph 139S is added. Four footnotes are deleted—the footnotes to ‘paragraph 25’ in paragraph 7, to the second sentence in paragraph 15, to paragraph 28 and to ‘*Framework*’s’ in paragraph 89. New text is underlined and deleted text is struck through.

Definitions

7 **The following terms are used in this Standard with the meanings specified:**

…

Material **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25~~~~[2]~~ ~~that ‘users~~Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.~~’~~ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

~~2~~ ~~In November 2011 the MASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*. Paragraph 25 was superseded by Chapter 3 of the *Conceptual Framework*.~~

…

Fair presentation and compliance with MFRSs

15 **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the ~~*Framework*~~*Conceptual Framework for Financial Reporting* (*Conceptual Framework*).[3] The application of MFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

~~[3] Paragraphs 15–24 contain references to the objective of financial statements set out in the *Framework [for the Preparation and Presentation of Financial Statements]*. In November 2011 the MASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*, which replaced the objective of financial statements with the objective of general purpose financial reporting: see Chapter 1 of the *Conceptual Framework*.~~

…

19 **In the extremely rare circumstances in which management concludes that compliance with a requirement in a MFRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~*Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

20 **When an entity departs from a requirement of a MFRS in accordance with paragraph 19, 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 applicable MFRSs, except that it has departed from a particular requirement to achieve a fair presentation;

(c) **the title of the MFRS from which the entity has departed, the nature of the departure, including the treatment that the MFRS 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 the ~~*Framework*~~ *Conceptual Framework*, 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.**

…

23 **In the extremely rare circumstances in which management concludes that compliance with a requirement in a MFRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~*Conceptual Framework*, 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 title of the MFRS in question, the nature of the requirement, 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 the ~~*Framework*~~*Conceptual Framework*; 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.**

24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements.

When assessing whether complying with a specific requirement in a MFRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~ *Conceptual Framework*, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~*Conceptual Framework*.

…

Accrual basis of accounting

…

28 When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the ~~*Framework*~~ *Conceptual Framework*.[4]

[4] ~~replaced by the *Conceptual Framework* in November 2011.~~

…

Profit or loss for the period

…

89 Some MFRSs specify circumstances when an entity recognises particular items outside profit or loss in the current period. MFRS 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other MFRSs require or permit components of other comprehensive income that meet the ~~*Framework*'s~~[5]*Conceptual Framework*'s

definition of income or expense to be excluded from profit or loss (see paragraph 7).

~~5 In November 2011 the MASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.~~

…

Transition and effective date

…

139S *Amendments to References to the Conceptual Framework in MFRS Standards*, issued in 2018, amended paragraphs 7, 15, 19–20, 23–24, 28 and 89. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in MFRS Standards*. An entity shall apply the amendments to MFRS 101 retrospectively in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to MFRS 101 by reference to paragraphs 23–28, 50–53 and 54F of MFRS 108.