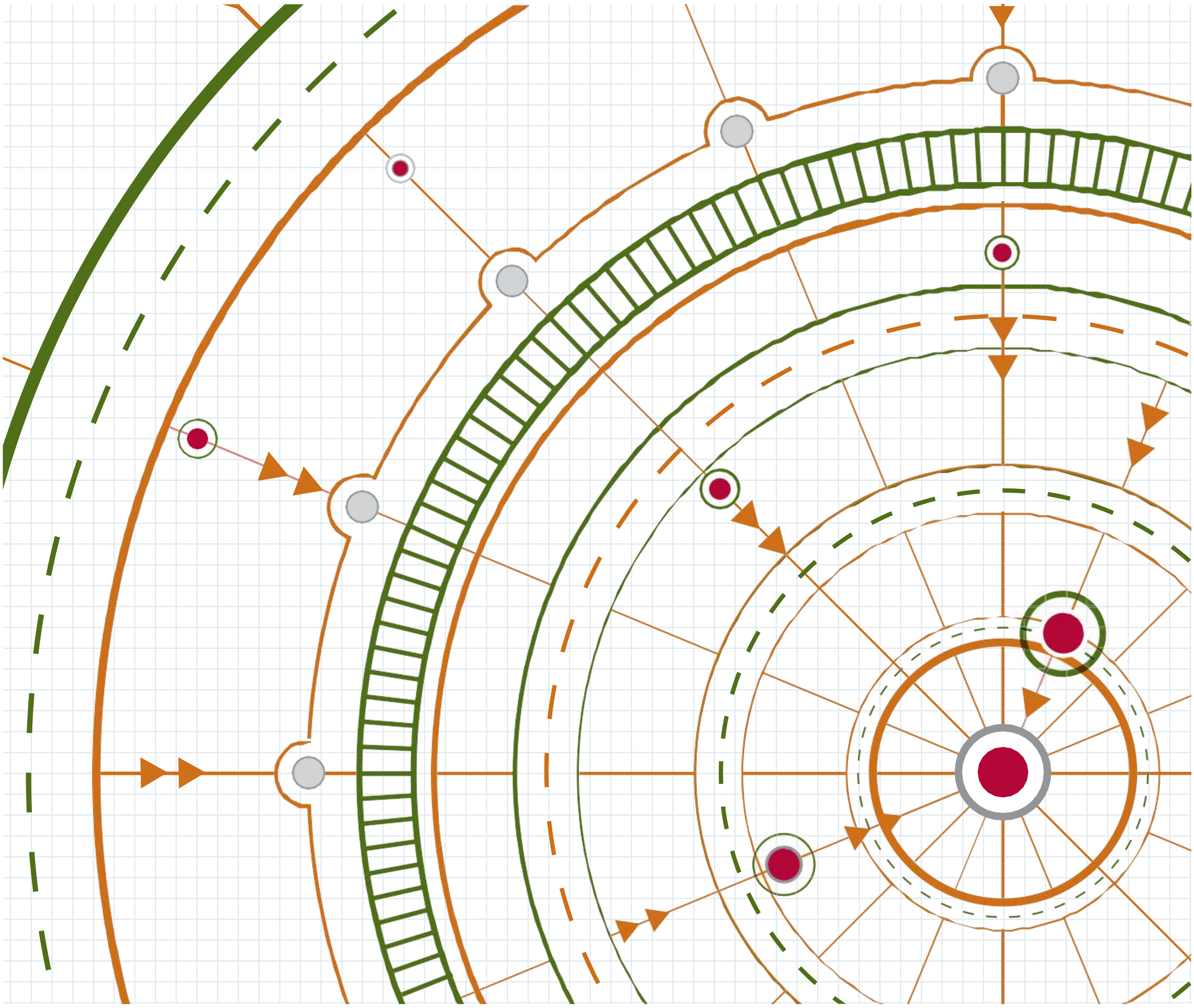
IFRS for SMEs® Standard (2015) + Q&As

IFRS® Foundation—Supporting Material for the *IFRS for SMEs* Standard

Module 5—Statement of Comprehensive Income and Income Statement



IFRS® Foundation Supporting Material for the *IFRS for SMEs®* Standard

including the full text of
Section 5 *Statement of Comprehensive Income and Income Statement*
of the *IFRS for SMEs* Standard
issued by the International Accounting Standards Board in October 2015

with extensive explanations, self-assessment questions and case studies

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This module has been prepared by IFRS Foundation (Foundation) education staff. It has not been approved by the International Accounting Standards Board (Board). The module is designed to assist users of the *IFRS for SMEs®* Standard (Standard) to implement and consistently apply the Standard.

Contents

Module 5—Statement of Comprehensive Income and Income Statement

The accounting requirements applicable to small and medium-sized entities (SMEs) discussed in this module are set out in the *IFRS for SMEs* Standard, issued by the International Accounting Standards Board (Board) in October 2015.

This module has been prepared by IFRS Foundation education staff.

The contents of Section 5 *Statement of Comprehensive Income and Income Statement* of the *IFRS for SMEs* Standard are set out in this module and shaded grey. The Glossary of terms of the *IFRS for SMEs* Standard (Glossary) is also part of the requirements. Terms defined in the Glossary are reproduced in **bold type** the first time they appear in the text of Section 5. The notes and examples inserted by the education staff are not shaded. These notes and examples do not form part of the *IFRS for SMEs* Standard and have not been approved by the Board.

INTRODUCTION

Which version of the *IFRS for SMEs*® Standard?

When the *IFRS for SMEs* Standard was first issued in July 2009, the Board said it would undertake an initial comprehensive review of the Standard to assess entities' experience of the first two years of its application and to consider the need for any amendments. To this end, in June 2012, the Board issued a Request for Information: *Comprehensive Review of the IFRS for SMEs*. An Exposure Draft proposing amendments to the *IFRS for SMEs* Standard was subsequently published in 2013, and in May 2015 the Board issued *2015 Amendments to the IFRS for SMEs* Standard.

The document published in May 2015 only included amended text, but in October 2015, the Board issued a fully revised edition of the Standard, which incorporated additional minor editorial amendments as well as the substantive May 2015 revisions. This module is based on that version.

The *IFRS for SMEs* Standard issued in October 2015 is effective for annual periods beginning on or after 1 January 2017. Earlier application was permitted, but an entity that did so was required to disclose the fact.

Any reference in this module to the *IFRS for SMEs* Standard refers to the version issued in October 2015.

This module

Section 3 *Financial Statement Presentation* of the *IFRS for SMEs* Standard sets out general presentation requirements and Sections 4–8 focus on the requirements for the presentation of the financial statements.

This module focuses on the general requirements for the presentation of the statement of comprehensive income and the income statement in accordance with Section 5 *Statement of Comprehensive Income and Income Statement*. It introduces the subject and reproduces the official text along with explanatory notes and examples designed to enhance understanding of the requirements. The module identifies the significant judgements required in presenting the Statement of Comprehensive Income and Income Statement. In addition, the module includes questions designed to test your understanding of the requirements and case studies that provide a practical opportunity to apply the requirements to present those statements in applying the *IFRS for SMEs* Standard.

Upon successful completion of this module, you should, within the context of the *IFRS for SMEs* Standard, be able to:

- understand the choice between the single-statement approach and the two-statement approach;
- present a statement of comprehensive income;
- present an income statement;
- identify which items of income and expenses are presented as other comprehensive income and how to group them on the basis of whether they are potentially reclassifiable to profit or loss;
- identify a discontinued operation; and
- analyse expenses classified by nature and by function.

IFRS for SMEs Standard

The *IFRS for SMEs* Standard is intended to apply to the general purpose financial statements of entities that do not have public accountability (see Section 1 *Small and Medium-sized Entities*).

The *IFRS for SMEs* Standard is comprised of mandatory requirements and other non-mandatory material.

The non-mandatory material includes:

- a preface, which provides a general introduction to the *IFRS for SMEs* Standard and explains its purpose, structure and authority;
- implementation guidance, which includes illustrative financial statements and a table of presentation and disclosure requirements;
- the Basis for Conclusions, which summarises the Board's main considerations in reaching its conclusions in the *IFRS for SMEs* Standard issued in 2009 and, separately, in the 2015 Amendments; and
- the dissenting opinion of a Board member who did not agree with the issue of the *IFRS for SMEs* Standard in 2009 and the dissenting opinion of a Board member who did not agree with the 2015 Amendments.

In the *IFRS for SMEs* Standard, Appendix A: Effective date and transition, and Appendix B: Glossary of terms, are part of the mandatory requirements.

In the *IFRS for SMEs* Standard, there are appendices to Section 21 *Provisions and Contingencies*, Section 22 *Liabilities and Equity* and Section 23 *Revenue*. These appendices provide non-mandatory guidance.

The *IFRS for SMEs* Standard has been issued in two parts: Part A contains the preface, all the mandatory material and the appendices to Section 21, Section 22 and Section 23; and Part B contains the remainder of the material mentioned above.

Further, the SME Implementation Group (SMEIG), which assists the Board with supporting implementation of the *IFRS for SMEs* Standard, publishes implementation guidance as 'questions and answers' (Q&As). These Q&As provide non-mandatory, timely guidance on specific accounting questions raised with the SMEIG by entities implementing the *IFRS for SMEs*

Standard and other interested parties. At the time of issue of this module (August 2018) the SMEIG has not issued any Q&As relevant to this module.

Introduction to the requirements

The objective of general purpose financial statements of a small or medium-sized entity is to provide information about the entity's financial position, performance and cash flows that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs. Such users include, for example, owners who are not involved in managing the business, existing and potential creditors and credit rating agencies.

The objective of Section 5 is to prescribe general requirements for presenting an entity's financial performance for the period. In particular, Section 5 requires an entity to make an accounting policy choice between presenting total comprehensive income for a period either in a single statement or in two separate statements. It specifies line items to be presented in those statements, prohibits the presentation or description of any items of income or expense as 'extraordinary items' and requires presentation of an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant. It also requires items of other comprehensive income to be grouped into those that, in accordance with the *IFRS for SMEs* Standard, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met.

What has changed since the 2009 *IFRS for SMEs* Standard

The following are the main changes made to Section 5 by the 2015 Amendments:

- Clarification that the single amount presented for discontinued operations includes any impairment of the discontinued operation measured in accordance with Section 27 (see paragraph 5.5(e)(ii)).
- Addition of a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss—based on *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) issued in June 2011 (see paragraph 5.5(g)).

In addition, consequential changes have been made to Section 5 as a result of changes made to other section. For example, paragraph 5.4(b) has been changed to reflect the changes made to Section 17 permitting entities to measure property, plant and equipment using the revaluation model.

There have also been other minor or editorial amendments; these have been included but not highlighted above.

Module 5—Statement of Comprehensive Income and Income Statement

REQUIREMENTS AND EXAMPLES

Scope of this section

5.1 This section requires an entity to present its **total comprehensive income** for a period—ie its financial **performance** for the period—in one or two **financial statements**. It sets out the information that is to be presented in those statements and how to present it.

Notes

The Glossary defines total comprehensive income as '[t]he change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners (equal to the sum of profit or loss and other comprehensive income)'.

Profit or loss (sometimes called net income) is frequently used as a measure of performance or as the basis for other measures, such as return on investment or earnings per share. The elements directly related to the measurement of profit are income and expenses. Paragraph 5.4(b) specifies four items of income and expenses that are recognised outside of profit or loss in other comprehensive income. Profit or loss together with other comprehensive income combine to give total comprehensive income.

Section 5 specifies the presentation of an entity's income and expenses. Other sections of the *IFRS for SMEs* Standard specify requirements for recognising and measuring income and expenses.

Income is defined in the Glossary as '[i]ncreases in economic benefits during the reporting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from owners.'

Expenses are defined in the Glossary as '[d]ecreases in economic benefits during the reporting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to owners.'

Distinguishing between items of income and expense and combining them in different ways also permits several measures of an entity's performance to be displayed. An entity is required to present additional line items, headings and subtotals in its financial performance statements when such presentation is relevant to an understanding of the entity's financial performance (paragraph 5.9). For example, as additional subtotals it could display gross profit and either profit or loss from ordinary activities before taxation or profit before tax.

Module 5—Statement of Comprehensive Income and Income Statement

Presentation of total comprehensive income

5.2 An entity shall present its total comprehensive income for a period either:

(a) in a single **statement of comprehensive income,** in which case the statement of comprehensive income presents all items of **income** and **expense** recognised in the period; or

(b) in two statements—an **income statement** and a statement of comprehensive income—in which case the income statement presents all items of income and expense recognised in the period except those that are recognised in total comprehensive income outside of **profit or loss** as permitted or required by this Standard.

5.3 A change from the single-statement approach to the two-statement approach, or vice versa, is a change in accounting policy to which Section 10 *Accounting Policies, Estimates and Errors* applies.

Notes

The choice presented in paragraph 5.2 (ie single-statement approach or a two-statement approach) is an accounting policy choice. Paragraph 10.7 requires an entity to select and apply its accounting policies consistently. Moreover, an entity cannot voluntarily change its accounting policy unless the change would result in its financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows (see paragraph 10.8(b)).

Following a change from a single-statement approach to a two-statement approach, or vice versa, the comparative statement or statements will also be re-presented.

Single-statement approach

5.4 Under the single-statement approach, the statement of comprehensive income shall include all items of income and expense recognised in a period unless this Standard requires otherwise. This Standard provides different treatment for the following circumstances:

(a) the effects of corrections of **errors** and changes in **accounting policies** are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise (see Section 10); and

(b) four types of **other comprehensive income** are recognised as part of total comprehensive income, outside of profit or loss, when they arise:

(i) some **gains** and **losses** arising on translating the financial statements of a **foreign operation** (see Section 30 *Foreign Currency Translation*);

(ii) some actuarial gains and losses (see Section 28 *Employee Benefits*);

(iii) some changes in **fair values** of **hedging instruments** (see Section 12 *Other Financial Instrument Issues*); and

(iv) changes in the revaluation surplus for **property, plant and equipment** measured in accordance with the revaluation model (see Section 17 *Property, Plant and Equipment*).

Module 5—Statement of Comprehensive Income and Income Statement

Examples—single-statement approach

Ex 1 **The statement of comprehensive income of an entity could be presented in a single statement as follows:**

SME A—statement of comprehensive income for the year ended 31 December 20X8

		20X8	*20X7*
	Note[(1)]	*CU*[(2)]	*CU*
Revenue	6	645,000	499,500
Cost of sales		(500,000)	(400,000)
Distribution costs		(50,000)	(30,000)
Administrative expenses		(30,000)	(15,000)
Finance costs	8	(10,000)	(5,000)
Profit before tax		**55,000**	**49,500**
Income tax expense	9	(13,750)	(12,375)
Profit for the year		**41,250**	**37,125**
Other comprehensive income (none of which will be reclassified to profit or loss):			
Actuarial gains on defined benefit pension obligations, net of tax*	15	10,260	(22,360)
Revaluation surplus, net of tax*	13	3,800	4,230
Other comprehensive income[(3)] **for the year, net of tax**	18	**14,060**	**(18,130)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,310**	**18,995**

* Alternatively, the items of other comprehensive income could be presented before their related tax effect. If so, the aggregate tax would need to be included as a separate line item within other comprehensive income.

Note: the format illustrated in this example aggregates expenses in the income statement part of the Statement of Comprehensive Income according to their function (see paragraph 5.11). Regardless of whether expenses are analysed by function or by nature in the income statement part of the Statement of Comprehensive Income, the items of other comprehensive income have to be classified by nature (see paragraph 5.5(g)). The items of other comprehensive income also have to be analysed into those that will not be reclassified to profit or loss and those that will be reclassified to profit or loss when specific conditions are met (see paragraph 5.5(g)). In addition, an entity shall present additional line items, headings and subtotals in the statement of comprehensive income when such presentation is relevant to an understanding of the entity's financial performance (see paragraph 5.9).

(1) In this example, and in all other examples in this module, the notes have not been reproduced.

(2) In this example, and in all other examples in this module, monetary amounts are denominated in 'currency units' (CU).

(3) This example assumes that the entity has two of the four possible items of other comprehensive income.

Ex 2 **During 20X7, after SME B's 20X6 financial statements were approved for issue, SME B discovered a computational error in the calculation of depreciation expense for the year ended 31 December 20X6 (ie profit before tax for the year ended 31 December 20X6 was overstated by CU7,800, with a resultant CU1,950 overstatement of income tax expense).**

SME B's statement of comprehensive income for the year ended 31 December 20X7 could be presented as follows:

SME B—statement of comprehensive income for the year ended 31 December 20X7

		20X7	*20X6*
			Restated
	Note	*CU*	*CU*
Revenue	3	680,000	525,000
Other income	4	54,000	32,000
Changes in inventories of finished goods and work in progress		23,520	25,620
Raw material and consumables used		(428,000)	(299,800)
Employee benefits expense	9	(78,000)	(76,000)
Depreciation and amortisation expense (20X6: previously stated CU21,200)	13	(25,600)	(29,000)
Impairment of property, plant and equipment	13	–	(3,200)
Other expenses		(4,500)	(3,250)
Finance costs	10	(22,300)	(19,700)
Share of profit of associates	12	42,100	38,560
Profit before tax (20X6: previously stated CU198,030)		**241,220**	**190,230**
Income tax expense (20X6: previously stated CU49,508)	11	(60,305)	(47,558)
Profit or loss (20X6: previously stated CU148,522)		**180,915**	**142,672**
Other comprehensive income (none of which will be reclassified to profit or loss):			
Actuarial gains (losses) on defined benefit pension obligations, net of tax	14	6,162	(12,810)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (20X6: previously stated CU124,012)		**187,077**	**129,862**

Note: the format illustrated in this example aggregates expenses in the income statement part of the Statement of Comprehensive Income according to their nature (see paragraph 5.11). Regardless of whether expenses are analysed by function or by nature in the income statement part of the Statement of Comprehensive Income, the items of other comprehensive income have to be classified by nature (see paragraph 5.5(g)). The items of other comprehensive income also have to be analysed into those that will not be reclassified to profit or loss and those that will be reclassified to profit or loss when specific conditions are met (see paragraph 5.5(g)). In addition, an entity shall present additional line items, headings and subtotals in the statement of comprehensive income when such presentation is relevant to an understanding of the entity's financial performance (see paragraph 5.9).

5.5 As a minimum, an entity shall include, in the statement of comprehensive income, 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** (see Section 14 *Investments in Associates*) and **jointly controlled entities** (see Section 15 *Investments in Joint Ventures*) accounted for using the equity method.

(d) **tax expense** excluding tax allocated to items (e), (g) and (h) (see paragraph 29.35).

(e) a single amount comprising the total of:

(i) the post-tax profit or loss of a **discontinued operation**; and

(ii) the post-tax gain or loss attributable to an **impairment**, or reversal of an impairment, of the **assets** in the discontinued operation (see Section 27 *Impairment of Assets*), both at the time and subsequent to being classified as a discontinued operation and to the disposal of the net assets constituting the discontinued operation.

(f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented).

(g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with this Standard:

(i) will not be reclassified subsequently to profit or loss—ie those in paragraph 5.4(b)(i)–(ii) and (iv); and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met—ie those in paragraph 5.4(b)(iii).

(h) share of the other comprehensive income of associates and jointly controlled entities accounted for by the equity method.

(i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss).

Module 5—Statement of Comprehensive Income and Income Statement

Examples—statement of comprehensive income

Ex 3 **SME C, a parent with one wholly-owned subsidiary, follows a single-statement approach to present the financial performance for the group. It could prepare its consolidated statement of comprehensive income as follows:**

SME C's consolidated statement of comprehensive income for the year ended 31 December 20X7

	Note	*20X7*	*20X6*
		CU	*CU*
Revenue	10	680,000	525,000
Cost of sales		(400,000)	(300,000)
Distribution costs		(8,580)	(5,830)
Administrative expenses		(50,000)	(40,000)
Finance costs	11	(22,300)	(19,700)
Share of profit of associates	12	42,100	38,560
Profit before tax		**241,220**	**198,030**
Income tax expense	13	(60,305)	(49,508)
Profit for the year from continuing operations		**180,915**	**148,522**
Loss for the year from a discontinued operation	14	(24,780)	(32,563)
Profit for the year		**156,135**	**115,959**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax	15	10,260	(22,360)
Actuarial losses on defined benefit pension obligations, net of tax	16	(720)	(520)
		9,540	**(22,880)**
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of hedging instruments, net of tax and of reclassifications[(a)]	17	**(700)**	**1,020**
Share of associates' other comprehensive income	12	**(3,800)**	**4,750**
Other comprehensive income for the year, net of tax	18	**5,040**	**(17,110)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**161,175**	**98,849**

(a) In this example, and in all other examples in this module, the aggregated presentation is illustrated. The amount of the change in fair value of the hedging instruments recognised in other comprehensive income during the period and the amount that was reclassified to profit or loss for the period, as required to be disclosed by paragraph 12.29(c) and (d) would be disclosed in the notes. Alternatively a gross presentation could be used on the face of the statement of comprehensive income. An example of the note disclosure, when the aggregated presentation has been used on the face of the statement of comprehensive income, is as follows:

17 Hedging activities (extract)

	20X7	20X6
	CU	CU
Increases/(decreases) in fair value of hedging instruments during the year	(1,226)	1,360
Reclassification to profit or loss of gains/losses recognised in other comprehensive income in earlier years	293	-
	(933)	1,360
Tax	233	(340)
Change in fair value of hedging instruments, net of tax and of reclassifications	**(700)**	**1,020**

Ex 4 **The facts are the same as in Example 2, except that SME B has no items of other comprehensive income in either year. SME B's statement of comprehensive income for the year ended 31 December 20X7 could be presented as follows:**

SME B—statement of comprehensive income for the year ended 31 December 20X7

		20X7	20X6
			Restated
	Note	CU	CU
Revenue	3	680,000	525,000
Other income	4	54,000	32,000
Changes in inventories of finished goods and work in progress		23,520	25,620
Raw material and consumables used		(428,000)	(299,800)
Employee benefits expense	9	(78,000)	(76,000)
Depreciation and amortisation expense (20X6: previously stated CU21,200)	13	(25,600)	(29,000)
Impairment of property, plant and equipment	13	–	(3,200)
Other expenses		(4,500)	(3,250)
Finance costs	10	(22,300)	(19,700)
Share of profit of associates	12	42,100	38,560
Profit before tax (20X6: previously stated CU198,030)		**241,220**	**190,230**
Income tax expense (20X6: previously stated CU49,508)	11	(60,305)	(47,558)
Profit for the year* (20X6: previously stated CU148,522)		**180,915**	**142,672**

* SME B could alternatively have labelled this line "Total comprehensive income for the year".

Notes—discontinued operations

In the Glossary to the *IFRS for SMEs* Standard a discontinued operation is defined as:

> A component of an entity that either has been disposed of, or is held for sale, and:
>
> (a) represents a separate major line of business or geographical area of operations;
>
> (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
>
> (c) is a subsidiary acquired exclusively with a view to resale.

Furthermore, a component of an entity is defined as '[o]perations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.'

Consequently, the sale of a component of an entity is not in itself a discontinued operation; the conditions in either subparagraph (a), (b) or (c) of the definition must also apply.

When a component of an entity meets the definition of a discontinued operation, its results are presented as a single amount.

In addition, Section 27 *Impairment of Assets* identifies 'plans to discontinue or restructure the operation to which an asset belongs' and 'plans to dispose of an asset before the previously expected date' as 'internal sources of information' that indicate that an asset may be impaired (see paragraph 27.9(f)). The existence of such indicators compels an entity to perform an impairment test on the relevant asset (see paragraph 27.7).

Paragraph 5.5(e)(ii) requires the resulting impairment loss, if any, on the assets of a discontinued operation to be included in the single amount presented for discontinued operations in the statement of comprehensive income. If, due to the timing of the disposal of an operation relative to the disposing entity's reporting period, an operation is reported as a discontinued operation in one reporting period but not sold until the following reporting period, any further impairment is also required by paragraph 5.5(e)(ii) to be included in the single amount presented for discontinued operations in the statement of comprehensive income for that following reporting period.

Examples—presenting a discontinued operation

Ex 5 **SME D operates two separate major areas of operation—candle manufacturing and clothing retailing.**

On 30 December 20X2, in response to an unsolicited offer, SME D disposed of its candle-making operation for CU1,000,000 when the carrying amount of the operation's assets were—factory building CU400,000, machinery CU300,000 and trade mark CU200,000. For simplicity it is assumed that the candle-making operation has no other assets or liabilities. CU20,000 income tax is payable on the gain from the disposal of the operation.

The candle-making operation recognised a profit after tax of CU150,000 on its trading operations for the year ended 31 December 20X2 (20X1: CU250,000).

In accordance with Section 27 of the *IFRS for SMEs* Standard, the decision to sell the candle-making operation triggered an impairment test of the assets in the operation. No impairment loss was identified.

The following illustrates one way in which an entity could fulfil the requirements in paragraph 5.5(e) of the Standard.

Extract from SME D's statement of comprehensive income for the year ended 31 December 20X2

	Note	*20X2*		*20X1*
		CU		*CU*
…				
Profit for the year from continuing operations				
Profit for the year from discontinued operation	12	230,000	[a]	250,000
Profit for the year				
…				

[a] CU1,000,000 proceeds on disposal less CU400,000 building less CU300,000 machinery less CU200,000 trade mark = CU100,000 gain (before tax) on disposal.

CU100,000 less CU20,000 tax = CU80,000 post-tax gain on disposal of the discontinued operation.

CU80,000 + CU150,000 post-tax profit from discontinued operation = CU230,000 total post-tax profit from discontinued operation.

Ex 6 **The facts are the same as in Example 5. However, in this example, although the management of SME D is committed to a single coordinated plan to dispose of its candle-making operation, it had not yet finalised the sale of the operation.**

At 31 December 20X2, it estimated the fair value, less sale costs, of the candle-making operation's assets at CU1,000,000.

As in Example 5, no impairment loss was identified.

Extract from SME D's statement of comprehensive income for the year ended 31 December 20X2

	Note	*20X2*		*20X1*
		CU		*CU*
…				
Profit for the year from continuing operations				
Profit for the year from discontinued operation	12	150,000	[a]	250,000
Profit for the year				
…				

[a] CU150,000 post-tax profit of the discontinued operation.

Ex 7 **The facts are the same as in Example 6. However, in this example, the impairment test, triggered by the decision to sell the candle-making operation, identified an impairment loss (before tax) at 31 December 20X2 of CU100,000. Assume a 20% tax effect in respect of the impairment.**

Extract from SME D's statement of comprehensive income for the year ended 31 December 20X2

	Note	*20X2*		*20X1*
		CU		*CU*
…				
Profit for the year from continuing operations				
Profit for the year from discontinued operation	12	70,000	(a)	250,000
Profit for the year				
…				

(a) CU100,000 impairment loss less tax effect of the impairment loss CU20,000 = CU80,000 post-tax impairment loss.

CU150,000 post-tax profit from discontinued operation before impairment loss, less CU80,000 post-tax impairment loss = CU70,000 total post-tax profit from discontinued operation.

Notes—presenting discontinued operations

By using the method illustrated in the three examples above to fulfil the requirements in paragraph 5.5(e) of the Standard, the amount reported as revenue, cost of sales, etc., will be for continuing operations only and will exclude amounts in respect of discontinued operations.

An alternative way of fulfilling the requirement to present a single amount for discontinued operations would be to use a columnar approach. A columnar approach, for this purpose, involves adding two additional columns to the income statement for each year presented. Consequently, for each year presented there would be three columns: one for continuing operations; one for discontinued operations; and one for the total results for the reporting period. Each column would present the relevant amounts for revenue, cost of sales, etc. The total of the discontinued operations column should satisfy the requirement to present a single amount in accordance with 5.5(e).

5.6 An entity shall disclose separately the following items in the statement of comprehensive income as allocations for the period:

(a) profit or loss for the period attributable to
   (i) **non-controlling interest**; and
   (ii) **owners** of the **parent**.

(b) total comprehensive income for the period attributable to
   (i) non-controlling interest; and
   (ii) owners of the parent.

Example—separate disclosure in the statement of comprehensive income

Ex 8 **The facts are the same as in Example 3. However, in this example, SME C owns only 90% of the equity of its subsidiary. The subsidiary's profit for the year ended 31 December 20X7 is CU50,000 (20X6: CU40,000). The subsidiary's other comprehensive income is a gain of CU3,000 for the year ended 31 December 20X7 (20X6: a loss of CU2,000).**

In addition to the line items presented in Example 3, SME C would present the following:

SME C's consolidated statement of comprehensive income for the year ended 31 December 20X7 (Extract)

	20X7	*20X6*
	CU	*CU*
…		
Profit attributable to:		
Owners of the parent	151,135	111,959
Non-controlling interests	5,000	4,000
	156,135	115,959
Total comprehensive income attributable to:		
Owners of the parent	155,875	95,049
Non-controlling interests	5,300	3,800
	161,175	98,849

Two-statement approach

5.7 Under the two-statement approach, the income statement shall display, as a minimum, line items that present the amounts in paragraph 5.5(a)–5.5(f) for the period, with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a minimum, line items that present the amounts in paragraph 5.5(g)–5.5(i) and paragraph 5.6 for the period.

Example—two-statement approach

Ex 9 **The facts are the same as in Example 8. However, in this example, SME C follows the two-statement approach to present the group's financial performance.**

SME C could prepare its consolidated income statement and consolidated statement of comprehensive income as follows:

SME C's consolidated income statement for the year ended 31 December 20X7

	Note	*20X7*	*20X6*
		CU	*CU*
Revenue	10	680,000	525,000
Cost of sales		(400,000)	(300,000)
Distribution costs		(8,580)	(5,830)
Administrative expenses		(50,000)	(40,000)
Finance costs	11	(22,300)	(19,700)
Share of profit of associates	12	42,100	38,560
Profit before tax		**241,220**	**198,030**
Income tax expense	13	(60,305)	(49,508)
Profit for the year from continuing operations		**180,915**	**148,522**
Loss for the year from a discontinued operation	14	(24,780)	(32,563)
PROFIT FOR THE YEAR		**156,135**	**115,959**
Profit attributable to:			
Owners of the parent		151,135	111,959
Non-controlling interests		5,000	4,000
		156,135	**115,959**

SME C's—consolidated statement of comprehensive income for the year ended 31 December 20X7

	Note	*20X7* *CU*	*20X7* *CU*	*20X6* *CU*	*20X6* *CU*
Profit for the year			**156,135**		**115,959**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Exchange differences on translating foreign operations, net of tax	15	10,260		(22,360)	
Actuarial losses on defined benefit pension obligations, net of tax	16	(720)		(520)	
		9,540		**(22,880)**	
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of hedging instruments, net of tax and of reclassifications	17	**(700)**		**1,020**	
Share of associates' other comprehensive income	12	**(3,800)**		**4,750**	
Other comprehensive income for the year, net of tax	18		**5,040**		**(17,110)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**161,175**		**98,849**
Total comprehensive income attributable to:					
Owners of the parent			155,875		95,049
Non-controlling interests			5,300		3,800
			161,175		**98,849**

Requirements applicable to both approaches

5.8 Under this Standard, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise (see Section 10).

Example—single-statement and two-statement approaches

Ex 10 **During 20X8, after SME E's 20X7 financial statements were approved for issue, SME E discovered an error in the calculation of pension expense. The error resulted in profit before tax for the year ended 31 December 20X7 being overstated by CU17,000, with a resultant CU4,250 overstatement of income tax expense.**

SME E's statement of comprehensive income for the year ended 31 December 20X8 using the single-statement approach could be presented as follows:

SME E's statement of comprehensive income for the year ended 31 December 20X8

	Note	*20X8*	*20X7*
			Restated
		CU	*CU*
Revenue	2	**745,000**	**693,000**
Other income	3	45,000	36,520
Changes in inventories of finished goods and work in progress		31,000	23,000
Raw material and consumables used		(461,000)	(342,000)
Employee benefits expense (20X7: previously (CU180,000))	6	(220,000)	(197,000)
Depreciation and amortisation expense	10	(45,000)	(40,500)
Other expenses		(9,000)	(8,900)
Finance costs	7	(18,000)	(21,320)
Profit before tax (20X7: previously (CU159,800))		**68,000**	**142,800**
Income tax expense (20X7: previously (CU39,950))	8	(42,000)	(35,700)
PROFIT FOR THE YEAR (20X7: previously (CU119,850))		**26,000**	**107,100**
Other comprehensive income (none of which will be reclassified to profit or loss):			
(Loss)/gain on property revaluation, net of tax	10	(3,000)	6,000
Actuarial gains/(losses) on defined benefit pension obligations, net of tax	6	1,000	(2,000)
Other comprehensive income for the year, net of tax		**(2,000)**	**4,000**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (20X7: previously (CU123,850))		**24,000**	**111,100**

If SME E used the two-statement approach it would have presented its financial performance for the year ended 31 December 20X8 as follows:

SME E's income statement for the year ended 31 December 20X8

	Note	20X8	20X7
			Restated
		CU	CU
Revenue	2	**745,000**	**693,000**
Other income	3	45,000	36,520
Changes in inventories of finished goods and work in progress		31,000	23,000
Raw material and consumables used		(461,000)	(342,000)
Employee benefits expense (20X7: previously (CU180,000))	6	(220,000)	(197,000)
Depreciation and amortisation expense	10	(45,000)	(40,500)
Other expenses		(9,000)	(8,900)
Finance costs	7	(18,000)	(21,320)
Profit before tax (20X7: previously (CU159,800))		**68,000**	**142,800**
Income tax expense (20X7: previously (CU39,950))	8	(42,000)	(35,700)
PROFIT FOR THE YEAR (20X7: previously (CU119,850))		**26,000**	**107,100**

SME E's statement of comprehensive income for the year ended 31 December 20X8

	Note	20X8	20X7
			Restated
		CU	CU
Profit for the year (20X7: previously (CU119,850))		**26,000**	**107,100**
Other comprehensive income (none of which will be reclassified to profit or loss):			
(Loss)/gain on property revaluation, net of tax	10	(3,000)	6,000
Actuarial gains/(losses) on defined benefit pension obligations, net of tax	6	1,000	(2,000)
Other comprehensive income for the year, net of tax		(2,000)	4,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (20X7: previously (CU123,850))		**24,000**	**111,100**

5.9 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is relevant to an understanding of the entity's financial performance.

Example—additional line items, headings and subtotals

Ex 11 **Retailer X presents additional line items (eg gross profit, profit before tax and profit from continuing operations) in its consolidated statement of comprehensive income because the group's management believes that such presentation is relevant to an understanding of the entity's financial performance.**

Retailer X's consolidated statement of comprehensive income for the year ended 31 December 20X7

	Note	*20X7*	*20X6*
		CU	*CU*
Revenue	10	680,000	525,000
Cost of sales		(400,000)	(300,000)
Gross profit		**280,000**	**225,000**
Distribution costs		(8,580)	(5,830)
Administrative expenses		(50,000)	(40,000)
Finance costs	11	(22,300)	(19,700)
Share of profit of associates	12	42,100	38,560
Profit before tax	13	**241,220**	**198,030**
Income tax expense	14	(60,305)	(47,508)
Profit for the year from continuing operations		**180,915**	**150,522**
Loss for the year from discontinued operation	15	(24,780)	(2,000)
Profit for the year		**156,135**	**148,522**
Other comprehensive income (none of which will be reclassified to profit or loss):			
Gain/(loss) on property revaluation, net of tax	16	10,260	(22,360)
Actuarial losses on defined benefit pension obligations, net of tax	17	(720)	(520)
		9,540	**(22,880)**
Share of associates' other comprehensive income	**13**	**(3,800)**	**4,750**
Other comprehensive income for the year, net of tax	18	**5,740**	**(18,130)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**161,875**	**130,392**

5.10 An entity shall not present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the **notes**.

Notes

There is no definition of 'extraordinary items' in the glossary; this is because the Standard precludes any items being described as extraordinary. This is consistent with full IFRS Standards. The consequence of precluding any items from being described as extraordinary is that all items of income and expense are presented as arising from the entity's ordinary activities.

Module 5—Statement of Comprehensive Income and Income Statement

Analysis of expenses

5.11 An entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.

Notes

Paragraph 5.5 lists line items, such as finance costs, that ‘as a minimum’ must be included in an entity’s statement of comprehensive income; the paragraph applies regardless of whichever of the two permissible classifications (nature or function) an entity uses to present an analysis of its expenses.

Analysis by nature of expense

(a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (for example, **depreciation**, purchases of materials, transport costs, **employee benefits** and advertising costs) and are not reallocated among various functions within the entity.

Notes

When an entity classifies its expenses by nature, the amount presented for each expense is the total amount incurred for that item regardless of in which part of the entity’s operations the expense arose. For example, the amount presented for depreciation by a manufacturing entity will be the total depreciation expense for the entity combining depreciation of property, plant and equipment used in manufacturing, the sales department, administrative functions and any other function.

Examples—analysis by nature of expense

Ex 12 **SME F, a parent with one wholly-owned subsidiary, presents the group’s financial performance using the single-statement approach. In its consolidated statement of comprehensive income, it presents an analysis of its expenses using a classification based on their nature. The group could present its consolidated statement of comprehensive income as follows:**

SME F's consolidated statement of comprehensive income for the year ended 31 December 20X7

	Note	20X7	20X6
		CU	CU
Revenue	9	734,000	557,000
Gain in the fair value of investment property	10	1,000	500
Changes in inventories of finished goods and work in progress		(26,480)	(42,180)
Raw material and consumables used		(380,000)	(232,750)
Employee benefits expense	11	(78,000)	(76,000)
Depreciation and amortisation expense	12	(25,600)	(21,200)
Impairment of property, plant and equipment	12	–	(3,200)
Advertising costs		(3,000)	(2,800)
Operating lease expense		(400)	(150)
Finance costs	13	(22,300)	(19,700)
Share of associate's losses	14	(100)	(50)
Profit before tax		**199,120**	**159,470**
Income tax expense	15	(49,780)	(36,868)
Profit for the year from continuing operations		**149,340**	**122,602**
Loss for the year from discontinued operation	16	(24,780)	(3,000)
PROFIT FOR THE YEAR attributable to the owners of the parent		**124,560**	**119,602**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax	17	10,260	(22,360)
Actuarial losses on defined benefit pension obligations, net of tax	11	(720)	(520)
		9,540	(22,880)
Items that may be reclassified subsequently to profit or loss:			
Change in the fair value of hedging instruments, net of tax and of reclassifications	18	(2,240)	3,904
Other comprehensive income for the year, net of tax		**7,300**	**(18,976)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**131,860**	**100,626**

Analysis by function of expense

(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.

Notes

When an entity classifies its expenses by function, the amount presented is the total amount incurred within each functional part of the entity. For example, part of the depreciation expense incurred by a manufacturing entity will be within the cost of sales, part within distribution costs and part within administrative expenses.

Examples—analysis by function of expense

Ex 13 **The facts are the same as Example 12. However, here SME F presents an analysis of the group's expenses classified by their function. The employee benefit and depreciation and amortisation costs are attributable to the factory (50%), administration (25%) and distribution (25%). The impairment loss was in respect of an item of manufacturing equipment. The operating lease expense is for a photocopier used by the group's sales office staff. SME F could present its consolidated statement of comprehensive income as follows:**

SME F's consolidated statement of comprehensive income for the year ended 31 December 20X7

	Note	*20X7*	*20X6*
		CU	*CU*
Revenue	9	734,000	557,000
Gain in the fair value of investment property	10	1,000	500
Cost of sales[(a)]		(458,280)	(326,730)
Distribution costs[(b)]		(29,300)	(27,250)
Administrative expenses[(c)]		(25,900)	(24,300)
Finance costs	13	(22,300)	(19,700)
Share of associate's losses	14	(100)	(50)
Profit before tax		**199,120**	**159,470**
Income tax expense	15	(49,780)	(36,868)
Profit for the year from continuing operations		**149,340**	**122,602**
Loss for the year from discontinued operation	16	(24,780)	(3,000)
PROFIT FOR THE YEAR attributable to the owners of the parent		**124,560**	**119,602**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax	17	10,260	(22,360)
Actuarial losses on defined benefit pension obligations, net of tax	11	(720)	(520)
		9,540	(22,880)
Items that may be reclassified subsequently to profit or loss:			
Change in the fair value of hedging instruments, net of tax and of reclassifications	18	(2,240)	3,904
Other comprehensive income for the year, net of tax		**7,300**	**(18,976)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**131,860**	**100,626**

Calculations that do not form part of the statement of comprehensive income:

	20X7	*20X6*
(a)	CU26,480 change in inventory levels + CU380,000 raw materials used + 50% (CU78,000 employee benefits + CU25,600 depreciation) = CU458,280 cost of sales	CU42,180 change in inventory levels + CU232,750 raw materials used + 50% (CU76,000 employee benefits + CU21,200 depreciation) + CU3,200 impairment = CU326,730 cost of sales
(b)	25% (CU78,000 employee benefits + CU25,600 depreciation) + CU3,000 advertising + CU400 operating lease expense = CU29,300 distribution costs	25% (CU76,000 employee benefits + CU21,200 depreciation) + CU2,800 advertising + CU150 operating lease expense = CU27,250 distribution costs
(c)	25% (CU78,000 employee benefits + CU25,600 depreciation) = CU25,900 administration costs	25% (CU76,000 employee benefits + CU21,200 depreciation) = CU24,300 administration costs

Ex 14 **An entity that manufactures concrete blocks for use in the homebuilding sector has five vehicles.**

Vehicle 1 is used to transport raw materials (sand and cement) from the entity's suppliers to the entity's raw materials storeroom.

Vehicle 2 is used to transport the raw material from the storeroom to the factory floor.

Vehicle 3 is used to transport the blocks from the entity's factory to the entity's customers.

Vehicle 4 is used by the entity's sales staff to visit potential customers to seek orders.

Vehicle 5 is provided by the entity to its chief administrator for his personal use. The use of the vehicle is part of the chief administrator's remuneration package.

How should the entity classify depreciation of the vehicles by function?

The depreciation of vehicles 1 and 2 is classified as cost of sales when it is recognised as an expense. In accordance with Section 13 *Inventories* this depreciation would first be recognised as part of the cost of inventories (and so recognised as an asset). When the inventories are derecognised (eg when they are sold) then the cost of the inventories (including the depreciation of vehicles 1 and 2) is recognised as an expense (ie cost of sales).

The depreciation of vehicles 3 and 4 is classified as a distribution cost—it relates to the distribution function of the business.

The depreciation of vehicle 5 is recognised as an administrative expense—it relates to the administrative function of the business.

Module 5—Statement of Comprehensive Income and Income Statement

SIGNIFICANT ESTIMATES AND OTHER JUDGEMENTS

Applying the requirements of the *IFRS for SMEs* Standard to transactions and events often requires the exercise of judgement, including making estimates. Information about significant judgements made by an entity's management and key sources of estimation uncertainty are useful when assessing an entity's financial position, performance and cash flows. Consequently, in accordance with paragraph 8.6, an entity must disclose the judgements—apart from those involving estimates—that its management has made when applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
Furthermore, applying paragraph 8.7, an entity must disclose information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other sections of the *IFRS for SMEs* Standard require disclosure of information about particular judgements and estimation uncertainties.

In many cases little difficulty is encountered in presenting the statement of comprehensive income and income statement in accordance with the *IFRS for SMEs* Standard. However, in some cases significant judgement is required. For example, judgement is required:

- to assess which additional line items, headings and subtotals are relevant to an understanding of an entity's financial performance;
- to identify discontinued operations and segregate their post-tax profit or loss from the income and expenses of continuing operations;
- to assess which classification of expenses (by function or by nature) provides information that is reliable and more relevant;
- to classify some expenses by function, for example, the allocation of expenses that relate to more than one function of the entity; and
- to classify some expenses by nature, for example, to separate the components of some expenses that include items that are different in nature.

Module 5—Statement of Comprehensive Income and Income Statement

COMPARISON WITH FULL IFRS STANDARDS

When presenting an entity's financial performance (ie comprehensive income) for periods beginning on 1 January 2017, the main differences between the requirements of full IFRS Standards ((see IAS 1 *Presentation of Financial Statements*)) and the *IFRS for SMEs* Standard (see Section 5 *Statement of Comprehensive Income and Income Statement*) are:

- The *IFRS for SMEs* Standard is drafted in simpler language than that used in full IFRS Standards;
- The *IFRS for SMEs* Standard permits an entity to present a statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy (see paragraph 3.18). This option does not exist in full IFRS Standards.
- The *IFRS for SMEs* Standard has only four items of other comprehensive income—translating the financial statements of a foreign operation, some changes in fair values of hedging instruments, actuarial gains and losses of defined benefit plans and changes in the revaluation surplus for property, plant and equipment measured in accordance with the revaluation model. Full IFRS Standards have more items of comprehensive income (eg cumulative changes in the fair value of available-for-sale financial assets (IAS 39) or of equity instruments (IFRS 9) and gains on the revaluation of intangible assets).
- Unlike full IFRS Standards, the *IFRS for SMEs* Standard does not require disclosure of the amount of income tax for each item of other comprehensive income. Paragraph 29.40(a) of the *IFRS for SMEs* Standard only requires disclosure of the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income, whereas IAS 1 requires disclosure of the amount of income tax relating to each item of other comprehensive income. In addition, when applying full IFRS Standards, if items of other comprehensive income are presented on the face of the statement of comprehensive income before their related tax effects, the related tax has to be allocated between the items that might be reclassified subsequently to profit or loss and those that will not be reclassified subsequently to profit or loss. The *IFRS for SMEs* Standard does not require the related tax to be allocated between the items that might be reclassified subsequently to profit or loss and those that will not be reclassified subsequently to profit or loss.
- Full IFRS Standards require reclassification through profit or loss of some items of other comprehensive income (sometimes called 'recycling') when they become realised (eg those in respect of available-for-sale financial assets (IAS 39) and the translation of foreign operations). Except for specified gains and losses on hedging instruments (see Section 12 Other Financial Instrument Issues) the *IFRS for SMEs* Standard does not permit reclassification.
- Both full IFRS Standards and the *IFRS for SMEs* Standard require items of other comprehensive income to be grouped into those that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. However, the *IFRS for SMEs* Standard does not require the share of other comprehensive income of associates and jointly controlled entities accounted for by the equity method to be grouped in this way, whereas IAS 1 does.

- If an entity that applies full IFRS Standards classifies its expenses by function, it is also required to disclose information on the nature of expenses. The *IFRS for SMEs* Standard does not explicitly require these additional disclosures of expenses by nature.
- Full IFRS Standards specify more detailed disclosures for discontinued operations and contain guidance on the meaning of 'held for sale'.
- Full IFRS Standards contain more detailed guidance regarding the presentation of subtotals than is in the *IFRS for SMEs* Standard.

Module 5—Statement of Comprehensive Income and Income Statement

TEST YOUR KNOWLEDGE

Test your knowledge of the requirements for presenting a statement of comprehensive income and income statement applying the *IFRS for SMEs* Standard by answering the questions provided.

You should assume that all amounts mentioned are material.

Once you have completed the test, check your answers against those set out beneath it.

Mark the box next to the most correct statement.

Question 1

In 20X8, after an entity's 20X7 financial statements were approved for issue, the entity discovered an error in the calculation of depreciation expense. The error occurred during 20X6. The entity presents one year's comparative figures. The effect of the correction of the error in the entity's 20X8 financial statements will be:

☐ (a) recognised in the entity's profit or loss for the year ended 31 December 20X8.

☐ (b) recognised in the entity's profit or loss for the year ended 31 December 20X7.

☐ (c) recognised outside of total comprehensive income, in the statement of changes in equity as an adjustment to retained earnings at 1 January 20X7.

Note: Knowledge of the requirements of Section 10 *Accounting Policies, Estimates and Errors* of the *IFRS for SMEs* is required to answer question 1. The requirements of Section 10 are set out in Module 10.

Question 2

Which of the following gains and losses are recognised in other comprehensive income (ie in total comprehensive income outside of profit and loss)?

☐ (a) gains and losses from discontinued operations.

☐ (b) gains and losses arising on translating an intercompany balance that arises from trading, and is not part of the entity's net investment in the foreign operation.

☐ (c) changes in revaluation surplus on the revaluation of property, plant and equipment.

☐ (d) gains and losses that management considers extraordinary items.

Module 5—Statement of Comprehensive Income and Income Statement

Question 3

Which of the following gains and losses can an entity elect (ie make an accounting policy choice) to recognise in other comprehensive income (ie in total comprehensive income outside of profit or loss)?

- ☐ (a) gains and losses from discontinued operations.
- ☐ (b) gains and losses arising on translating an intercompany balance that arises from trading, and is not part of the entity's net investment in the foreign operation.
- ☐ (c) actuarial gains and losses of defined benefit obligations.
- ☐ (d) gains and losses that management considers extraordinary items.

Note: Knowledge of the requirements of Section 28 *Employee Benefits* and Section 30 *Foreign Currency Translation* of the *IFRS for SMEs* Standard is required to answer question 3.
The requirements of Section 28 and of Section 30 are set out in Module 28 and Module 30 respectively.

Question 4

Which of the following terms cannot be used to describe a line item in the statement of comprehensive income?

- ☐ (a) revenue.
- ☐ (b) gross profit.
- ☐ (c) profit before tax.
- ☐ (d) extraordinary item.

Question 5

Which of the following is a discontinued operation?

- ☐ (a) An entity has three machines located in one plant. All three machines produce the same product. The entity significantly scales down its operations by disposing of one of the machines.
- ☐ (b) An entity has three machines located in one plant. Each machine produces a completely different product and each machine is managed as a separate business unit. The entity significantly scales down its operations by disposing of one of the machines and in doing so discontinues manufacturing one of its three products.
- ☐ (c) An entity has three plants that all produce the same product. Each plant is located on a separate continent and sells its output to customers local to the plant in which the product is manufactured. The entity scales down its operations by disposing of one of the plants.
- ☐ (d) Both (b) and (c) above.
- ☐ (e) Situations (a)–(c).

Question 6

Which of the following items of other comprehensive income will be reclassified to profit or loss when specific conditions are met

- ☐ (a) some gains and losses arising on translating the financial statements of a foreign operation.
- ☐ (b) some actuarial gains and losses.
- ☐ (c) some changes in fair values of hedging instruments.
- ☐ (d) changes in the revaluation surplus for property, plant and equipment measured in accordance with the revaluation model.

Question 7

When expenses are classified by function, staff costs are:

- ☐ (a) administrative expenses.
- ☐ (b) distribution expenses.
- ☐ (c) cost of sales.
- ☐ (d) allocated to categories (a)–(c) above according to the function of the employee to which the particular staff cost relates.

Question 8

An entity presents an analysis of expenses using a classification based on:

- ☐ (a) the nature of expenses.
- ☐ (b) the function of expenses.
- ☐ (c) either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.
- ☐ (d) either the nature of expenses or the function of expenses within the entity, whichever the entity would prefer to present.

Question 9

Separate line items in an analysis of expenses by nature might include:

- ☐ (a) purchases of materials, transport costs, employee benefits, depreciation and extraordinary items.
- ☐ (b) purchases of materials, distribution costs, administrative costs, employee benefits, depreciation and taxes.
- ☐ (c) depreciation, purchases of materials, transport costs, employee benefits and advertising costs.
- ☐ (d) cost of sales, administrative costs and distribution costs.

Question 10

Separate line items in an analysis of expenses by function might include:

- ☐ (a) purchases of materials, transport costs, employee benefits, depreciation and extraordinary items.
- ☐ (b) purchases of materials, distribution costs, administrative costs, employee benefits, depreciation and taxes.
- ☐ (c) depreciation, purchases of materials, transport costs, employee benefits and advertising costs.
- ☐ (d) cost of sales, administrative expenses and distribution expenses.

Module 5—Statement of Comprehensive Income and Income Statement

Answers

Q1 (c) see paragraphs 5.4(a) and 5.8.
Q2 (c) see paragraph 5.4(b)(iv).
Q3 (c) see paragraphs 5.4(b)(ii) and 28.24(b).
Q4 (d) see paragraph 5.10.
Q5 (d) see the definitions of a discontinued operation and component of an entity in the Glossary.
Q6 (c) see paragraphs 5.4(b), 5.5(g)(ii) and 12.23.
Q7 (d) see paragraph 5.11(b).
Q8 (c) see paragraph 5.11.
Q9 (c) see paragraph 5.11(a).
Q10 (d) see paragraph 5.11(b).

APPLY YOUR KNOWLEDGE

Apply your knowledge of the requirements for a statement of comprehensive income and income statement applying the *IFRS for SMEs* Standard by completing the case studies provided.

There are three case studies. However, case study 2 is identical to case study 1 except that it contains additional items relevant only to consolidated financial statements. Consequently, you should complete either case study 1 or case study 2.

Once you have completed a case study, check your answers against those set out beneath it.

Case study 1

SME G presents its statement of comprehensive income following the single-statement approach and analysing expenses by function.

SME G
Statement of comprehensive income at 31 December 20X8

	20X8
Revenue	20,000 [(a)]
Cost of sales	(7,000) [(b)]
Distribution costs	(1,000) [(c)]
Administrative expenses	(4,000) [(d)]
Other expenses	(2,500) [(e)]
Extraordinary item	(500) [(f)]
Finance costs	(1,000) [(g)]
Profit before tax	**4,000**
Income tax expense	(1,600) [(h)]
Dividend declared and paid	(400) [(i)]
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,000**

Module 5—Statement of Comprehensive Income and Income Statement

The following notes do not form part of the statement of comprehensive income prepared by the entity's management:

		Continuing operation	Discontinued operation	Total
	All amounts presented in CUs			
(a)	Increase in fair value of investment property	3,000		3,000
	Sale of goods	15,000	1,500	16,500
	Gain on disposal of discontinued operation	500		500
	Revenue	**18,500**	**1,500**	**20,000**
(b)	Cost of sales	6,000	1,000	7,000
(c)	Distribution costs	500	500	1,000
(d)	Administrative expenses	3,000	1,000	4,000
(e)	Advertising costs	1,000		1,000
	Actuarial losses on defined benefit obligations	1,500		1,500
	Other expenses	**2,500**		**2,500**
(f)	Impairment of sales office equipment	500		500
(g)	Finance costs	1,000		1,000
(h)	All items of income and expense are subject to tax (deferred and current) at 40% of the amount of the income or expense.			
(i)	Dividend declared and paid	400		400

SME G raised CU1,000 from its owners during 20X8 by issuing additional shares.

SME G follows an accounting policy of recognising actuarial gains and losses on its defined benefit obligations in other comprehensive income.

Part A: List the errors and omissions in the presentation of SME G's statement of comprehensive income for the year ended 31 December 20X8.

Part B: Prepare SME G's financial performance statement, that complies with the *IFRS for SMEs* Standard, for the year ended 31 December 20X8 using the single-statement approach.

Ignore comparative figures.

Part C: Prepare SME G's financial performance statements, that comply with the *IFRS for SMEs* Standard, for the year ended 31 December 20X8 using the two-statement approach.

Ignore comparative figures.

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 1: Part A

Errors in the statement of comprehensive income presented by the SME G for the year ended 31 December 20X8 include:

1. The statement of comprehensive income must be presented ‘for the year ended 31 December 20X8’ (not ‘at’ 31 December 20X8).
2. The presentation currency should be disclosed (ie CU or currency units).
3. The level of rounding of the amounts presented should be disclosed.
4. At least one year’s comparative information must be presented for each line item of the statement of comprehensive income (see paragraph 3.14).
5. No items of income or expense should be described as ‘extraordinary items’ (see paragraph 5.10).
6. A single line item ‘discontinued operations’ must be included to present the post-tax loss from the discontinued operation including the gain on disposal of the discontinued operations (see paragraph 5.5(e)).
7. A line item ‘profit for the year’ must be presented after discontinued operations but before other comprehensive income (see paragraph 5.5(f)).
8. A separate part of the statement of comprehensive income (below profit for the year) should be dedicated to other comprehensive income.
9. The amount of each item of other comprehensive income (ie actuarial losses on defined benefit plans) must be disclosed separately, grouped into those that: (a) will not be reclassified subsequently to profit or loss; and/or (b) will be reclassified subsequently to profit or loss when specific conditions are met (see paragraphs 5.5(g) and 28.24).
10. The entity should disclose separately the aggregate current and deferred tax relating to items of other comprehensive income (see paragraphs 5.5(d) and 29.32(a)), although this need not be in the statement of comprehensive income.
11. Dividends declared and paid must not be presented in the statement of comprehensive income.
12. The entity must present additional line items, headings and subtotals when such presentation is relevant to an understanding of the entity’s financial performance (see paragraph 5.9).

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 1: Part B

SME G—statement of comprehensive income for the year ended 31 December 20X8
(all amounts in currency units)

	20X8	
Revenue	15,000	(a)
Cost of sales	(6,000)	(b)
Gross profit	**9,000**	(c)
Other income—increase in the fair value of investment property	3,000	(c)
Distribution costs	(2,000)	(d)
Administration expenses	(3,000)	(e)
Finance costs	(1,000)	
Profit before tax	**6,000**	(c)
Income tax expense	(2,400)	(f)
Profit for the year from continuing operations	**3,600**	(c)
Loss for the year from a discontinued operation	(300)	(g)
PROFIT FOR THE YEAR	**3,300**	
Other comprehensive income for the year (which will not be reclassified to profit or loss):		
Actuarial losses on defined benefit pension obligations, net of tax	(900)	(j)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,400**	

The calculations and explanatory notes below do not form part of SME G's financial statements:

(a) CU15,000 revenue from the sale of goods from continuing operations.

(b) CU6,000 cost of sales from continuing operations.

(a) Examples of additional line items, headings or subtotals that an entity presents when such presentation is relevant to an understanding of the entity's financial performance (see paragraph 5.9).

(b) CU500 from continuing operations + CU1,000 advertising costs + CU500 impairment of sales office equipment = CU2,000.

(c) CU3,000 in respect of continuing operations.

(f) 40% of CU6,000 (profit before tax) = CU2,400.

(d) CU300(i) post-tax gain on the sale of a discontinued operation less CU600(h) post-tax loss of a discontinued operation = CU300 line item 'loss for the year from a discontinued operation'.

(e) CU1,500 revenue less CU1,000 cost of sales less CU500 distribution costs less CU1,000 administration costs = CU1,000 loss of a discontinued operation. CU1,000 less (40% of CU1,000) tax = CU600 post-tax loss of a discontinued operation.

(f) CU500 gain on disposal of discontinued operation less (40% of CU500) tax = CU300 post-tax gain on disposal of a discontinued operation.

(j) CU1,500 actuarial losses before tax less (40% of CU1,500) tax = CU900 post-tax actuarial losses.

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 1: Part C

SME G—income statement for the year ended 31 December 20X8

(all amounts in currency units)

	20X8	
Revenue	15,000	(a)
Cost of sales	(6,000)	(b)
Gross profit	**9,000**	**(c)**
Other income—increase in the fair value of investment property	3,000	(c)
Distribution costs	(2,000)	(d)
Administration expenses	(3,000)	(e)
Finance costs	(1,000)	
Profit before tax	**6,000**	**(c)**
Income tax expense	(2,400)	(f)
Profit for the year from continuing operations	**3,600**	**(c)**
Loss for the year from a discontinued operation	(300)	(g)
PROFIT FOR THE YEAR	**3,300**	

SME G—statement of comprehensive income for the year ended 31 December 20X8

(all amounts in currency units)

	20X8	
PROFIT FOR THE YEAR	**3,300**	
Other comprehensive income for the year (which will not be reclassified to profit or loss):		
Actuarial losses on defined benefit pension obligations, net of tax	(900)	(k)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,400**	

For the calculations and explanatory notes, see Part B.

Module 5—Statement of Comprehensive Income and Income Statement

Case study 2

SME H, a parent with a 75%-owned subsidiary, presents its consolidated statement of comprehensive income following the single-statement approach and analysing expenses by function.

SME H
Statement of comprehensive income at 31 December 20X8

	20X8
Revenue	20,000 [a]
Cost of sales	(7,000) [b]
Distribution costs	(1,000) [c]
Administrative expenses	(4,000) [d]
Other expenses	(2,500) [e]
Extraordinary item	(500) [f]
Finance costs	(1,000) [g]
Profit before tax	**4,000**
Income tax expense	(1,600) [h]
Dividend declared and paid	(400) [i]
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,000**

The following notes do not form part of the statement of comprehensive income prepared by SME H's management:

		Parent		*Subsidiary*	*Total*
		Continuing operation	*Discontinued operation*		
	All amounts presented in CUs				
(a)	Increase in fair value of investment property	3,000			3,000
	Sale of goods	10,000	1,500	5,000	16,500
	Gain on disposal of discontinued operation	500			500
	Revenue	**13,500**	**1,500**	**5,000**	**20,000**
(b)	Cost of sales	4,000	1,000	2,000	7,000
(c)	Distribution costs	100	500	400	1,000
(d)	Administrative expenses	2,000	1,000	1,000	4,000

		Parent Continuing operation	Parent Discontinued operation	Subsidiary	Total
(e)	Advertising costs	1,000			1,000
	Actuarial losses on defined benefit obligations	700		800	1,500
	Other expenses	**1,700**		**800**	**2,500**
(f)	Impairment of sales office equipment	500			500
(g)	Finance costs	500		500	1,000
(h)	All items of income and expense are subject to tax (deferred and current) at 40% of the amount of the income or expense.				
(i)	Dividend declared and paid	400			400

The parent raised CU1,000 during 20X8 by issuing additional shares to its parent.

The group follows an accounting policy of recognising actuarial gains and losses on its defined benefit obligations in other comprehensive income.

Part A: List the errors and omissions in the presentation of SME H's consolidated statement of comprehensive income for the year ended 31 December 20X8.

Part B: Prepare SME H's consolidated financial performance statement, that complies with the *IFRS for SMEs* Standard, for the year ended 31 December 20X8 using the single-statement approach.
Ignore comparative figures.

Part C: Prepare SME H's consolidated financial performance statements, that comply with the *IFRS for SMEs* Standard, for the year ended 31 December 20X8 using the two-statement approach.

Ignore comparative figures.

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 2: Part A

Errors in the consolidated statement of comprehensive income presented by SME H for the year ended 31 December 20X8 include:

1. The word 'Consolidated' is missing from the title (ie the title should read 'Consolidated statement of comprehensive income'.
2. The statement of comprehensive income must be presented 'for the year ended 31 December 20X8' (not 'at' 31 December 20X8).
3. The presentation currency should be disclosed (ie CU or currency units).
4. The level of rounding of the amounts presented should be disclosed.
5. At least one year's comparative information must be presented for each line item of the statement of comprehensive income (see paragraph 3.14).
6. No items of income or expense should be described as 'extraordinary items' (see paragraph 5.10).
7. A single line item 'discontinued operations' must be included to present the post-tax loss from the discontinued operation, including the gain on disposal of the discontinued operations (see paragraph 5.5(e)).
8. A line item 'profit for the year' must be presented after discontinued operations but before other comprehensive income (see paragraph 5.5(f)).
9. A separate part of the statement of comprehensive income (below profit for the year) should be dedicated to other comprehensive income.
10. The group must disclose separately the allocation of profit or loss to the non-controlling interests and to the owners of the parent (see paragraph 5.6(a)).
11. The group must disclose separately the allocation of total comprehensive income for the period attributable to non-controlling interests and to the owners of the parent (see paragraph 5.6(b)).
12. The amount of each item of other comprehensive income (ie actuarial losses on defined benefit plans) must be disclosed separately, and grouped into those that: (a) will not be reclassified subsequently to profit or loss; and/or (b) will be reclassified subsequently to profit or loss when specific conditions are met (see paragraphs 5.5(g) and 28.24).
13. The entity should disclose separately the aggregate current and deferred tax relating to items of other comprehensive income (see paragraphs 5.5(d) and 29.32(a)), although this need not be in the statement of comprehensive income.
14. Dividends declared and paid must not be presented in the statement of comprehensive income.
15. SME H must present additional line items, headings and subtotals when such presentation is relevant to an understanding of the group's financial performance (see paragraph 5.9).

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 2: Part B

SME H—consolidated statement of comprehensive income for the year ended 31 December 20X8 (all amounts in currency units)

	20X8	
Revenue	15,000	(a)
Cost of sales	(6,000)	(b)
Gross profit	**9,000**	(c)
Other income—increase in the fair value of investment property	3,000	(c)
Distribution costs	(2,000)	(d)
Administration expenses	(3,000)	(e)
Finance costs	(1,000)	(f)
Profit before tax	**6,000**	(c)
Income tax expense	(2,400)	(g)
Profit for the year from continuing operations	**3,600**	(c)
Loss for the year from a discontinued operation	(300)	(h)
PROFIT FOR THE YEAR	**3,300**	
Other comprehensive income for the year which will not be reclassified to profit or loss:		
Actuarial losses on defined benefit pension obligations, net of tax	(900)	(k)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,400**	
Profit attributable to:		
Owners of the parent	3,135	(l)
Non-controlling interests	165	(m)
	3,300	
Total comprehensive income attributable to:		
Owners of the parent	2,355	(o)
Non-controlling interests	45	(p)
	2,400	

The calculations and explanatory notes below do not form part of SME H's consolidated financial statements:

(a) CU10,000 parent + CU5,000 subsidiary = CU15,000.

(b) CU4,000 parent + CU2,000 subsidiary = CU6,000.

(c) Examples of additional line items, headings or subtotals that an entity presents when such presentation is relevant to an understanding of the entity's financial performance (see paragraph 5.9).

(e) CU100 parent + CU1,000 advertising costs + CU500 impairment of sales office equipment + CU400 subsidiary = CU2,000.

(e) CU2,000 parent + CU1,000 subsidiary = CU3,000.

(f) CU500 parent + CU500 subsidiary = CU1,000.

(g) 40% (CU6,000 consolidated profit before tax) = CU2,400.

(h) CU300(j) post-tax gain on the sale of a discontinued operation less CU600(i) post-tax loss of a discontinued operation = CU300 line item 'loss for the year from a discontinued operation'.

(i) CU1,500 revenue less CU1,000 cost of sales less CU500 distribution costs less CU1,000 administration costs = CU1,000 loss of a discontinued operation. CU1,000 less (40% of CU1,000) tax = CU600 post-tax loss of a discontinued operation.

(j) CU500 gain on disposal of discontinued operation less (40% of CU500) tax = CU300 post-tax gain on disposal of a discontinued operation.

(k) CU700 parent + CU800 subsidiary = CU1,500 actuarial losses before tax. CU1,500 less (40% of CU1,500) tax = CU900 post-tax actuarial losses.

(l) CU2,640(n) parent's profit for the year + 75% (CU660(m) subsidiary's profit for the year) = CU3,135.

(m) 25% (CU660(n) subsidiary's profit for the year) = CU165.

(n)

	Parent	*Subsidiary*	*Total*
	CU	*CU*	*CU*
Revenue	10,000	5,000	15,000
Increase in fair value of investment property	3,000	–	3,000
Cost of sales	(4,000)	(2,000)	(6,000)
Distribution costs	(1,600)	(400)	(2,000)
Administrative expenses	(2,000)	(1,000)	(3,000)
Finance costs	(500)	(500)	(1,000)
Profit before tax	**4,900**	**1,100**	**6,000**
Tax expense (40% of profit before tax)	(1,960)	(440)	(2,400)
Profit from continuing operations	**2,940**	**660**	**3,600**
Loss for the year from a discontinued operation	(300)	–	(300)
PROFIT FOR THE YEAR	**2,640**	**660**	**3,300**

(o) CU2,220(q) parent's total comprehensive income for the year + 75% (CU180(q) subsidiary's total comprehensive income for the year) = CU2,355.

(p) 25% × (CU180(q) subsidiary's total comprehensive income for the year) = CU45.

(q)

	Parent	Subsidiary	Total
	CU	*CU*	*CU*
Profit for the year (see (m) above)	**2,640**	**660**	**3,300**
Other comprehensive income—actuarial losses on defined benefit plans	(700)	(800)	(1,500)
Income tax effect of actuarial losses (40%)	280	320	600
Other comprehensive income for the year, net of tax	**(420)**	**(480)**	**(900)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,220**	**180**	**2,400**

Module 5—Statement of Comprehensive Income and Income Statement

Answer to case study 2: Part C

SME H—consolidated income statement for the year ended 31 December 20X8
(all amounts in currency units)

	20X8	
Revenue	15,000	(a)
Cost of sales	(6,000)	(b)
Gross profit	**9,000**	**(c)**
Other income—increase in the fair value of investment property	3,000	(c)
Distribution costs	(2,000)	(d)
Administration expenses	(3,000)	(e)
Finance costs	(1,000)	(f)
Profit before tax	**6,000**	**(c)**
Income tax expense	(2,400)	(g)
Profit for the year from continuing operations	**3,600**	**(c)**
Loss for the year from a discontinued operation	(300)	(h)
PROFIT FOR THE YEAR	**3,300**	
Profit attributable to:		
Owners of the parent	3,135	(l)
Non-controlling interests	165	(m)
	3,300	

SME H—consolidated statement of comprehensive income for the year ended 31 December 20X8 (all amounts in currency units)

	20X8	
PROFIT FOR THE YEAR	**3,300**	
Other comprehensive income for the year (which will not be reclassified to profit or loss):		
Actuarial losses on defined benefit pension obligations, net of tax	(900)	(k)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,400**	
Total comprehensive income attributable to:		
Owners of the parent	2,355	(o)
Non-controlling interests	45	(p)
	2,400	

For the calculations and explanatory notes, see Part B.

Module 5—Statement of Comprehensive Income and Income Statement

Case study 3

SME J presents its statement of comprehensive income following the single-statement approach. SME J presented its statement of comprehensive income in its financial statements for the year ended 31 December 20X4 as follows:

SME J—statement of comprehensive income for the year ended 31 December 20X4
(in thousands of currency units)

	20X4	*20X3*
Revenue	60,231	57,896
Cost of sales	(25,976)	(22,346)
Other income	987	145
Distribution costs	(2,156)	(2,278)
Administrative expenses	(15,436)	(15,987)
Other expenses	(960)	(1,010)
Finance costs	(689)	(702)
Profit before tax	**16,001**	**15,718**
Income tax expense	(3,600)	(3,930)
PROFIT FOR THE YEAR	**12,401**	**11,788**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Increase/(Decrease) in revaluation surplus, net of tax	340	(180)
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of hedging instruments, net of tax and of reclassifications	(113)	(54)
Other comprehensive income for the year, net of tax	227	(234)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,628**	**11,554**

In late 20X5, following a comprehensive assessment of SME J's presentation policies, management decided to classify expenses by nature. Management expects that the analysis by nature will provide information that is more relevant and more reliable—because the allocation of the costs to functions required arbitrary allocations.

Module 5—Statement of Comprehensive Income and Income Statement

An analysis of SME J's income and expenses for the 20X5 and 20X4 reporting periods is set out below (in thousands of currency units):

		20X5	*20X4*
Revenue		62,457	60,231
Other income		534	987
Cost of sales:			
	Materials used	(11,568)	(9,987)
	Change in inventory (excluding raw materials)	(1,345)	(3,000)
	Wages, salaries and benefits	(8,890)	(8,234)
	Depreciation	(3,245)	(3,120)
	Transport	(1,010)	(990)
	Other	(640)	(645)
	TOTAL	**(26,698)**	**(25,976)**
Distribution costs:			
	Advertising	(1,310)	(1,156)
	Wages, salaries and benefits	(1,201)	(1,000)
	TOTAL	**(2,511)**	**(2,156)**
Administrative expenses:			
	Wages, salaries and benefits	(12,345)	(12,404)
	Depreciation	(2,220)	(2,388)
	Other	(1,008)	(644)
	TOTAL	**(15,573)**	**(15,436)**
Other expenses		(1,010)	(960)
Finance costs		(601)	(689)
Income tax expense		(4,199)	(3,600)
Other comprehensive income:			
	Increase in revaluation surplus , net of tax	110	340
	Changes in the fair value of hedging instruments, net of tax	(65)	(80)
	Changes in the fair value of hedging instruments transferred to profit or loss	(7)	(33)

Prepare, in compliance with the *IFRS for SMEs* Standard, SME J's statement of comprehensive income for the year ended 31 December 20X5.

Answer to case study 3

SME J presents the following statement of comprehensive income for the 20X5 classifying expenses by nature.

SME J—Statement of comprehensive income for the year ended 31 December 20X5
(in thousands of currency units)

	20X5		*20X4*
			Restated
Revenue	62,457		60,231
Other income	534		987
Changes in inventories of finished goods and work in progress	(1,345)		(3,000)
Raw material and consumables used	(11,568)		(9,987)
Employee benefits expense	(22,436)	(a)	(21,638)
Depreciation and amortisation expense	(5,465)	(b)	(5,508)
Transport	(1,010)		(990)
Advertising	(1,310)		(1,156)
Other expenses	(2,658)	(c)	(2,249)
Finance costs	(601)	(d)	(689)
Profit before tax	**16,598**		**16,001**
Income tax expense	(4,199)		(3,600)
PROFIT FOR THE YEAR	**12,399**		**12,401**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Increase in revaluation surplus, net of tax	110		340
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of hedging instruments, net of tax and of reclassifications	(72)		(113)
Other comprehensive income for the year, net of tax	**38**		**227**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,437**		**12,628**

The calculations and explanatory notes below do not form part of the answer to this case study:

(a) Employee benefits expense (20X5) = CU8,890 + CU1,201 + CU12,345 = CU22,436.
Employee benefits expense (20X4) = CU8,234 + CU1,000 + CU12,404 = CU21,638.

(b) Depreciation and amortisation expense (20X5) = CU3,245 + CU2,220 = CU5,465.
Depreciation and amortisation expense (20X4) = CU3,120 + CU2,388 = CU5,508.

(c) Other expenses (20X5) = CU640 + CU1,008 + CU1,010 = CU2,658.
Other expenses (20X4) = CU645 + CU644 + CU960 = CU2,249.

(d) Finance costs (20X5) = CU601.
Finance costs (20X4) = CU689.