



A client checks the audited financial results for one of the companies. Under IFRS 18, companies must classify income and expenses into five clear categories: operating, investing, financing, income tax, and discontinued operations. PHOTO/MICHAEL KAKUMIRIZI

IFRS 18 and the new income statement

IFRS 18 does not change the accounting rules for recognising revenue, valuing assets or measuring expenses. Instead, it changes the layout and discipline of financial reporting.

ACCOUNTING DEOGRATIUS WAMALA

Accounting rules rarely make headlines. But every so often, a new rule quietly changes how companies explain their results.

IFRS 18 is one of those rules. Issued by the International Accounting Standards Board in April 2024, it will replace the International Accounting Standards Board (IASB) 1 and take effect for annual periods beginning on or after January 1, 2027.

IFRS stands for International Financial Reporting Standards. In simple terms, it is a global rulebook that tells companies how to prepare and present their financial statements so that investors, regulators and the public can understand them and compare them across countries.

IFRS keeps changing because business keeps changing. New industries emerge, financial products evolve, and companies find new ways of reporting performance.

Over time, some older rules become too flexible, too unclear, or too easy to interpret differently, which creates confusion for users of financial statements.

When that happens, the IASB updates the standards to tighten guidance, close

gaps and improve comparability.

The reason it is called IFRS 18 is simply because it is numbered IFRS 18 in the IFRS numbering system. Earlier standards include IFRS 15 on revenue, IFRS 16 on leases and IFRS 17 on insurance contracts.

Older standards

Some older standards are still called IAS, such as IAS 1 and IAS 7, because they were written before the IASB began issuing standards under the IFRS name.

IFRS 18 replaces IAS 1 because the IASB wants presentation and disclosure rules to be more modern, more structured and less open to wide variation, especially in the income statement, where companies have historically had too much freedom to design their own subtotals and performance narratives.

Companies must apply it retrospectively, which means they will also have to restate their 2026 figures. Profit itself will not change. But the way companies present, explain and defend that profit will.

For many years, IAS 1 gave companies a lot of freedom. They could choose how to arrange their income statement, which subtotals to highlight, and how to describe "adjusted" results.

Investors complained that this freedom created confusion.