IFRS 18 – Is Your Business Ready for the Future of Financial Reporting?

Preparing for the New Standard on Presentation and Disclosure in Financial Statements

The way businesses present their financial performance is changing.

The International Accounting Standards Board (IASB) has issued **IFRS 18 – Presentation and Disclosure in Financial Statements**, which replaces key presentation requirements previously contained in IAS 1. The standard becomes effective for annual reporting periods beginning on or after **1 January 2027**, with **early adoption permitted**, provided the standard is applied in full and appropriately disclosed.

Although the recognition and measurement requirements of IFRS Accounting Standards remain largely unchanged, IFRS 18 introduces significant changes to the way financial performance is presented and explained. These changes are expected to improve comparability between entities while providing investors and other stakeholders with more transparent and decision-useful financial information.

Organisations should not wait until 2027 to begin preparing. Implementing IFRS 18 may require changes to financial reporting processes, chart of accounts, management reporting, accounting policies, systems and internal controls. Early planning will help ensure a smooth transition while allowing management sufficient time to evaluate the impact on key performance indicators and stakeholder communications. As per communication from ZICA in the first quarter of 2026, early is being encouraged as there is a requirement for the standard to be applied retrospectively, with comparative information restated in accordance with the transition provisions.

What Does IFRS 18 Change?

Among the most significant changes introduced by IFRS 18 are:

- A redesigned Statement of Profit or Loss requiring income and expenses to be classified into defined categories, including operating, investing and financing.
- A mandatory operating profit subtotal that will improve comparability across entities.
- New disclosure requirements for Management-defined Performance Measures (MPMs), including reconciliation to IFRS measures.
- Enhanced principles for aggregation and disaggregation to improve the clarity and usefulness of financial statement information.
- Additional guidance on the location of information within the financial statements and accompanying notes.

While these changes may appear to relate primarily to presentation, they often have broader implications for financial reporting processes and the way management communicates financial performance.

Why Should Organisations Start Preparing Now?

Although the mandatory effective date is still some time away, implementation may take longer than expected.

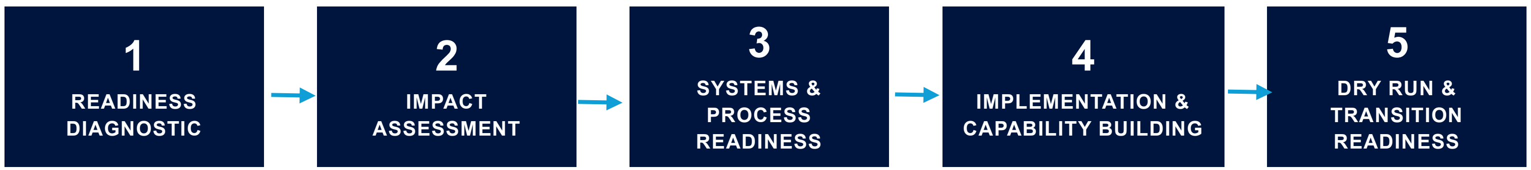
Businesses should begin assessing:

- Whether existing financial reporting systems can produce the new presentation requirements.
- Whether the current chart of accounts supports the required classifications.
- The impact on management reporting, budgeting and key performance indicators.
- Whether existing non-GAAP or alternative performance measures qualify as Management-defined Performance Measures under IFRS 18.
- Training requirements for finance teams, management and those charged with governance.

Entities considering early adoption should perform a comprehensive readiness assessment to understand the operational and reporting implications before implementation.

RSM's IFRS 18 Readiness and Implementation Approach

IFRS 18 implementation is not limited to technical accounting and may affect financial statement presentation, management performance measures, systems, processes, controls and disclosures. RSM's five-phase approach guides your organisation through the full journey from initial diagnostic through to a dry run ahead of your first IFRS 18 reporting cycle.



PHASE 1

IFRS 18 Readiness Diagnostic

Establish the client's current level of readiness and identify the areas that will be affected by IFRS 18.

HOW RSM WILL ASSIST

- Review the client's latest financial statements and accounting policies.
- Analyse the existing statement of profit or loss.
- Map material income and expense items against the new IFRS 18 categories.
- Identify existing management performance measures and KPIs.
- Assess current aggregation and disaggregation practices.
- Identify initial systems, data and process implications.

RSM DELIVERABLE

IFRS 18 Readiness & Gap Assessment Report identifying affected areas, key judgements, potential gaps and recommended actions.

CLIENT BENEFIT

Management obtains a clear view of **where IFRS 18 will affect its reporting and what needs to be addressed first**.

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PHASE 2

Financial Reporting Impact Assessment

Translate the requirements identified in Phase 1 into the client's actual financial reporting environment and quantify the potential impact.

HOW RSM WILL ASSIST

- Assess the impact on required subtotals.
- Assess the impact on existing financial statement disclosures.
- Prepare an illustrative IFRS 18 statement of profit or loss.
- Identify significant accounting judgements requiring documentation.

RSM DELIVERABLE

Illustrative IFRS 18 Financial Statements and Impact Assessment, showing management what its reporting could look like under IFRS 18.

CLIENT BENEFIT

Management can **see and quantify the practical impact** of IFRS 18, rather than simply understanding the requirements theoretically.

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PHASE 3

Systems, Data & Process Readiness

Determine whether the client's existing systems, data and reporting processes can generate the information required by IFRS 18.

HOW RSM WILL ASSIST

- Map the existing chart of accounts to the new IFRS 18 categories.
- Identify accounts requiring additional granularity.
- Assess ERP and financial reporting system implications.
- Identify data gaps and additional information requirements.
- Review month-end and financial reporting processes.
- Assess changes required to internal controls and audit trails.
- Identify process owners and implementation responsibilities.

RSM DELIVERABLE

IFRS 18 Systems & Process Readiness Assessment, including identified gaps and recommended remediation actions.

CLIENT BENEFIT

The client understands **what needs to change behind the financial statements** to enable IFRS 18-compliant reporting.

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PHASE 4

Implementation, Disclosure & Capability Building

Support the client in implementing the changes identified through the diagnostic and impact assessment.

RSM

HOW RSM WILL ASSIST

- Update or develop relevant accounting policies.
- Support redesign of financial statement presentation.
- Develop MPM identification and disclosure processes.
- Develop disclosure templates and checklists.
- Support chart-of-accounts modifications.
- Update financial reporting processes and controls.
- Develop IFRS 18 reporting templates.
- Conduct tailored training for finance teams.
- Conduct management and Audit Committee workshops where appropriate.

RSM DELIVERABLE

- Updated accounting policies.
- IFRS 18 financial reporting templates.
- MPM disclosure framework.
- Updated reporting processes and controls.
- Training and workshop materials.

CLIENT BENEFIT

The client moves from **understanding what needs to change to actually implementing those changes.**

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PHASE 5

IFRS 18 Dry Run & Transition Readiness

Test the client's readiness before the first IFRS 18-compliant financial statements are formally prepared.

HOW RSM WILL ASSIST

- Perform a dry run using the client's historical/comparative information.
- Prepare an illustrative IFRS 18 statement of profit or loss.
- Test the new classification and aggregation approach.
- Test MPM identification and disclosures.
- Assess whether required information can be generated from the client's systems.
- Identify unresolved accounting judgements.
- Identify remaining data, process and control gaps.
- Assess audit documentation requirements.
- Provide management with recommendations before the first reporting cycle.

RSM DELIVERABLE

IFRS 18 Dry Run & Transition Readiness Report, setting out remaining gaps, required actions and management's readiness for implementation.

CLIENT BENEFIT

Management identifies and resolves issues **before they affect the first IFRS 18 financial statements**, reducing implementation and audit risk.

Whether your organisation is considering early adoption or preparing for mandatory implementation, developing a structured transition plan now will help minimise implementation challenges and reduce disruption to financial reporting.

Looking Ahead

IFRS 18 represents one of the most significant changes to the presentation of financial statements in recent years. Although it does not fundamentally change how transactions are recognised or measured, it changes how financial performance is communicated to investors, lenders, regulators and other stakeholders.

Organisations that begin preparing early will be better positioned to implement the standard efficiently, maintain high-quality financial reporting and provide users of their financial statements with clearer and more meaningful information.

For further information on how IFRS 18 may affect your organisation, or to discuss how RSM can support your transition, please contact your usual RSM adviser.

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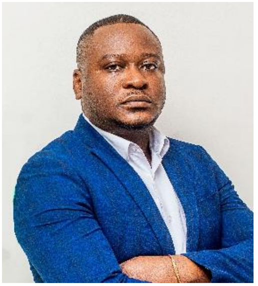

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