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Financial Statement Presentation and Disclosure Requirements

A Comparison Between Egyptian and International Accounting Standards

The Egypt Capital Markets Development Project

CHEMONICS INTERNATIONAL INC.

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EXECUTIVE SUMMARY

The purpose of this report is to compare the Egyptian Accounting Standards (EASs) issued to date with International Accounting Standards (IASs) and to list those accounting issues not provided for in the Egyptian standards The report is the initial part of the Capital Markets Development (CMD) project's efforts to enhance compliance with EASs and International Standards on Auditing (ISAs) The project's activities in this area are designed to assist the Capital Market Authority (CMA) to enhance transparency and the presentation and disclosure of financial and non-financial information of publicly traded companies, as well as to improve the CMA's capacity to enforce compliance in this area. Subsequent project activities will assess the adequacy of disclosure requirements, review and revise procedures for monitoring compliance with EASs and ISAs, and offer training in IASs

Generally, the EASs issued to date are similar to the corresponding IASs Only the Egyptian standard for accounting for finance lease contracts differs significantly from the international standard issued on the same issue

While they are covered under the IASs, a number of relevant accounting issues are not provided for in the EASs In the absence of an official Arabic translation of the IASs, this report identifies several areas in which new Egyptian standards should be drafted

The disclosure requirements of the EASs issued to date are generally similar the requirements in the corresponding IASs However, the presentation requirements for financial statements as defined by the executive regulations of the Capital Market Law (CML), differ from the presentation requirements as defined in IAS 1 "Presentation of Financial Statements "

Finally, this report reviews the International Accounting Standards Committee's (IASC) procedures for developing and modifying standards, as a possible model for the implementation of similar procedures in Egypt

FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE REQUIREMENTS

A Comparison Between Egyptian and International Accounting Standards

A Introduction

In 1993, the executive regulations to the Egyptian Capital Market Law (CML, Law 95 of 1992) were issued, requiring that financial statements of publicly held companies be prepared according to international accounting standards (IASs) and audited according to the international standards on auditing (ISAs) The executive regulations also require that financial statements be presented in formats provided in the CML's executive regulations These requirements are designed to enhance market transparency and the presentation and disclosure of financial information of publicly traded companies

At the time the executive regulations were issued, there was not, with the exception of the big five accounting firms, adequate awareness of the IASs, nor was there an official Arabic translation For these reasons, accountants continued to follow their previous practices The only implication of the new requirements was that companies had to issue two sets of financial statements—one set in the commonly used "T" form and another set in the formats provided in the executive regulations

In 1996, in order to enhance and enforce the application of the IASs, the Minister of Economy issued a decree forming a high-level committee to develop Egyptian accounting and auditing standards, as well as related codes of professional ethics and conduct The committee is chaired by the Minister of Economy, and its membership includes the CMA Chairman, Chairman of the Companies Department, and representatives from the Central Auditing Agency (CAA), Egyptian Association of Accountants and Auditors (EAAA), and the Egyptian Institute of Accountants and Auditors (EIAA) The high-level committee formed three subcommittees made up of public accountants, accounting experts, and specialists to work on the three topics—accounting standards, auditing standards, and related codes of professional ethics and conduct

In 1997, the Egyptian Accounting Standards (EASs) were issued as a part of the CML's executive regulations and became obligatory for all joint-stock companies and limited-liability by shares companies

This report compares the presentation and disclosure requirements found in the EASs to those found in the IASs, listing those accounting issues not covered by the EASs It also addresses the process of developing and updating EASs and IASs The report is the first step in the Capital Markets Development (CMD) project's assistance to the CMA and its other partner institutions in increasing compliance with EASs and ISAs (work plan task CMA-1 4) In subsequent activities, the project will work with the CMA and market participants to assess the adequacy of disclosure requirements, review and revise procedures for monitoring adherence to EASs and ISAs, and offer training in IASs

B Egyptian Accounting Standards Issued to Date

Nineteen EASs were issued by Ministerial Decree 503 of 1997 (October) Another accounting standard, on finance-lease contracts, was issued previously in September 1997 Subsequently, two more standards were issued in July 1998 No other EASs, nor any updates, have been issued since that date

Generally, the EASs are similar to the IASs, except for certain differences which adapt the IASs to the Egyptian business environment The following is a list of EASs matched with the corresponding IASs

	EASs	Corresponding IASs
1	Disclosure of Accounting Policies	IAS 1
2	Inventory	IAS 2
3	Information to be Disclosed in the Financial Statements	IAS 5
4	Cash Flow Statements	IAS 7
5	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	IAS 8
6	Research and Development Costs	IAS 9
7	Contingencies and Events Occurring after the Balance Sheet Date	IAS 10
8	Construction Contracts	IAS 11
9	Presentation of Current Assets and Current Liabilities	IAS 13
10	Fixed Assets and Depreciation	IAS 4 & 16
11	Revenue	IAS 18
12	Accounting for Government Grants and Disclosure of Government Assistants	IAS 20
13	The Effects of Changes in Foreign Exchange Rates	IAS 21
14	Borrowing Costs	IAS 23
15	Related Party Disclosures	IAS 24
16	Accounting for Investments	IAS 25
17	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	IAS 27
18	Accounting for Investments in Associates	IAS 28
19	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	IAS 30
20	Accounting For Finance Lease Operations	IAS 17
21	Accounting and Reporting of Retirement Benefit Plans	IAS 26
22	Earnings Per Share	IAS 33

The only EAS that significantly differs from the corresponding IAS concerns finance-lease contracts (number 20 above), which was issued as an executive regulation to Law 95 of 1995 The Egyptian standard follows the taxation and legal form rather than the substance of such contracts For instance, the Egyptian standard recognizes the leased asset as a fixed asset on the balance sheet of the lessor, whereas the international standard recognizes it as a receivable account on the balance sheet of the lessor and as a fixed asset on the balance sheet of the lessee

C Accounting Issues Not Provided for in the EASs

As of January 1999, 22 EASs had been issued, compared to 39 IASs (two of which have been subsequently superseded) Accordingly, certain accounting issues addressed in the IASs have not been provided for in the EASs The following is a list of those accounting issues not covered by the EASs

1 Reporting financial information by segment (IAS 14)

Presenting information by segment provides financial-statement users with information on the relative size, profit contribution, and growth trend of the different industries and different geographical areas in which a diversified enterprise operates This enables the users to make more informed judgments about the enterprise as a whole Rates of profitability, opportunities for growth, future prospects, and risks to investments may vary greatly between industry and geographical segments Thus, users of financial statements need segment information to assess the prospects and risks of a diversified enterprise, information which they may not be able to determine from the aggregated data These disclosures are particularly important for companies working in more than one market (e g , local and foreign markets) and companies working in two or more product areas (e g , industrial chemicals and paints)

2 Business combinations (IAS 22)

The need for this standard arises from developments in the current business environment, where the number of acquisitions and mergers has increased significantly The standard's objective is to prescribe accounting treatments for business combinations resulting from the acquisition of one enterprise by another, as well as the uniting of interests when an acquirer can not be identified Accounting for an acquisition involves determining the cost of the acquisition, allocating the cost over the identifiable assets and liabilities of the enterprise being acquired, and accounting for the resulting goodwill or negative goodwill, both during acquisition and subsequently Other accounting issues include accounting for the minority interest, acquisitions that occur over a period of time, subsequent changes in the cost of acquisition or in the identification of assets and liabilities and disclosure requirements

3 Financial reporting of interest in joint ventures (IAS 31)

This standard is needed to provide guidance on the treatment for interest in joint ventures and the reporting of joint-venture assets, liabilities, income, and expenses on the financial statements of the ventures, as well as those of investors, regardless of the structure or form under which the joint-venture activities take place

4 Financial instruments disclosure and presentation (IAS 32)

The dynamic nature of the capital market is expected to result in the widespread use of a variety of financial instruments This standard is needed to enhance financial-statement users' understanding of the significance of on-balance-sheet and off-balance-sheet financial instruments to an enterprise's financial position, performance, and cash flows

The standard should prescribe the requirements for presenting on-balance-sheet financial instruments and identify the information that should be disclosed about both on-balance-sheet

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(recognized) and off-balance-sheet (unrecognized) financial instruments The presentation standard should deal with the classification of the financial instruments between liabilities and equity, the classification of related interest, dividends, losses, and gains, and the circumstances in which financial assets and financial liabilities should be offset The disclosure standard should deal with information about factors that affect the amount, timing, and certainty of an enterprise's future cash flows relating to financial instruments and the accounting policies applied to such instruments In addition, the standard should encourage disclosure of information about the nature and extent of an enterprise s use of financial instruments, the business purposes that they serve, the risks associated with them, and management's policies for controlling those risks

5 Financial Instruments recognition and measurement (IAS 39)

This standard deals with the second part of the financial instruments issue—recognition, discontinuous recognition ('derecognition'), and measurement It also covers accounting for securitizations and debt defeasance transactions, as well as accounting for financial assets and liabilities used in complex risk management strategies and other hedging transactions

6 Accounting for taxes on income (IAS 12)

The objective of this standard is to give guidance on accounting for taxes on income in financial statements This includes determining the amount of expenses or savings related to taxes on income during an accounting period and the presentation of such information on the financial statements The need for this standard arises from the fact that the tax provision is calculated in accordance with the tax law and taxation rules and, in many respects, those rules differ from the accounting policies used to determine accounting income The effect of this difference is that the relationship between the provision for taxes payable and accounting income reported on the financial statements may not be representative of current tax rates This is a matter of confusion for foreign investors in the Egyptian capital market

7 Interim financial reporting (IAS 34)

An interim financial report is a financial report that contains either a complete or condensed set of financial statements for a period shorter than an enterprise's full financial year

The objective of this standard is to prescribe the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an enterprise s capacity to generate earnings and cash flows, and its financial condition and liquidity

The need for such a standard arises from the requirement that all companies listed on the stock exchange issue interim financial reports on a quarterly basis Currently, there is inconsistency in the presentation of and disclosure in these reports For instance, some companies provide for income tax in their interim financial reports whereas others do not In addition, there is confusion about the basis for measurement in these reports The frequency of an enterprise's reporting—annual, semiannual, or quarterly—should not affect the measurement of its annual results To achieve this objective, measurements for interim-reporting purposes should be made on a year-to-date basis

8 Discontinuing operations (IAS 35)

The objective of this standard is to establish a basis for segregating information about a major operation that an enterprise is discontinuing from information about its continuing operations, as well as to specify minimum disclosure requirements about the operation that is being discontinued Distinguishing continuing operations from those which will be discontinued improves the ability of investors, creditors, and other users of financial statements to project the enterprise s cash flows, earnings-generating capacity, and financial position The need for this standard arises from current developments in some privatized companies which are restructuring their operations, including selling or leasing some of their production lines, factories, and/or stores

9 Impairment of assets (IAS 36)

The objective of this standard is to prescribe the procedures that an enterprise should apply to ensure that its assets are carried at no more than their recoverable amount An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount that can be recovered through use or sale of the asset If this is the case, the asset is described as impaired, and the standard requires that enterprises recognize an impairment loss The standard also specifies when an enterprise should reverse an impairment loss, as well as disclosure requirements for impaired assets The need for this standard arises from the fact that assets of certain public-sector companies are overvalued, due to, for example, the capitalization of borrowing costs

10 Intangible assets (IAS 38)

This standard is needed to prescribe the accounting treatment for intangible assets The principle issues in accounting for intangible assets are timing the recognition of the assets, determining their carrying amounts and the amortization charges to be recognized in relation to them, and determining and accounting for impairments to the carrying amounts Actually, the Egyptian accounting profession is concerned that there is no objective criteria for measuring and accounting for assets such as copyrights, licenses, patents, and brand names

11 Employees and the cost of retirement benefits (IAS 19)

In many companies, retirement benefits are a significant element of an employees' remuneration packages It is important that the cost of providing these retirement benefits is properly accounted for and that appropriate disclosures are made in the enterprise's financial statements

The objective of this standard is to prescribe when the cost of providing retirement benefits should be recognized as an expense and the amount that should be recognized It also prescribes the information to be disclosed in the enterprise's financial statements

12 Provisions contingent liabilities and contingent assets (IAS 37)

The objective of this standard is to ensure that appropriate criteria and measurement bases are applied to provisions, contingent liabilities, and contingent assets and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature timing, and amount This standard is needed to guide accountants on their accounting estimates regarding provisions, contingent liabilities, and contingent assets

13 Standards not covered by EASs but not needed in the Egyptian environment

There are two other accounting issues covered in the IASs which are not covered in the EASs However, these issues are not relevant to Egypt s business needs They are

1 IAS 15—Information Reflecting the Effects of Changing Prices
2 IAS 29—Financial Reporting in Hyperinflationary Economies

Ministerial Decree 503 of 1997 requires that the IASs be applied in those cases not provided for in the EASs However, there is not an official translation of the IASs, and most listed companies and small accounting firms do not have adequate access to them This situation results in inadequate disclosure on some financial statements

D IAS Revisions Not Covered by the EASs

In addition to those IASs not covered by the EASs, certain IASs have been either reformatted or updated to bring them into line with recent developments in the international accounting profession (especially in US and UK), and no corresponding updates have been made to the EASs The following is a list of those IASs updated or reformatted since the corresponding EASs were issued

1 In July 1997, the IASC board approved IAS 1, "Presentation of Financial Statements," which became effective for financial statements covering periods that began on or after July 1, 1998 This standard supersedes the previous IAS 1, "Disclosure of Accounting Policies," IAS 5, "Information to be Disclosed in Financial Statements," and IAS 13, "Presentation of Current Assets and Current Liabilities "

2 IAS 35, "Discontinuing Operations" became effective for financial statements covering periods that began on or after January 1, 1999, superseding paragraphs 19-22 of IAS 8, "Net Profit for the Period, Fundamental Errors, and Changes in Accounting Policies "

3 In April 1998, IAS 36, "Impairment of Assets," was approved It will become effective for financial statements covering periods beginning on or after July 1, 1999 It replaces the requirements for recoverability of an asset that are included in IAS 9, "Research and Development Costs" and IAS 16, "Property, Plant, and Equipment "

E Presentation and Disclosure Requirements According to EASs and IASs

Presentation requirements identify the financial statements that should be prepared, the structure and contents of those statements, and the way and order of presenting different items on each statement

Disclosure requirements identify the additional narrative and numerical information to be provided along with the financial statements, in order to give the users of the statements a better understanding and to enable them to make informed decisions

As mentioned above, except for the finance-lease contracts, the EASs are generally similar to the IASs, and accordingly, there are no material differences between the disclosure requirements of the EASs and those of the corresponding IASs

Nevertheless, there are, as follows, certain differences between EAS presentation requirements and those of the IASs

1 The presentation requirements have not been issued as part of the EASs but as an appendix to the CML's executive regulations, whereas those requirements are provided for separately in IAS 1, 'Presentation of Financial Statements "

2 Under the Egyptian presentation requirements, four statements need to be prepared—balance sheet, statement of income, statement of cash flow, and statement of proposed dividends IAS 1 also requires four statements be prepared, the last one of which is different from the Egyptian requirements—balance sheet, statement of income, statement of cash flow, and statement of changes in equity

3 The form of the financial statements provided in the CML's executive regulations is probably more detailed than it needs to be This is due to confusion between presentation and disclosure requirements For instance, breakdowns of property, plant and equipment, and inventory are presented on the face of the balance sheet rather than being disclosed as a note to the financial statements Also, the market value of marketable securities is presented on the face of the balance sheet rather than as a disclosure to the financial statements

4 The balance sheet form provided by the executive regulations emphasizes the direct presentation of the working capital, whereas the balance sheet in the IASs shows the total assets and total liabilities, distinguishing between current and non-current items

5 The income statement of IAS 1 distinguishes between operational and non-operational activities within the results of the ordinary activities, whereas the income statement in the executive regulations does not

6 Extraordinary income and expenses should be offset and presented net of tax on the income statement according to IAS 1 Those items are presented separately on the income statement form provided in the executive regulations

7 Income tax expense is presented as one caption on the Egyptian income statement, while only income tax expense on the profit from ordinary activities is presented on the income statement according to IAS 1, and taxes on extraordinary profits are netted from these profits

8 Up-to-date, public-sector companies are obligated to apply the Unified Accounting System (UAS), which provides accounting polices and principles, as well as the presentation and disclosure requirements for financial statements In certain aspects, the UAS requirements are different from those of the EASs Accordingly, public-sector companies used to issue two sets of financial statements (one set in accordance with the UAS and another set in accordance with the executive regulations' presentation requirements)

Appendix 1 to this report provides the illustrative financial statements found in IAS 1 "Presentation of Financial Statements "

F The Process of Development and Publication of EASs and IASs

According to Ministerial Decree 478 of 1997, the accounting and auditing standards committee establishes the basis and methods for amending, adding to, and eliminating EASs, and the proper methods for publishing such amendments However, the committee has not published those bases and all draft standards have been unofficially distributed to selected public accountants through the EAAA and the big five accounting firms, with no established procedures for feedback and comment on the draft standards

The following are the procedures followed by the IASC in developing and publishing IASs These procedures could be used as a guideline for establishing procedures for developing EASs

1 The IASC board establishes a steering committee Each committee is chaired by a board member and composed of at least three members of the IASC

2 The steering committee identifies and reviews all accounting issues associated with the topic and considers the application of IASC's framework for preparation and presentation of financial statements to those accounting issues The steering committee also studies the different accounting treatments that may be appropriate in different circumstances The committee may submit a point outline to the board

3 After receiving comments, if any, from the board on the point outline, the steering committee normally prepares and publishes a draft statement of principles and/or other discussion document The purpose of this statement is to set out the underlying accounting principles that will form the basis for the preparation of an exposure draft Comments are invited from all interested parties during the exposure period, usually about three months

4 The steering committee reviews the comments on the draft statement of principles and normally agrees to a final statement of principles, which is submitted to the board for approval and used as a basis for preparing an exposure draft of the proposed IAS The final statement is available to the public on request, but is not formally published

5 The steering committee prepares a draft of the exposure draft for approval by the board After revision and approval by at least two-thirds of the board, the exposure draft is published Comments are invited from all interested parties during the exposure period, for a minimum of one month and usually at least three months

6 The steering committee reviews the comments and prepares a draft IAS for review by the board After revision and approval of at least three-quarters of the board, the standard is published

7 During this process, the board may decide that the subject under consideration warrants additional consultation or would be better served by issuing a discussion paper for comment It may also be necessary to issue more than one exposure draft before developing an IAS

As mentioned above (number 2), the steering committee considers the application of IASC's framework for the preparation and presentation of financial statements for external users when it is developing new IASs In Egypt, the committee assigned to develop Egyptian accounting and auditing standards, as well as to develop codes of professional ethics and conduct, has yet to issue such a framework

A framework for the preparation and presentation of financial statements is needed to

1 Assist the committee in developing future accounting standards and in reviewing existing standards

2 Assist with harmonizing the accounting standards and procedures by providing a basis for reducing the alternative accounting treatments permitted by the EASs

3 Assist preparers of financial statements with understanding and applying EASs

4 Assist auditors in forming opinions as to whether financial statements comply with EASs

5 Assist users of financial statements with interpreting the information contained in financial statements prepared according to EASs

6 Provide those who are interested in the development of these standards with information on the process and approach of the committee's work

G Conclusion

Generally, great efforts have been made to introduce and adapt the IASs to the Egyptian business environment More efforts need to be made, however, in order to develop new standards and to keep those standards up to date with the corresponding IASs Also, presentation requirements need to be amended to comply with those of the IASs

Finally, eliminating public-sector companies' application of the UAS and requiring them to apply the EASs should be considered

Appendix Illustrative Financial Statement Structure

The appendix is illustrative only and does not form part of the standards The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning

The Standard sets out the components of financial statements and minimum requirements for disclosure on the face of the balance sheet and the income statement as well as for the presentation of changes in equity It also establishes further items that may be presented either on the face of the relevant financial statement or in the notes The purpose of the Appendix is to provide examples of the ways in which the requirements for the presentation of the income statement, balance sheet and changes in equity might be presented in the primary financial statements The order of presentation and the descriptions used for line items should be changed where necessary in order to achieve a fair presentation in each enterprise's particular circumstances

Two income statements are provided for illustrative purposes, illustrating the two alternative classifications of income and expenses, by nature and by function. The two alternative approaches to presenting changes in equity are also illustrated

XYZ Group - balance sheet as at 31 December 20-1

(in thousands of currency units)

	20-2	20-2	20-1	20-1
ASSETS				
Non-current assets				
Property plant and equipment	X		X	
Goodwill	X		X	
Manufacturing licences	X		X	
Investments in associates	X		X	
Other financial assets	X		X	
		X		X
Current assets				
Inventories	X		X	
Trade and other receivables	X		X	
Prepayments	X		X	
Cash and cash equivalents	X		X	
		X		X
Total assets		X		X
EQUITY AND LIABILITIES				
Capital and reserves				

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Issued capital	X		X	
Reserves	X		X	
Accumulated profits/(losses)	X		X	
		X		X
Minority interest		X		X
Non-current liabilities				
Interest bearing borrowings	X		X	
Deferred tax	X		X	
Retirement benefit obligation	X		X	
		X		X
Current liabilities				
Trade and other payables	X		X	
Short-term borrowings	X		X	
Current portion of interest-bearing borrowings	X		X	
Warranty provision	X		X	
		X		X
Total equity and liabilities		X		X

XYZ Group - income statement for the year ended 31 December 20-2

(illustrating the classification of expenses by function)

(in thousands of currency units)

	20-2	20-1
Revenue	X	X
Cost of sales	(X)	(X)
Gross profit	X	X
Other operating income	X	X
Distribution costs	(X)	(X)
Administrative expenses	(X)	(X)
Other operating expenses	(X)	(X)
Profit from operations	X	X
Finance cost	(X)	(X)
Income from associates	X	X
Profit before tax	X	X
Income tax expense	(X)	(X)

Profit after tax	X	X
Minority interest	(X)	(X)
Net profit from ordinary activities	X	X
Extraordinary items	X	(X)
Net profit for the period	X	X

XYZ Group - income statement for the year ended 31 December 20-2

(illustrating the classification of expenses by nature)

(in thousands of currency units)

	20-2	20-1
Revenue	X	X
Other operating income	X	X
Changes in inventories of finished goods and work in progress	(X)	X
Work performed by the enterprise and capitalised	X	X
Raw material and consumables used	(X)	(X)
Staff costs	(X)	(X)
Depreciation and amortisation expense	(X)	(X)
Other operating expenses	(X)	(X)
Profit from operations	X	X
Finance cost	(X)	(X)
Income from associates	X	X
Profit before tax	X	X
Income tax expense	(X)	(X)
Profit after tax	X	X
Minority interest	(X)	(X)
Net profit or loss from ordinary activities	X	X
Extraordinary items	X	(X)
Net profit for the period	X	X

XYZ Group - statement of changes in equity for the year ended 31 December 20-2

(in thousands of currency units)

	Share capital	Share premium	Revaluation reserve	Translation reserve	Accumulated profit	Total
Balance at 31 December 20 0	X	X	X	(X)	X	X
Changes in accounting policy					(X)	(X)
Restated balance	X	X	X	(X)	X	X
Surplus on revaluation of properties			X			X
Deficit on revaluation of investments			(X)			(X)
Currency translation differences				(X)		
Net gains and losses not recognised in the income statement			X	(X)		X
Net profit for the period					X	X
Dividends					(X)	(X)
Issue of share capital	X	X				X
Balance at 31 December 20-1	X	X	X	(X)	X	X
Deficit on revaluation of properties			(X)			(X)
Surplus on revaluation of investments			X			X
Currency translation differences				(X)		(X)
Net gains and losses not recognised in the income statement			(X)	(X)		(X)
Net profit for the period					X	X
Dividends					(X)	(X)
Issue of share capital	X	X				X
Balance at 31 December 20-2	X	X	X	(X)	X	X

An alternative method of presenting changes in equity is illustrated below

XYZ Group - statement of recognised gains and losses for the year ended 31 December 20-2

(in thousands of currency units)

	20-2	20-1
Surplus/(deficit) on revaluation of properties	(X)	X

Surplus/(deficit) on revaluation of investments	X	(X)
Exchange differences on translation of the financial statements of foreign entities	(X)	(X)
Net gains not recognised in the income statement	X	X
Net profit for the period	X	X
Total recognised gains and losses	X	X
Effect of changes in accounting policy		(X)

The above example illustrates an approach which presents those changes in equity that represent gains and losses in a separate component of the financial statements Under this approach, a reconciliation of opening and closing balances of share capital, reserves and accumulated profit, as illustrated on the previous page, is given in the notes to the financial statements