



Newsletter

IFRS 18: what changes and why it matters

IFRS 18 should no longer be viewed as a distant change. Although its mandatory application begins for annual reporting periods starting on or after January 1, 2027, it is already a topic that shareholders, finance management and accounting teams should keep on their radar.

The objective of this standard is to improve the information presented and disclosed about financial performance, especially in the statement of profit or loss. The standard introduces defined subtotals, requires disclosures about management-defined performance measures and strengthens the principles of aggregation and disaggregation.

But what is the real objective?

From the user's perspective, IFRS 18 seeks to bring more order to an area where there is currently too much diversity. Two companies may have similar businesses and still present their results in very different ways. This makes it harder to compare performance, understand what is truly operating, and distinguish which part of the result comes from the business and which part comes from financing, investments or management adjustments. In practice, the standard is intended to help investors, boards of directors, banks, regulators and shareholders read clearer and more comparable financial statements.

Key changes compared with IAS 1

Topic	Key change under IFRS 18
Structure of the statement of profit or loss	IFRS 18 requires income and expenses to be classified into defined categories: operating, investing, financing, income taxes and discontinued operations.
Defined subtotals	It introduces mandatory subtotals, especially operating profit or loss and profit or loss before financing and income taxes.
Management-defined performance measures	If management uses adjusted or entity-specific indicators to explain results, it must disclose them and reconcile them with comparable subtotals.
Aggregation and disaggregation	The standard requires a better assessment of what information should be grouped, separated or explained in the notes.
Impact by sector	Application will not be identical for all entities. In banks, insurers and entities with financing or investing activities as their main business, the classification changes.

The first challenge is not accounting, but presentation. Many entities will need to review their chart of accounts, how they prepare the statement of profit or loss, their management reports and the KPIs they currently use in reports to the board or shareholders. They will also need to reconciliation certain adjusted indicators qualify as management-defined performance measures and, therefore, must be disclosed with reconciliations. This adds an operational challenge: aligning accounting, finance, audit, systems and senior management so that everyone speaks the same language.

Although application may seem far away, the key will be to anticipate the change, assess from now on how these changes may affect the presentation of the financial statements and define the necessary adjustments in advance. Support from experts not only helps entities understand the standard, but also implement it in an orderly way, avoiding last-minute improvisation and reducing risks in the adoption process.

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