

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS (IFRS 18)

Effective for annual reporting periods beginning on or after 1 January 2027

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1. INTRODUCTION TO IFRS 18

IFRS 18: *Presentation and Disclosure in Financial Statements* replaces **IAS 1** and introduces a modernised, more structured approach to presenting financial performance and disclosures. The standard aims to:

- Improve **comparability** across entities
- Provide **clearer categories** in the Statement of Profit or Loss
- Strengthen **disaggregation** and **aggregation** principles
- Introduce **new subtotals** that are *mandatory*
- Enhance transparency around **management-defined performance measures (MPMs)**
- Clarify **classification** of income and expenses

IFRS 18 does **not** change recognition or measurement — only **presentation and disclosure**.

2. OBJECTIVES OF IFRS 18

IFRS 18 aims to ensure that financial statements:

1. **Present clearly** the entity's financial performance and position
2. **Disaggregate** information to a level useful for decision-making
3. **Provide consistent subtotals** across entities
4. **Improve transparency** around management-defined performance measures
5. **Enhance comparability** between companies and industries

3. COMPONENTS OF A COMPLETE SET OF FINANCIAL STATEMENTS (IFRS 18)

A complete set includes:

1. **Statement of Financial Position**
2. **Statement of Profit or Loss (mandatory)**
3. **Statement of Other Comprehensive Income** (if OCI exists)
4. **Statement of Comprehensive Income** (combined or separate)
5. **Statement of Changes in Equity**
6. **Statement of Cash Flows**
7. **Notes**, including significant accounting policies
8. **Comparative information**
9. **Third Statement of Financial Position** (if required by retrospective restatement)

4. KEY CHANGES INTRODUCED BY IFRS 18

4.1 Mandatory Categories in the Statement of Profit or Loss

IFRS 18 introduces **three required categories**:

1. **Operating**
2. **Investing**
3. **Financing**

These categories determine where income and expenses must be presented.

4.2 Mandatory Subtotals

Entities must present:

- **Operating profit**
- **Profit before financing and income taxes**
- **Profit before tax**
- **Profit for the year**

These subtotals are now *standardised* across all IFRS reporters.

4.3 Management-Defined Performance Measures (MPMs)

If an entity uses performance measures **not required by IFRS**, it must:

- Disclose them in a **single note**
- Reconcile them to the most directly comparable IFRS subtotal
- Explain why the measure is useful
- Present them **consistently** year-to-year

Examples of MPMs:

- “Adjusted EBITDA”
- “Core operating profit”
- “Underlying earnings”

4.4 Disaggregation Principles

Entities must:

- Disaggregate material items
- Avoid obscuring information through excessive aggregation
- Use **meaningful labels**
- Present **nature** or **function** classification (but consistently)

4.5 Classification of Income and Expenses

Operating category

Includes:

- Main revenue-generating activities
- Costs of sales
- Selling and distribution cost
- Administrative cost
- Research & Development expensed
- Operating gains/losses

Investing category

Includes:

- Returns from investments (unless entity's main business is investing)
- Gains/losses on disposal of assets not used in operations

Financing category

Includes:

- Interest expense
- Interest income on financing activities
- Unwinding of discount
- Effects of financing arrangements

4. STATEMENT OF PROFIT OR LOSS — IFRS 18 FORMAT

This represents probably the most significant change in what IFRS 18 is bringing, as opposed to IAS 1. The distinction between income and expenses from operating, investing and financing activities greatly enhances comparability amongst various industries. It also pulls this statement in line with the Statement of Cash Flows.

Example on the next page.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED ...

OPERATING ACTIVITIES	R
Revenue	12 500 000
Cost of sales	(7 800 000)
Gross profit	4 700 000
Other operating income	320 000
Operating cost:	(2 450 000)
Selling and distribution expenses	(900 000)
Administrative expenses	(1 200 000)
Research and development expensed	(350 000)
Operating profit	2 570 000
INVESTING ACTIVITIES	360 000
Income from investments	140 000
Fair value gain on investment property	220 000
Profit before financing and income taxes	2 930 000
FINANCING ACTIVITIES	(270 000)
Interest income	40 000
Interest expense	(310 000)
Profit before tax	2 660 000
Income tax expense	(780 000)
Profit for the year	1 880 000

6. STATEMENT OF OTHER COMPREHENSIVE INCOME

IFRS 18 retains the OCI structure from IAS 1 but requires **clearer disaggregation**.

Example on the next page.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ...

	R
Profit for the year	1 880 000
Other comprehensive income:	
<i>Items that will not be reclassified to profit or loss:</i>	
• Revaluation gain on PPE	450 000
• Actuarial gain on defined benefit plan	120 000
<i>Items that may be reclassified to profit or loss:</i>	
• Exchange differences on translation of foreign operations	(60 000)
• Cash flow hedge reserve movement	90 000
Total other comprehensive income	600 000
Total comprehensive income for the year	2 480 000

7. COMBINED STATEMENT OF COMPREHENSIVE INCOME

If the entity chooses a **single statement approach**, the title becomes:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ...

The first section is identical to the Statement of Profit or Loss. In the two-statement model that statement ends with the total “Profit for the Year”. We also saw that the Statement of Other Comprehensive Income starts with that same total. So, in the single statement approach, that total becomes a subtotal for the first section – the profit or loss section. The statement then carries on from there – the other comprehensive income section – and is from that point onwards identical to the separate Statement.

How to choose between the single statement or two-statement approach? The main consideration is the same as in IAS 1: would the single statement approach clutter up or fit well on one page. As a rule of thumb, up to two items of OCI generally fit in the single statement. However, if there are more than two items of OCI, it is more appropriate to follow the two-statement approach or model.

8. DISCLOSURE REQUIREMENTS UNDER IFRS 18

8.1 Significant Accounting Policies

Must be:

- Entity-specific
- Material
- Clear and concise
- Not boilerplate

8.2 Judgements and Estimates

Entities must disclose:

- Key judgements
- Sources of estimation uncertainty
- Sensitivity analyses (if material)

8.3 Disaggregation of Income and Expenses

Entities must disclose:

- Nature (e.g., depreciation, employee benefits)
- Function (e.g., cost of sales, admin expenses)
- Major components of each line item

8.4 Management-Defined Performance Measures (MPMs)

For each MPM:

1. Name and definition
2. Why management uses it
3. Reconciliation to IFRS subtotal
4. Adjustments made
5. Consistency across periods

8.5 Operating–Investing–Financing Classification

Entities must disclose:

- Basis for classification
- Any changes in classification
- Effects of reclassification

8.6 Unusual Income and Expenses

IFRS 18 requires:

- Clear identification
- Explanation of why unusual
- Quantification
- Separate disclosure

Examples:

- Restructuring costs
- Litigation settlements
- Natural disaster losses

9. EXAMPLES OF NEW DISCLOSURE REQUIREMENTS

Example 1 — Disaggregation of Operating Expenses (Material in Nature)

Operating expenses include:

- Employee benefits: R 2 100 000
- Depreciation: R 650 000
- Amortisation: R 180 000
- Inventory write-downs: R 90 000
- Marketing: R 300 000

Example 2 — MPM Reconciliation (Adjusted Operating Profit)

Adjusted operating profit (MPM) R 2 900 000

Less: IFRS operating profit R 2 570 000

Adjustments:

- Restructuring costs: R 200 000
- Impairment of goodwill: R 130 000

Reconciled to IFRS subtotal R 2 570 000

Example 3 — Unusual Items Disclosure

Unusual expense — Flood damage

- Amount: R 480 000
- Nature: Non-recurring loss due to severe flooding
- Reason unusual: Not expected to recur in future periods

10. 20-QUESTION EXAM PACK (With Full Workings)

Presentation and Disclosure in Financial Statements

SECTION A — THEORY & APPLICATION (Questions 1–10)

Question 1

Explain the three mandatory categories in the Statement of Profit or Loss under IFRS 18 and provide one example of each.

Solution & Workings

Operating: Income/expenses from main business activities. *Example:* Revenue from sale of goods.

Investing: Returns from assets that generate income independently of operations. *Example:* Fair value gain on investment property.

Financing: Income/expenses from raising finance. *Example:* Interest expense on borrowings.

Question 2

Define “operating profit” under IFRS 18 and explain why it is now a mandatory subtotal.

Solution

- ➔ **Operating profit = Operating income – Operating expenses**
- ➔ IFRS 18 makes it mandatory to improve comparability across entities and industries. It standardises performance reporting and prevents entities from defining their own “operating profit” inconsistently.

Question 3

List four examples of items that must be classified in the **financing** category.

Solution

1. Interest expense on borrowings
2. Interest income from financing activities
3. Unwinding of discount on provisions
4. Effects of lease financing (interest portion)

Question 4

Explain the IFRS 18 requirement for “unusual income and expenses”.

Solution

Unusual items are income/expenses with **limited predictive value**. Entities must disclose:

- Amount
- Nature
- Why unusual
- Whether expected to recur

Question 5

State the two approaches to disaggregation and explain when each is appropriate.

Solution

By nature: Breaks expenses into types (depreciation, salaries). Used when internal reporting is nature-based.

By function: Groups expenses by purpose (cost of sales, admin). Used when entity manages costs by department/function.

Question 6

What is an MPM (Management-Defined Performance Measure)? Provide an example.

Solution

An MPM is a performance measure **not required by IFRS** but used by management to communicate performance. *Example:* Adjusted EBITDA.

Question 7

Explain the IFRS 18 requirement for reconciling MPMs.

Solution

Entities must reconcile each MPM to the **closest IFRS subtotal**, showing:

- Adjustments
- Reasons for adjustments
- Consistency across periods

Question 8

State three mandatory subtotals in the Statement of Profit or Loss.

Solution

1. Operating profit
2. Profit before financing and income taxes
3. Profit before tax

Question 9

Explain the difference between “items that will not be reclassified” and “items that may be reclassified” in OCI.

Solution

Will not be reclassified: OCI items permanently excluded from profit or loss. *Example:* PPE revaluation surplus.

May be reclassified: OCI items that may later move to profit or loss. *Examples:* Cash flow hedge reserve, gains on listed investments.

Question 10

Describe the IFRS 18 aggregation/disaggregation principle.

Solution

Entities must:

- Aggregate items with similar characteristics
- Disaggregate items when needed for understanding
- Avoid obscuring material information

SECTION B — CALCULATION & CLASSIFICATION (Q. 11–20)

Question 11

An entity reports the following for the year:

- Revenue: R 9 000 000
- Cost of sales: R 5 400 000
- Other operating income: R 200 000
- Operating expenses: R 2 100 000

Calculate **operating profit**.

Solution & Workings

- Gross profit = 9 000 000 – 5 400 000 = **R 3 600 000**
- Operating profit = Gross profit + Other operating income – Operating cost
- = 3 600 000 + 200 000 – 2 100 000 = **R 1 700 000**

Question 12

Using the result from Question 11, the entity also reports:

- Investing income: R 150 000
- Investing expenses: R 40 000

Calculate **profit before financing and income taxes**.

Solution

- Investing result = 150 000 – 40 000 = **R 110 000**
- Profit before financing & income taxes = 1 700 000 + 110 000 = **R 1 810 000**

Question 13

Using the results from Questions 11 and 12 above, the entity also reports:

- Financing income: R 20 000
- Financing expenses: R 260 000

Calculate **profit before tax**.

Solution

- Net financing result = 20 000 – 260 000 = **(R 240 000)**
- Profit before tax = 1 810 000 – 240 000 = **R 1 570 000**

Question 14

Continuing from the results above, Income tax expense is R 470 000.

Calculate **profit for the year**.

Solution

- Profit for the year = 1 570 000 – 470 000 = **R 1 100 000**

Question 15

Classify each item under IFRS 18:

1. Fair value gain on investment property
2. Interest on overdraft
3. Loss on disposal of PPE used in operations
4. Dividend income from equity investments

Solution

1. Investing
2. Financing
3. Operating
4. Investing (unless entity is an investment entity, in which case it is Operating)

Question 16

An entity presents the following unusual items:

- Flood damage: R 380 000
- Restructuring costs: R 520 000

Explain how these must be disclosed.

Solution

Each item must be disclosed separately with:

- Amount
- Nature
- Why unusual
- Whether expected to recur

They **are not allowed to be aggregated** into “other expenses”.

Question 17

An entity uses “Adjusted Operating Profit” as an MPM. Operating profit = R 2 400 000

Adjustments:

- Add back restructuring costs: R 300 000
- Deduct fair value gain on investment property: R 120 000

Calculate the MPM.

Solution

- Adjusted operating profit = 2 400 000 + 300 000 – 120 000 = **R 2 580 000**

Question 18

Classify the following as either **nature** or **function**:

1. Depreciation
2. Selling and distribution cost
3. Employee benefits expense
4. Cost of sales

Solution

1. Nature
2. Function
3. Nature
4. Function

Question 19

An entity reports the following OCI items:

- Revaluation gain on PPE: R 600 000
- Exchange differences on foreign operations: (R 90 000)
- Cash flow hedge reserve gain: R 50 000

Calculate **total OCI**.

Solution

- Total OCI = 600 000 – 90 000 + 50 000 = **R 560 000**

Question 20

Using the results from Questions 14 and 19, calculate **total comprehensive income**.

Solution

- Profit for the year = R 1 100 000; Total OCI = R 560 000
- Total comprehensive income = 1 100 000 + 560 000 = **R 1 660 000**

11. 20-QUESTION MULTIPLE-CHOICE EXAM PACK

With Correct Answers (and Explanations, where necessary)

SECTION A — THEORY (Questions 1–10)

1. Which of the following is *not* a mandatory category in the Statement of Profit or Loss under IFRS 18?

- A. Operating
- B. Investing
- C. Financing
- D. Extraordinary

➤ **Correct answer: D**

➤ **Explanation:** IFRS 18 eliminates the concept of “extraordinary items”.

2. Operating profit is defined as:

- A. Revenue minus cost of sales
- B. Gross Profit plus other operating income minus operating cost
- C. Profit before tax minus financing expenses
- D. Profit before financing and income taxes

➤ **Correct answer: B**

➤ **Explanation:** IFRS 18 standardises operating profit as GP + other operating income – operating cost.

3. Which of the following is classified as *investing* under IFRS 18?

- A. Interest expense
- B. Revenue from main operations
- C. Fair value gain on investment property
- D. Depreciation on factory equipment

➤ **Correct answer: C**

4. Which subtotal is *mandatory* under IFRS 18?

- A. EBITDA
- B. Operating profit
- C. Net operating income
- D. Adjusted profit

➤ **Correct answer: B**

5. Which of the following best describes an MPM?

- A. A measure required by IFRS
- B. A measure defined by management, not IFRS
- C. A measure used only for tax reporting
- D. A measure used only in the statement of cash flows

➤ **Correct answer: B**

6. Which of the following must be disclosed for unusual items?

- A. Only the amount
- B. Only the nature
- C. Amount, nature, and why unusual
- D. Nothing — unusual items are prohibited

➤ **Correct answer: C**

7. Which of the following is *not* an example of disaggregation by nature?

- A. Depreciation
- B. Employee benefits expense
- C. Selling and distribution cost
- D. Amortisation

➤ **Correct answer: C**

➤ **Explanation:** Selling and distribution cost is a *function*.

8. Items that *may* be reclassified to profit or loss include:

- A. PPE revaluation surplus
- B. Actuarial gains
- C. Exchange differences on foreign operations
- D. Revaluation of intangible assets

➤ **Correct answer: C**

9. Which of the following must be reconciled to an IFRS subtotal?

- A. Revenue
- B. Operating profit
- C. Management-defined performance measures
- D. OCI items

➤ **Correct answer: C**

10. IFRS 18 requires entities to avoid:

- A. Disaggregation
- B. Aggregation
- C. Obscuring material information
- D. Presenting subtotals

➤ **Correct answer: C**

SECTION B — APPLICATION & CALCULATIONS (Q. 11–20)

11. Revenue = R 10 000 000; Cost of sales = R 6 200 000.

Gross profit equals:

- A. R 3 800 000
- B. R 4 200 000
- C. R 16 200 000
- D. R 6 200 000

➤ **Correct answer: A**

➤ **Workings:** 10 000 000 – 6 200 000 = 3 800 000.

12. Operating profit = R 1 900 000; Investing income = R 200 000; Investing expenses = R 50 000.

Profit before financing and income taxes equals:

- A. R 1 850 000
- B. R 2 050 000
- C. R 2 100 000
- D. R 1 900 000

- **Correct answer: B**
- **Workings:** $1\,900\,000 + (200\,000 - 50\,000) = 2\,050\,000$.

13. Profit before financing and income taxes = R 2 050 000; Financing income = R 30 000; Financing expenses = R 310 000.

Profit before tax equals:

- A. R 1 770 000
- B. R 2 390 000
- C. R 1 740 000
- D. R 2 050 000

- **Correct answer: A**
- **Workings:** $2\,050\,000 + (30\,000 - 310\,000) = 1\,770\,000$.

14. Profit before tax = R 1 770 000; Income tax expense = R 530 000.

Profit for the year equals:

- A. R 1 240 000
- B. R 2 300 000
- C. R 1 770 000
- D. R 530 000

- **Correct answer: A**

15. Which of the following is classified as *financing*?

- A. Dividend income
- B. Interest expense
- C. Gain on disposal of PPE
- D. Revenue

➤ **Correct answer: B**

16. Which of the following is an unusual item?

- A. Depreciation
- B. Salaries
- C. Flood damage
- D. Cost of sales

➤ **Correct answer: C**

17. Calculate MPM adjusted operating profit.

- IFRS Operating profit = R 2 400 000
- Adjustments for MPM:
 - Restructuring costs: R 300 000
 - Fair value gain: R 100 000

Adjusted operating profit equals:

- A. R 2 300 000
- B. R 2 400 000
- C. R 2 600 000
- D. R 2 700 000

➤ **Correct answer: C**

➤ **Workings:** $2\,400\,000 + 300\,000 - 100\,000 = 2\,600\,000$.

18. Which of the following is classified as *operating*?

- A. Interest income
- B. Fair value gain on investment property
- C. Loss on disposal of PPE used in operations
- D. Dividend income

➤ **Correct answer: C**

19. OCI items:

Data:

- Revaluation gain on PPE = R 500 000
- Exchange differences = (R 70 000)
- Cash flow hedge gain = R 40 000

Total OCI equals:

- A. R 470 000
- B. R 540 000
- C. R 430 000
- D. R 500 000

➤ **Correct answer: A**

➤ **Workings:** $500\,000 - 70\,000 + 40\,000 = 470\,000$.

20. Profit for the year = R 1 240 000; Total OCI = R 470 000.

Total comprehensive income equals:

- A. R 1 710 000
- B. R 1 240 000
- C. R 470 000
- D. R 2 000 000

➤ **Correct answer: A**

12. CASE-STUDY-BASED EXAM (Long-Form)

Presentation and Disclosure in Financial Statements

CASE STUDY: UBUNTU MANUFACTURING LTD

Ubuntu Manufacturing Ltd (“Ubuntu”) is a South African entity that produces industrial equipment. The company prepares financial statements in accordance with IFRS. The CFO is preparing the first set of financial statements under **IFRS 18 Presentation and Disclosure in Financial Statements**, effective for the 2027 year-end.

You are the financial reporting specialist assisting with classification, subtotals, disaggregation, and disclosure.

Below is a summary of Ubuntu’s trial balance information for the year ended 31 December 2027:

Extract of Income and Expense Items

Item	Amount (R)
Revenue	48 000 000
Cost of sales	(29 500 000)
Selling & distribution expenses	(4 200 000)
Administrative expenses	(3 600 000)
Research & development	(1 200 000)
Fair value gain on investment property	1 100 000
Dividend income from equity investments	350 000
Interest income on overdue customer accounts	180 000
Interest expense on bank loan	(1 450 000)
Loss on disposal of PPE used in operations	(320 000)
Flood damage to warehouse (uninsured)	(900 000)
Foreign exchange gain on USD loan	260 000
Cash flow hedge reserve gain (OCI)	140 000
Revaluation gain on land (OCI)	1 900 000
Income tax expense	(3 200 000)

Additional information:

1. The investment property is **not** part of Ubuntu’s main operations.
2. The dividend income arises from a long-term equity investment.
3. The flood damage is considered **unusual**.

4. The interest income on overdue customer accounts relates to **operating activities** (credit terms).
5. The foreign exchange gain relates to a **financing activity** (USD loan).
6. Management uses an MPM called “**Core Operating Profit**”, which excludes:
 - Flood damage
 - Loss on disposal of PPE
 - Fair value gain on investment property

REQUIRED:

Question 1 — Classification (IFRS 18 categories)

Classify each item into **Operating**, **Investing**, or **Financing** according to IFRS 18.

Question 2 — Statement of Profit or Loss (IFRS 18 format)

Prepare the **Statement of Profit or Loss** using the mandatory subtotals:

- Operating profit
- Profit before financing and income taxes
- Profit before tax
- Profit for the year

Question 3 — Statement of Other Comprehensive Income

Prepare the **Statement of OCI**, clearly separating:

- Items that will not be reclassified
- Items that may be reclassified

Question 4 — Unusual Items Disclosure

Explain how the **flood damage** must be disclosed under IFRS 18.

Question 5 — MPM Reconciliation

Prepare the reconciliation between **Core Operating Profit (MPM)** and **Operating Profit (IFRS subtotal)**.

SOLUTIONS AND FULL WORKINGS

Question 1 — Classification

Item	Classification	Reason
Revenue	Operating	Main business activity
Cost of sales	Operating	Direct operating cost
Selling & distribution	Operating	Operating expense
Administrative expenses	Operating	Operating expense
R&D	Operating	Operating expense
Fair value gain on investment property	Investing	Not part of operations
Dividend income	Investing	Return on financial investment
Interest income on overdue accounts	Operating	Arises from credit terms in operations
Interest expense on bank loan	Financing	Cost of financing
Loss on disposal of PPE used in operations	Operating	PPE used in operations
Flood damage	Operating (unusual)	Operating item but unusual
Forex gain on USD loan	Financing	Related to financing activity
Income tax expense	N/A	Below profit before tax

Question 2 — Statement of Profit or Loss (IFRS 18)

On the next page...

Question 2 — Statement of Profit or Loss (IFRS 18)

Ubuntu Manufacturing Ltd

Statement of Profit or Loss for the year ended 31 December 2027

OPERATING ACTIVITIES	RAND
Revenue	48 000 000
Cost of sales	(29 500 000)
Gross profit	18 500 000
Other operating income: Interest income (overdue customers)	180 000
Operating cost:	(10 220 000)
Selling & distribution	(4 200 000)
Administrative	(3 600 000)
Research & Development	(1 200 000)
Loss on disposal of PPE	(320 000)
Flood damage (unusual)	(900 000)
Operating profit	8 460 000
INVESTING ACTIVITIES	1 450 000
Fair value gain on investment property	1 100 000
Dividend income	350 000
Profit before financing and income taxes	9 910 000
FINANCING ACTIVITIES	(R 1 190 000)
Foreign exchange gain on USD loan	260 000
Interest expense	(1 450 000)
Profit before tax	8 720 000
Income tax expense	(3 200 000)
Profit for the year	5 520 000

Question 3 — Statement of Other Comprehensive Income

Ubuntu Manufacturing Ltd

Statement of Other Comprehensive Income

	R
Profit for the year	5 520 000
Other comprehensive income:	
<i>Items that will not be reclassified to profit or loss:</i>	
• Revaluation gain on land	1 900 000
<i>Items that may be reclassified to profit or loss:</i>	
• Cash flow hedge reserve gain	140 000
Total other comprehensive income	2 040 000
Total comprehensive income for the year	7 560 000

Question 4 — Unusual Items Disclosure

The **flood damage (R 900 000)** must be disclosed as an **unusual item** under IFRS 18.

Required disclosures:

1. **Amount:** R 900 000
2. **Nature:** Loss due to severe flooding of warehouse
3. **Why unusual:**
 - Not expected to recur
 - Not part of normal operating activities
4. **Effect on financial performance:**
 - Included in operating category
 - Separately disclosed to avoid obscuring performance
5. **No aggregation** with other expenses

Question 5 — MPM Reconciliation

Core Operating Profit (MPM)

Management excludes:

- Flood damage: 900 000
- Loss on disposal of PPE: 320 000
- Fair value gain on investment property: 1 100 000

Step 1 — Start with IFRS Operating Profit

Operating profit = **R 8 460 000**

Step 2 — Add back excluded operating losses

- Flood damage: 900 000
- Loss on disposal of PPE: 320 000

Subtotal = 8 460 000 + 1 220 000 = **R 9 680 000**

Step 3 — Remove investing gain included in MPM definition

– Fair value gain on investment property: 1 100 000

Core Operating Profit (MPM)

= 9 680 000 – 1 100 000 = **R 8 580 000**