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Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IFRS 18 presentation and disclosure: what changes in 2027

How IFRS 18 replaces IAS 1 from 1 January 2027: operating/investing/financing categories, new subtotals, management-defined performance measures and aggregation — with the Cambodian adoption caveat.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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WHAT DOES IFRS 18 CHANGE FOR A CAMBODIAN COMPANY'S FINANCIAL STATEMENTS?

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. It requires income and expenses in the statement of profit or loss to be classified into operating, investing, financing, income taxes and discontinued operations categories, introduces the defined subtotals operating profit and profit before financing and income taxes, requires disclosure of management-defined performance measures, and adds principles for aggregating and disaggregating information. Cambodia's National Accounting Council has not confirmed adoption in this article; a Cambodian company should confirm the effective date with the NAC and its auditor before applying it.

IN SHORT

- IFRS 18 replaces IAS 1 for periods beginning on or after 1 January 2027; earlier application is permitted.
- It requires operating, investing, financing, income tax and discontinued operation categories in profit or loss.
- It introduces the defined subtotals operating profit and profit before financing and income taxes.
- Management-defined performance measures must be disclosed and reconciled to the nearest IFRS subtotal.
- Cambodia's NAC adoption is not confirmed here; confirm the effective date with the NAC and the auditor.

Effective date, scope and the Cambodian caveat

IFRS 18 was issued in April 2024 and is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. It replaces IAS 1 Presentation of Financial Statements. The IASB retained some IAS 1 requirements, moved some to IAS 8 Basis of Preparation of Financial Statements, and moved some financial instrument disclosures to IFRS 7.

IFRS 18 applies to general purpose financial statements prepared under IFRS. It changes presentation and disclosure, not the recognition and measurement of assets, liabilities, income and expenses. A company still applies the same measurement standards; the statement of profit or loss and the notes are presented differently.

Cambodia's National Accounting Council has not confirmed adoption in this article. The CIFRS framework is the NAC's adoption of IFRS, and the effective date in Cambodia should be confirmed with the NAC and the auditor before a company applies IFRS 18. Early application is permitted by IFRS 18, but the local framework may not yet permit it.

The five categories in profit or loss

IFRS 18 requires an entity to classify income and expenses in the statement of profit or loss into five categories: operating, investing, financing, income taxes and discontinued operations. The operating category includes income and expenses from the entity's main business activities; the investing category includes income and expenses from investments and returns; the financing category includes interest expense and other financing costs.

The classification is based on the entity's main business activities. A company that provides financing to customers as its main business classifies the related income and expense in the operating category, not the financing category. The standard provides guidance for specific items, such as cash and cash equivalents, derivatives and foreign exchange differences.

The categories are not the same as the old IAS 1 line items. A company that presents 'finance costs' as a single line may need to split the interest expense, the interest income and the foreign exchange differences across categories. The notes explain the classification.

IFRS 18 CATEGORIES IN PROFIT OR LOSS

Category	What belongs there	Example
Operating	Main business activities	Revenue, cost of sales, operating expenses
Investing	Investments and returns	Interest income on surplus cash, dividend income
Financing	Financing of the entity	Interest expense on borrowings, lease finance costs
Income taxes	Tax expense	Current and deferred tax
Discontinued operations	Discontinued components	Post-tax result of a discontinued operation

The two new subtotals

IFRS 18 requires two defined subtotals: operating profit and profit before financing and income taxes. Operating profit is the result of the operating category; profit before financing and income taxes adds the investing category to operating profit. The subtotals give readers a consistent measure across entities.

An entity can present additional subtotals, but they must be compatible with the IFRS 18 subtotals and must not be misleading. A subtotal that excludes a recurring cost without a clear label and explanation is a management-defined performance measure, not an IFRS subtotal.

The statement of profit or loss should present the categories and subtotals in a clear order, with the income tax and discontinued operations below the profit before tax line. The notes reconcile the subtotals to the financial statements.

Management-defined performance measures

A management-defined performance measure (MPM) is a subtotal of income and expenses that is not specified by IFRS Accounting Standards and that the entity uses in public communications to communicate management's view of an aspect of its financial performance. EBITDA, adjusted profit and free cash flow are common examples.

IFRS 18 requires the entity to disclose each MPM in a single note, with a reconciliation to the nearest IFRS subtotal, an explanation of why the measure is useful, how it is calculated, and any changes. The MPM cannot be presented with more prominence than the IFRS subtotals.

A company that uses an MPM in an investor presentation, a press release or a lender pack should apply the same definition in the financial statements. A different definition in different documents is a disclosure risk.

> **2027 is not a reason to wait**
>
> IFRS 18 needs data, systems and comparatives. A company that waits until 2027 will be restating 2026 in a hurry. Map the categories, the subtotals and the MPMs now.

Aggregation and disaggregation

IFRS 18 adds principles for aggregating and disaggregating information. An entity should aggregate items that share similar characteristics and disaggregate items that are materially different. The notes should provide enough detail for a reader to understand the financial statements without overwhelming them.

The principles apply to the primary statements and the notes. A company that presents a large 'other expenses' line without explaining its nature or amount may not meet the requirement. A company that discloses every immaterial item may obscure the material ones.

Preparing in Cambodia

A Cambodian company should start with a gap analysis of its current IAS 1 statements: the profit or loss lines, the finance costs, the foreign exchange differences, the MPMs used in investor or bank packs, and the notes. The chart of accounts may need new dimensions to classify items by category.

The group reporting pack, the consolidation system and the ACAR filing should use the same categories. The 2026 comparatives will need to be restated when the company applies IFRS 18, so the data should be captured in 2026 even if the standard is adopted in 2027.

The auditor should be involved early. The audit plan, the disclosure checklist and the internal controls over the new categories and the MPMs should be updated. The NAC adoption date remains the gating item for a Cambodian company.

- Map the current P&L lines to the five categories.
- Identify the two subtotals and the MPMs used publicly.
- Update the chart of accounts and the group reporting pack.
- Prepare the 2026 comparatives on the new basis.
- Confirm the NAC adoption date and the auditor's expectations.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Does IFRS 18 apply in Cambodia now?

IFRS 18 is effective for periods beginning on or after 1 January 2027, but Cambodia's NAC adoption is not confirmed in this article. Confirm the effective date with the NAC and the auditor before applying it.

Does IFRS 18 change recognition or measurement?

No. It changes presentation and disclosure, including the categories, the subtotals, the MPMs and the aggregation principles. The recognition and measurement of assets, liabilities, income and expenses continue under the relevant standards.

What is an MPM?

A management-defined performance measure is a subtotal of income and expenses that is not specified by IFRS and that the entity uses in public communications to communicate management's view of performance. EBITDA and adjusted profit are common examples.

Does IFRS 18 replace IAS 1?

Yes. IFRS 18 replaces IAS 1 for periods beginning on or after 1 January 2027. Some IAS 1 requirements were retained, some moved to IAS 8, and some financial instrument disclosures moved to IFRS 7.

SOURCES

Where the rules come from

01 IFRS 18 Presentation and Disclosure in Financial Statements (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-18-presentation-and-disclosure-in-financial-statements/) — IFRS Foundation

02 IAS 1 Presentation of Financial Statements (https://www.ifrs.org/issued-standards/list-of-standards/ias-1-presentation-of-financial-statements/) — IFRS Foundation

03 IAS 8 Basis of Preparation of Financial Statements and IFRS 7 Financial Instruments: Disclosures — IFRS Foundation

04 Cambodian International Financial Reporting Standards (CIFRS) — National Accounting Council / ACAR, Ministry of Economy and Finance