QVANTIA RESEARCH

IFRS18 same numbers, a new story

OPERATING

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01

IFRS 18 Highlights

What the new standard introduces—and why companies should start preparing now

IFRS 18 rewrites the rules on how financial statements are presented and disclosed. The goal is performance that is easier to compare across companies and sectors, and more transparent thanks to a clearer structure.

Issued by the IASB in April 2024, it replaces IAS 1 for annual reporting periods beginning on or after 1 January 2027. Early application is permitted, but comparative information must be restated as well.

> The bottom line: **IFRS 18 does not change how assets, liabilities, income and expenses are measured**. It changes how those numbers are organised, presented and explained to the market.

Statement of financial performance: new title and new reference points

'Statement of financial performance' is the new name for the P&L, and the name is the smallest of the changes. The main ones are:

- **Income and expenses** must be classified into three categories: Operating, Investing and Financing;
- **Income taxes and discontinued operations** get categories of their own;
- **New subtotals become mandatory**, including Operating profit and Profit before financing and income taxes. Companies may still add others where they genuinely help explain performance.

One size will not fit all. Under **Specified Main Business Activities**, classification follows each company's core business, in both the P&L and the cash flow. Income an industrial company books as Investing may be Operating for a bank.

Fewer catch-all labels, more useful information

What to group, what to show separately? IFRS 18 aggregates similar items and separates dissimilar ones when the information is material. The aim: neither cluttered statements nor statements so condensed they hide what matters.

Labels matter too. 'Other expenses', 'Other assets' and 'Other liabilities' can no longer be catch-all drawers: material or dissimilar items must be described in the statements or the notes. A matter of professional judgement.

Management metrics come under the spotlight

Adjusted EBITDA, normalised profit, adjusted margin: companies use such indicators to show how management sees performance. IFRS 18 keeps them but demands transparency for one group: Management-defined Performance Measures (MPMs).

Companies must disclose each MPM's definition, why management finds it useful and how it reconciles to the closest IFRS subtotal, including tax effects and effects on non-controlling interests.

> *In other words, companies may continue to use their own language, however they must be more transparent about what they mean by it.*

Cash flow statement

The cash flow statement is brought into line with the new P&L:

- Operating profit or loss becomes the starting point for the indirect method;
- Fewer options for classifying interest and dividends, both received and paid (see table below);
  - For entities with Specified Main Business Activities, the business sector remains the main driver.

IFRS 18 — CHANGES TO IAS 7 CLASSIFICATION

CASH FLOW ITEM	BEFORE IFRS 18 *IAS 7 previous options*	AFTER IFRS 18 *Non-financial entities*
Interest received	Operating / Investing	→ **Investing**
Interest paid	Operating / Financing	→ **Financing**
Dividends received	Operating / Investing	→ **Investing**
Dividends paid	Operating / Financing	→ **Financing**

Entities with Specified Main Business Activities (Banks, Leasing, Asset Managers, etc.)
Cash flow classification follows the related P&L classification under IFRS 18. It may be Operating, Investing or Financing depending on the nature of the business activity.

Beyond the financial statement template

On paper, IFRS 18 is about presentation; in practice, it will become a cross-functional business project.

Reconciling MPMs and producing more granular data starts with three questions. Do our systems collect everything required? On time? With a clear audit trail? Where the answer is no, expect new controls, clearer roles and tighter cross-department coordination.

Governance shifts too. Today, line items are usually owned according to account nature; IFRS 18 asks for information by function, territory usually covered by the FP&A team.

The impact goes beyond the statements. Investor presentations and results announcements must be checked for potential MPMs and kept consistent. Clear governance defines who owns each indicator, who verifies it and who approves changes.

SECTION

From IAS 1 to IFRS 18: a different performance architecture

02

Why does it matter? Because a defined subtotal is more than a new line. Once operating profit becomes an IFRS-defined measure, it becomes the natural benchmark for variance analysis, budgeting, forecasting, management dashboards and investor communication.

EPM PERSPECTIVE	IAS 1	IFRS 18
P&L structure	Greater flexibility in presentation and subtotals	Defined categories and subtotals require consistent classification logic across actuals, plan and forecast
Operating performance	Entity-specific operating measures often dominate internal reporting	IFRS operating profit creates a common statutory anchor, while management views remain separate but reconcilable
Management measures	Alternative measures largely governed outside of the financial statements	Qualifying MPMs require controlled definitions and reconciliations between actual and management views
Data requirements	Account-based reporting can often be sufficient	Economic origin, instrument, asset/liability and business-activity attributes may become necessary. Data gathering from ERP systems is likely to be affected.

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What the impact analysis reveals

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The impacts cluster in four connected areas: data model, transition, consolidation and planning. Run them as separate workstreams and classification logic is rebuilt, and drifts, across systems. Run them as one EPM design and you get a single, governed reading of IFRS 18.

3.1 Data model: it all starts with the chart of accounts

The core question: does the current chart of accounts hold enough information to determine IFRS 18 classification without manual interpretation? Two impacts stand out:

- **CoA structure:** previously unclassified accounts may need to be split and enriched with details such as economic nature and business function;
- **Data feeding:** any change to the chart of accounts alters the accounting structure and how transactions and balances are distributed across accounts.

The answer is not an uncontrolled multiplication of accounts, but a richer reporting model where classification is driven by attributes: economic origin, underlying asset or liability, instrument type, business activity and management-adjustment status.

Data quality controls change role too. 'Unclassified' becomes a meaningful exception to investigate, alongside conflicting classifications, missing economic-origin attributes and mappings changed without approval. **IFRS 18 thus becomes an opportunity to turn presentation logic into a controlled data domain.**

3.2 Transition: one dataset, multiple views

During the transition, Finance will juggle two views of performance: the historical one and the new IFRS 18 statutory view.

Duplicating the dataset works but adds needless complexity. Better: one dataset, with version-controlled logic aggregating it in different ways.

To simplify reconciliation, the EPM system should include dedicated bridging objects. Several approaches are possible, but the choice must fit the overall transformation plan, and above all the data models. Examples include:

- **Bridge reporting package:** helps end users link IFRS 18 data back to IAS 1;

- **Account mapping:** traces how each account evolves from IAS 1 to IFRS 18, a mandatory requirement;
- **Ad-hoc processing:** routines that move accounts and the related amounts between the old and the new chart of accounts.

This approach ensures continuity, with one caveat: if the chart of accounts changes, analysis may lose consistency, because the IFRS 18 account list may include accounts that were never populated before.

3.3 Consolidation: IFRS 18 logic enters the close

At group level, classification must remain consistent across local ledgers, consolidation journals, intercompany eliminations and central adjustments. That is particularly relevant when the same economic phenomenon is recorded differently across entities or when classification depends on the group's assessment of a main business activity. A purely local mapping approach would create inconsistencies that only become visible at consolidation.

The consolidation process should be able to validate category assignments, identify balances with incomplete attributes and apply group-level overrides through controlled rules. This would move IFRS 18 from a final statement check into the financial close itself. The practical benefit is significant: reconciliation effort shifts from explaining presentation differences after the fact to preventing them before reporting is produced.

3.4 Planning: comparability cannot stop at actuals

If Actuals move to the new categories while Budget and Forecast stay on the old structure, management reporting loses coherence. Actual-vs-budget would rely on manual bridges, and classification effects could pass for real performance.

So planning must be assessed together with consolidation: forms, drivers, forecast rules, KPIs and long-range scenarios must all produce the IFRS 18 view without losing the overall picture.

For some, hierarchy changes will suffice. Others will discover a granularity gap: the model does not capture enough detail to show where results come from economically.

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Transition: design for comparatives

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Because IFRS 18 applies retrospectively, comparatives must already be captured in the new structure. That makes the transition an EPM project, not just an accounting one.

Systems must track and reconcile MPMs, now disclosed in the notes, and apply stricter aggregation rules, which may mean remapping the chart of accounts and reporting hierarchies.

There are several ways to get there. Two are detailed below.

Plan A: the 12-month program

This is the reference model for groups that have started remapping well ahead of the first IFRS 18 reporting deadline. It is the most robust option since it leaves room for testing and for early conversations with auditors and investors.

PHASE 1 **Months 1-2**	**IMPACT ASSESSMENT** Run a gap analysis: map each P&L line to the new categories, flag entities whose main activity is financing or investing, trace data flows of impacted accounts and list managerial measures to spot potential MPMs.
PHASE 2 **Months 3-5**	**DESIGN** Set classification policies, redesign the chart of accounts and group reporting pack, review data flows from source systems and define the MPM framework, including reconciliations, as well as tax and non-controlling interest effects that must be disclosed.
PHASE 3 **Months 6-10**	**BUILD AND DRY RUNS** Update ERP, data mapping toward EPM systems and reporting forms, restate the last available year comparatives and run at least one full parallel close, ideally on a quarterly cycle so reconciliations can be tested under realistic conditions.
PHASE 4 **Months 11-12**	**GO-LIVE AND STABILISATION** Publish the first interim reports under IFRS 18 and then the first annual report, with a lessons-learned review after each cycle.

Plan B: the accelerated 6-month sprint

Late starters need a narrower scope, aiming at **minimum viable compliance:** new categories and subtotals, MPMs, cash flow changes and restated comparatives. The first reporting cycle then buys time to refine the solution.

> *With January 2027 so close for calendar-year groups, this plan realistically focuses first on capturing 2026 data in the new structure and then on finishing the first 2027 interim reporting cycle.*

PHASE 1 **Month 1**	**ACT ON DATA MODEL** Define a comparative chart of accounts to report data in different views.
PHASE 2 **Months 2-3**	**REVIEW DATA FEEDING** Align ERP data extraction to new chart of accounts: new classifications are useless without updated data mapping.
PHASE 3 **Months 4-5**	**FOCUS ON MAIN DISCLOSURE** Prioritise the disclosure schedules; leave template updates for internal reporting and non-statutory views to the next improvement phase.
PHASE 4 **Month 6**	**TRACK THE MAIN RISKS** Keep an eye on the usual suspects: comparative data quality, incomplete MPM inventories and late ERP changes.

Continuous improvement: the common evolution cycle

Optimisation is no longer a separate programme but a continuous cycle shared by both plans. After go-live, the solution evolves in short iterations aligned with the reporting calendar, driven by three levers:

01
STABILISE
Consolidate compliant external reporting and review the manual steps accepted at go-live.

02
AUTOMATE
Progressively replace workarounds with automated mapping, MPM reconciliations and controls, all of which AI-native features can enable from the very start of the restatement.

03
INTEGRATE
Expand the new framework to align management reporting, KPIs, budgeting and forecasting and refine aggregation and disaggregation based on experience.

The payoff is a single definition of operating profit across actuals, plans and forecasts, which is where planning and consolidation platforms deliver most of their value.

Choosing between the plans

PLAN	BEST SUITED TO	MAIN TRADE-OFF
A: 12 months	Large, complex groups that started early	Highest effort and cost, lowest delivery risk
B: 6 months	Late starters and simpler structures	Higher data-quality risk, higher flexibility to adapt

SECTION

AI for IFRS 18: from impact analysis to transition

05

Where artificial intelligence can reduce manual effort and risk across the IFRS 18 journey

IFRS 18 is, first of all, a data and classification exercise: thousands of accounts to be reviewed, attributes to be enriched, measures to be reconciled and comparatives to be restated. These are exactly the activities in which AI can make a difference, by accelerating repetitive analysis, surfacing inconsistencies early and leaving Finance teams more time for the judgements the standard requires.

How AI can support the impact analysis

01

CHART OF ACCOUNTS CLASSIFICATION

AI models can read account descriptions, posting patterns and counterparties to propose an *Operating*, *Investing* or *Financing* category for each account, with a confidence level that tells reviewers where to focus.

02

DATA GAP DETECTION

Automated profiling of ERP and EPM data can highlight missing economic-origin attributes, inconsistent mappings across entities and material balances hidden in catch-all lines such as *Other expenses*.

03

MPM DISCOVERY

Natural-language analysis of investor presentations, results announcements and management reports can build a first inventory of the indicators likely to qualify as MPMs, ready for validation.

How AI can support the transition

04

RESTATEMENT AND PARALLEL RUNS

The same dataset can be analysed under both the IAS 1 and the IFRS 18 view, so that restated comparatives are checked line by line against the historical presentation. During dry runs, narrative explanations can describe why a subtotal moved between the old and the new structure, separating classification effects from real performance.

05

CROSS-SYSTEM RECONCILIATION

AI can compare balances between ERP, consolidation and planning systems, identify mismatches and adjustments, and drill down to the transactions that explain them.

06

DOCUMENTATION, TESTING AND AUDIT TRAIL

Mapping rationales, policies and technical specifications can be generated and kept aligned automatically, while test cases and impact analyses for change requests are prepared in a fraction of the time.

AI proposes, people decide. Classification under IFRS 18 still requires professional judgement: AI outputs should feed a governed review process, with clear ownership, approval steps and a documented audit trail.

Qvantia tools

Qvantia has developed two AI-powered assets that address the use cases above: **Qosmos**, focused on enterprise data and finance analysis, and **Quark**, focused on project delivery.



QOSMOS *QVANTIA'S AI-POWERED DATA INTELLIGENCE ASSET*

Qosmos brings ERP, EPM and other enterprise data into a single layer for finance analysis.

Unlike a chatbot, it works directly on the company's systems (e.g. Tagetik and SAP): users ask in natural language and get analyses and reports in a fraction of the usual time.

- **IAS 1 and IFRS 18 side by side:** Qosmos already works on both structures, so the two views can be compared directly during restatement and parallel runs.
- **Bridge view:** Qosmos can navigate both structure, analyse and break the differences down in several details and eventually define both a bridge report and its commentary to help companies to understand how figures shift.
- **EPM vs ERP:** it compares the data held in different systems throughout the architecture and checks adjustments quickly and dynamically.

Under IFRS 18, information must be reconciled across systems and structures. Instead of juggling exports and Excel, **teams use Qosmos to spot inconsistencies, investigate variances and cut repetitive work, and later to replace workarounds with automation.**

Cross-system reconciliation	**Automated drill-down**	**Real-time analysis**	**Narrative explanations**

QUARK *QVANTIA'S INTERNAL AI-POWERED DELIVERY ACCELERATOR*

Quark is Qvantia's internal AI-powered delivery accelerator, designed to simplify and speed up project delivery by reducing the time spent on manual, repetitive activities so that teams can focus on high-value work.

Born from a mapping of the daily activities carried out across project and extra-project phases, Quark brings together several AI-based high-impact use cases into a single asset:

- a **documentation factory** that generates and keeps functional and technical documentation aligned as a single source of truth;
- a **meeting & requirement assistant** that produces structured minutes, tracks decisions and action points and proactively flags gaps and inconsistencies against project knowledge, Tagetik standards and best practices;
- a **functional and technical assistant** that makes analysis faster and more standardized.

Quark also offers a single access point to project-specific and company-wide knowledge. It supports AMS and change management by automating impact analysis, documentation, testing and effort estimation for bugs, enhancements and change requests.

Where Qvantia tools fit

USE CASE	QVANTIA TOOL	HOW IT HELPS
Chart of accounts classification & data gaps	**Qosmos**	Profiling and analysis of ERP/EPM data through natural language
Functional analysis of new mappings	**Quark**	Faster, standardised functional and technical analysis
Restatement & parallel runs: IAS 1 vs IFRS 18	**Qosmos**	Side-by-side comparison of the two views and narrative explanations of movements
Cross-system reconciliation	**Qosmos**	Tagetik vs SAP comparison, adjustment checks, drill-down
Documentation & audit trail	**Quark**	Documentation factory as single source of truth
Testing & change requests	**Quark**	Automated impact analysis, testing and effort estimation

SECTION

Qvantia's approach & conclusions

06

> IFRS 18 is more than a new accounting standard: **it challenges the very logic by which organisations record, aggregate and communicate financial performance.**

It calls for a full reassessment of how transactions are classified, measures derived and information presented. This goes beyond compliance, down to the foundations of financial reporting.

Everything hinges on data. New categories, MPM disclosure and stricter aggregation rules all need the right attributes in the data model; without that granularity, transparency and consistency are out of reach.

Whatever the path, size or sector, the imperative is the same: a reporting process consistent across data, systems and management information, with clear lineage from source to published statements.

And since systems are interdependent, a change in one area cascades along the whole chain, so design must take the broad view.

Beware of shortcuts. Manual workarounds add complexity, errors and reliance on individual know-how. The goal is not just day-one compliance, but an architecture that stays operable, maintainable and adaptable over time.

Qvantia combines finance transformation expertise with technology and data capabilities. The goal: not just implementing IFRS 18 but making the new reporting model run consistently across the finance landscape, linking requirements, data and processes while cutting manual effort.

> In this way, **Qvantia can help companies approach IFRS 18 as more than a regulatory implementation**: first establishing a robust transition and reporting model and then leveraging AI-powered assets such as Qosmos and Quark to move towards a more connected, automated and insight-driven finance function.

SOURCES

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