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IFRS 18 Readiness for 2027:

What Finance Leaders Need to Prepare Before the New Reporting Standard Takes Effect



Executive Summary

The IFRS 18 effective date is January 1, 2027, but for calendar-year companies the real work started on January 1, 2026. IFRS 18 must be applied retrospectively, so the 2026 figures being closed right now will be restated and shown as comparatives in the first IFRS 18 financial statements.

IFRS 18 replaces IAS 1 and reshapes financial statement presentation for every company reporting under IFRS. It introduces new categories and requires subtotals in the income statement, brings management performance measures into the audited notes, and tightens how line items are grouped and labeled.
Most guidance explains what the standard says. This paper focuses on what finance teams need to do. It gives CFOs and controllers a practical IFRS 18 2027 readiness framework covering:

- Reviewing how every income and expense line is classified
- Building the new operating profit subtotals
- Identifying and documenting management performance measures
- Restating 2026 comparatives and preparing the transition reconciliation
- Testing whether ERP systems and reporting workflows can produce the new outputs

It also shows where dedicated offshore accounting professionals can carry the volume of reconciliation and preparation work, while accounting judgment and compliance accountability stay with internal finance leadership.
Note: This paper is for general information only and is not accounting or audit advice. Confirm specific treatments with your auditors and technical accounting advisors.



Regulatory Background: What IFRS 18 Changes

IFRS 18 replaces IAS 1 and changes how companies present their financial statements. It doesn't change how numbers are calculated, only how they're grouped, labeled, and explained. As stated by Celestine Mawere, a Finance Team Lead with deep understanding of IFRS and international accounting standards, this new change is more than just about compliance. **Rather, it also showcases how companies tell the financial story of their organizations, investors, regulators and stakeholders. The main changes are:**

- New income statement structure. Income and expenses are sorted into five categories, with two new required subtotals: operating profit, and profit before financing and income taxes.

- Management-defined performance measures (MPMs), move into the audited notes. Measures like adjusted EBITDA, when used publicly, must be explained and reconciled to an IFRS subtotal.

- 2026 must be restated. The first IFRS 18 statements must show 2026 figures in the new format.

These changes touch the chart of accounts, ERP reporting, and internal controls, an accounting move that helps companies build trust with their partners and investors through transparent reporting. The EU endorsed IFRS 18 on February 13, 2026, with the same effective date.

What IFRS 18 Changes in Your Financial Statements

The table below shows each area IFRS 18 touches, what changes, and the practical impact on the finance team. Most of the work sits in the income statement and the notes, but the cash flow statement and balance sheet need template updates too.



Area	What changes	Why finance teams feel it
Income statement categories	Income and expenses are classified into five categories: operating, investing, financing, income taxes, and discontinued operations	Every account needs a category, and some depend on the company's main business activities
Required subtotals	Two new subtotals: operating profit, and profit before financing and income taxes	Current "operating profit" figures may not match the new definition
Management performance measures	Measures such as adjusted EBIT, when used in public communications, must be explained and reconciled in a single note, including tax and no-controlling interest effects	Figures from earnings releases now enter the audited financial statements
Aggregation and disaggregation	New principles on how items are grouped, split, and labeled, including more scrutiny of "other" lines	More detail may be needed in the notes, and the data must support it
Statement of cash flows	Operating profit becomes the starting point for the indirect method, and choices on classifying interest and dividends are removed	Cash flow templates and mappings need rework
Balance sheet	Goodwill is presented separately	A small change, but one more template update

Sources for the table: PwC Switzerland and IFRScommunity.com

The standard also amends related rules. IAS 8 picks up several general requirements and is renamed, and IAS 34 will require management performance measure disclosures in condensed interim statements. That means interim reporting changes at the same time as annual reporting.

One Point Still Moving: Non-Income Taxes

Some taxes fall outside IAS 12 but are paid in place of an income tax. Under IFRS 18 as written, these would sit in the operating category. In July 2026, the IASB agreed to propose moving them to the income taxes category instead, with an exposure draft expected in Q4 2026, according to EFRAG. Until the rules are final, identify any affected charges and document how they’re currently classified.

The IFRS 18 2027 Timeline

The deadline that matters is not January 1, 2027. It is the first time restated 2026 numbers have to appear in a published report, and for many companies that is the first half of 2027.

In the first year of application, interim statements must already use the new headings and subtotals and include a line-by-line reconciliation of the restated comparative period. A company issuing a June 30, 2027, interim therefore needs H1 2026 restated under IFRS 18, as well as the full 2026 year for its annual report.

A Six-Step IFRS 18 Readiness Framework

FRS 18 readiness is less about learning the standard and more about rebuilding the path from the general ledger to the published statements. PwC describes the impact reaching ERP master data, consolidation systems, management reporting, budgeting, investor relations, and even employee incentive plans. The six workstreams below turn that into a plan a controller can run.

1. Review Financial Statement Classifications

Map every income and expense account to one of the five IFRS 18 categories. Start with the accounts that are hard to place: foreign exchange gains and losses, derivative results, interest on leases and pensions, and income from associates and joint ventures. Decide early whether the company has a specified main business activity, such as investing in assets or providing financing to customers, because that changes where some items land.

Output: an approved account-to-category mapping, with a short rationale for each judgment call.

2. Update Operating Profit Subtotals

Rebuild the income statement around the two required subtotals: operating profit, and profit before financing and income taxes. Compare the new operating profit with whatever the company calls operating profit today. Differences are normal, but they need to be understood before analysts and lenders see them.

Output: a pro forma IFRS 18 income statement for 2025 or 2026, with a bridge to the current format.

3. Identify Management Performance Measures

Collect every subtotal of income and expenses used in earnings releases, investor decks, annual report narratives, and analyst calls. Any measure that communicates management's view of performance and is not already an IFRS subtotal is likely a management performance measure. Each one needs an explanation, a reconciliation to the closest IFRS subtotal, and the tax and non-controlling interest effect of each reconciling item.

Output: an MPM inventory, draft note disclosures, and a decision on which measures to keep, change, or retire.

4. Prepare Comparative Financial Information

Restate the 2026 income statement, cash flow statement, and affected notes under IFRS 18, and do the same for interim comparatives. Build the line-by-line reconciliation from the IAS 1 presentation to the IFRS 18 presentation as you go, not after year-end.

Output: restated 2026 comparatives, interim comparatives, and the transition reconciliation, with a review trail.

5. Assess ERP Systems and Reporting Workflows

Test whether the chart of accounts, consolidation tool, and disclosure templates can tag items by IFRS 18 category, produce the new subtotals, and capture the detail the notes now require. Where the system cannot, decide between a configuration change and a controlled offline workaround for the transition year.

Output: a gap list with an owner and fix date for each item, plus updated mappings and templates.

6. Update Disclosures, Controls, and Communication

Add review controls for new judgments, especially MPM reconciliations, which move from press releases into audited notes. Align covenant definitions, bonus metrics, and investor messaging with the new subtotals. Brief the audit committee and auditors early.

Output: updated control documentation, an investor communication plan, and auditor sign-off on key positions.



The Retrospective Workload: Restating 2026

Retrospective application means a calendar-year company effectively prepares 2026 twice: once under IAS 1 for this year's filing, and again under IFRS 18 as the comparative for 2027. That second pass is the workload most teams underestimate.

IFRS 18 is applied retrospectively under IAS 8, with one relief: companies do not have to disclose the amount of the adjustment to each line item and to earnings per share for the current period. In return, the standard asks for a specific reconciliation.

Report	What must be restated	Reconciliation required
2027 annual financial statements	Full year 2026 comparatives under the new categories, subtotals, and note structure	Each income statement line item for 2026, from the IAS 1 amount to the IFRS 18 amount
2027 interim statements (IAS 34)	Comparative interim and year-to-date 2026 periods, using the expected IFRS 18 headings and required subtotals	Each income statement line item for the comparative and cumulative comparative periods
Current period or earlier periods	Not required	Optional

Source: IFRScommunity.com, Transition to IFRS 18.

Companies that present more than one comparative year, for example under local regulation or in some securities filings, may need to restate 2025 as well, and should confirm the expectation with their auditors and regulators.

The practical burden comes from four places:



- **Volume:** Every 2026 period that will appear as a comparative needs remapping, recalculation, and review. Quarterly reporters multiply this.



- **Data gaps:** The new categories may need detail the ledger never captured, such as separating foreign exchange results by the nature of the underlying item.



- **Two versions of the truth:** Finance must run IAS 1 reporting for 2026 while building the IFRS 18 version alongside it, without letting the two drift apart.



- **Audit evidence:** Every restated figure needs a trail auditors can follow back to source.

Teams that already run an audit-ready close process, with documented sign-offs, standard memos for recurring adjustments, and a real split between preparer and reviewer, will find the restatement far easier to defend.

"Running 100+ closes a month has taught me one thing above all: the close gets better when it gets boring. One calendar, standard workpapers, one named owner per account, and exceptions surfaced early make the difference."

- Bill Kohnen, VP of Professional Services, Connext Global Solutions.



The lowest-risk approach is to restate as the year closes. Remap each 2026 month or quarter under IFRS 18 shortly after the IAS 1 close, rather than reconstructing the whole year in January 2027.

The Risks of Starting Late

IFRS 18 adoption isn't optional, and the date won't move. The real risk is starting the work too late. Most problems show up when the restated 2026 figures are needed, and for many companies that is the first interim report in 2027.

Audit delays and higher fees. As year-end approaches, IFRS advisors may run out of capacity, which can push companies past audit and filing deadline. The new performance measure note also falls within the audit, which means more auditor time and potentially higher fees.

Data gaps found under deadline. Many ledgers don't capture the detail IFRS 18 needs. Foreign exchange gains and losses, for example, are often booked in one line or inside finance costs, but they now have to follow the item that created them. Restatement is hardest when systems never recorded the data in the first place, and ERP and treasury systems may need reconfiguring to support the new categories.

Controls that no longer fit. Performance measures used in investor communications now need controls that keep them consistent with the audited statements. Documentation and controls for these judgments should be designed early, not patched together at year-end.

Surprises for investors and lenders. If operating profit changes under the new rules, debt covenants, bonuses, and share-based pay tied to it may be affected . Covenant definitions of EBIT or EBITDA are often custom-negotiated, so boards and remuneration committees will want to see the impact early. Employee KPI targets may need revisiting too.

Team overload and errors. The effort needed to restate comparatives is frequently underestimated. Teams that start late face tight timelines and auditors who expect well-documented, defensible judgments. Running IAS 1 and IFRS 18 reporting side by side adds to the strain and raises the risk of errors in both.

Where Offshore Accounting Professionals Fit

IFRS 18 adds a large, time-bound block of preparation work on top of the normal close. Dedicated offshore accounting professionals can absorb much of that volume. What they should not absorb is the judgment. The line is simple: offshore teams prepare, reconcile, and document; internal finance leadership decides, approves, and signs.

Workstream	Offshore professionals can support	Internal finance leadership keeps
Classification review	Pulling trial balances, building the account-to-category mapping file, flagging unmapped or unusual accounts	Category decisions, main business activity assessment, accounting policy choices
Operating profit subtotals	Building pro forma income statements and bridges to the current format	Approving the presentation and explaining differences to stakeholders
Management performance measures	Gathering measures from releases and decks, drafting reconciliation schedules, computing tax and NCI effects for review	Deciding which measures qualify as MPMs, the wording of explanations, and disclosure sign-off
Comparative restatement	Remapping 2026 periods, recalculating subtotals, preparing the IAS 1 to IFRS 18 reconciliation, tying out to source	Reviewing and approving restated figures
ERP and workflows	Testing mappings, documenting gaps, maintaining controlled workarounds, updating templates	Prioritizing system changes and owning the control design
Documentation and audit support	Assembling workpapers, tracking auditor requests, keeping an evidence trail	Agreeing positions with auditors and the audit committee

This split works best when offshore professionals are an extension of the internal team, working inside its systems, following its review steps, and reporting to its controller. Accountability for the financial statements does not move. It stays with the CFO and the people who sign.

Security matters here too, because restatement work touches unpublished financial results. Look for a partner with independently audited controls, background-checked staff, and centrally managed devices.

IFRS 18 Readiness Checklist for CFOs and Controllers

Use this list to check where your team stands before the IFRS 18 effective date. Items marked as done should have a document behind them.

Governance and Planning

- Named IFRS 18 project owner, with time actually set aside for the work
- Timeline built backward from the first interim report that shows restated 2026 figures
- Audit committee and external auditors briefed on the plan and key judgments

Financial Statement Presentation

- Every income and expense account mapped to an IFRS 18 category, with rationale for judgment calls
- Main business activity assessment documented
- Pro forma income statement showing operating profit and profit before financing and income taxes
- Aggregation review completed, including large "other" lines
- Cash flow statement updated to start from operating profit, with interest and dividend classification aligned

Management Performance Measures

- Inventory of all performance measures used in public communications
- Decision on which qualify as MPMs, and which to keep, change, or retire
- Draft single note with explanations and reconciliations, including tax and NCI effects
- Investor relations, covenant, and incentive plan definitions checked against the new subtotals

Comparatives and Transition

- 2026 annual and interim periods restated under IFRS 18 as each period closes
- Line-by-line IAS 1 to IFRS 18 reconciliation for annual and interim comparatives
- Check on whether local rules require a second comparative year

Systems, Controls, and Capacity

- Chart of accounts and consolidation mappings updated or a controlled workaround in place
- Disclosure templates rebuilt for the new structure
- Review controls added for new judgments and MPM reconciliations
- Capacity plan for restatement, reconciliation, and documentation work, with clear review and sign-off by internal leadership



About Connext

Connext Global Solutions is a co-management and Employer of Record (EOR) offshore staffing company headquartered in Honolulu, with delivery operations in the Philippines, Colombia, Mexico, and India. Connext builds dedicated finance and accounting teams that work inside a client's own systems and under its own review and approval steps, so internal leadership keeps control of accounting judgment and reporting.

Connext endorses the top 4% of applicants to clients, fills roles in 21 days on average, and backs its teams with SOC 2 Type II controls, background checks in all four countries, and centrally managed devices.

If IFRS 18 restatement and reconciliation work is competing with your regular close, talk with Connext about adding dedicated accounting capacity before the 2027 reporting cycle.



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