

# From IAS 1 to IFRS 18: How the New Standard Will Transform Financial Reporting for Cambodian Public Interest Entities

Dr. Edman Padilla Flores, CPA  
Associate Professor, CamEd Business School

For every financial professional, accounting is far more than a mere administrative requirement; it is a “monetary scorecard” that validates a company’s past performance and illuminates its future trajectory. In the Kingdom of Cambodia, the Accounting and Auditing Regulator serves as the central authority overseeing this scorecard, ensuring that the nation’s businesses speak a global financial language. Since the full adoption of Cambodian International Financial Reporting Standards in 2012, Cambodian Public Interest Entities (PIEs)—including listed companies, banks, microfinance deposit-taking institutions (MDIs), and insurance firms—have operated under a regulatory framework designed to foster transparency and investor confidence. However, a fundamental shift is approaching: the International Accounting Standards Board (IASB) has issued IFRS 18 *Presentation and Disclosure in Financial Statements*, a landmark standard that will replace the long-standing IAS 1 *Presentation of Financial Statements*.

ACAR has fully adopted IFRS as issued by the IASB, branded as CIFRS, under which newly issued standards and amendments automatically become applicable upon their effective dates unless ACAR issues a deferral or sector-specific instruction. Therefore, IFRS 18 will become the mandatory reporting standard for Cambodian PIEs.<sup>1</sup> This transition represents the most significant change to the structure of financial statements in over a decade.

1 IFRS Foundation. (2025, May 8). *IFRS standards—Application around the world jurisdictional profile: Cambodia*.

## Beyond “Boring” Accounting

Many non-financial managers view accounting as a dull, repetitive task, but for the senior decision-maker, understanding how to finance and extract wealth from an enterprise is the essence of business. Harold Geneen, former chairman of IT&T, once said, “To be good at your business, you have to know the numbers—cold”.<sup>2</sup> Financial statements are the primary means of communicating those numbers. IFRS 18 was developed because investors and analysts demanded better information regarding how to isolate operating performance from financing decisions. In a globalized market, Cambodian PIEs must provide information that is comparable, verifiable, and understandable to attract international capital and avoid the “valuation discounts” that plague less transparent markets.

## The Three Pillars of IFRS 18

IFRS 18 introduces three major improvements to financial reporting: a new structure for the statement of profit or loss, the requirement for management-defined performance measures (MPMs), and enhanced principles for aggregation and disaggregation.<sup>3</sup>

### A New Architecture for the Statement of Profit or Loss

Under the current IAS 1 framework, companies have significant flexibility in how they present line items in the income statement. This lack of standardization often makes it difficult for Cambodian investors to compare the core performance of different PIEs. IFRS 18 solves this by mandating that every entity classify income and expenses into five defined categories (IFRS 18, paragraph 47):

2 Weygandt, J. J., Kimmel, P. D., & Mitchell, J. E. (2021). *Accounting principles* (14th ed.). Wiley.  
3 International Accounting Standards Board. (2024). *IFRS 18: Presentation and disclosure in financial statements*. IFRS Foundation.

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- The Operating Category:** This is the default category for all income and expenses that do not fit elsewhere. It captures the results of the entity’s core business activities, providing a pure look at how effectively the firm is operating (IFRS 18, paragraph 52).
- The Investing Category:** This category includes returns from assets that generate income individually and independently, such as investments in associates or joint ventures accounted for using the equity method (IFRS 18, paragraphs 53-58).
- The Financing Category:** This encompasses all income and expenses related to liabilities that involve the raising of finance, such as interest expenses on bank loans or bonds (IFRS 18, paragraphs 59-66).
- Income Taxes:** This includes all tax expenses or income included in profit or loss under IAS 12 *Income Taxes* (IFRS 18, paragraph 67).
- Discontinued Operations:** This captures results from business components that have been disposed of or are held for sale (IFRS 18, paragraph 68).

Crucially, IFRS 18 requires Cambodian PIEs to present two new mandatory subtotals: Operating Profit or Loss and Profit or Loss Before Financing and Income Taxes (IFRS 18, paragraphs 69-71). For Cambodian banks and MDIs, these classifications will allow for a clearer distinction between interest earned from core lending activities and interest related to the bank’s own financing.

### Management-Defined Performance Measures

Perhaps the most transformative aspect of IFRS 18 is the formalization of MPMs. MPMs are subtotals of income and expenses that management uses in public communications—such as press releases, annual reports, or investor presentations—to communicate their view of an aspect of the company’s financial performance (IFRS 18, paragraph 117).

Currently, many companies (including Cambodian firms) highlight non-IFRS metrics like “Adjusted EBITDA” or “Core Earnings” to attract investors. Under IFRS 18, if a Cambodian PIE uses such a measure outside of its financial statements, it must now bring that measure into the audited notes. Specifically, IFRS 18, paragraph 123, states that the entity must:

- Identify the measure in a single note to the financial statements.
- Provide a reconciliation between the MPM and the most directly comparable IFRS-defined subtotal.
- Explain why the measure provides useful information about the company’s performance.
- Disclose the tax effect and the effect on non-controlling interests for each reconciling item.

This requirement aims to reduce “creative accounting” and ensure that the performance metrics management uses to evaluate its own stewardship of the company’s resources are transparent and verifiable.

### Enhanced Principles for Aggregation and Disaggregation

Information is only useful if it is material—meaning its omission or misstatement could reasonably be expected to influence the decisions of investors. IFRS 18 introduces new principles to prevent material information from being obscured. In the past, companies might “hide” significant expenses by aggregating them into large, vaguely labeled “Other” categories.

IFRS 18, paragraphs 41-43, require Cambodian PIEs to:

- Classify items based on shared characteristics.
- Disaggregate items if the resulting information is material.
- Label items as “Other” only as a last resort if no more informative label can be found.
- Provide a structured summary in the primary financial statements while providing more detailed disaggregated information in the notes.

For a complex Cambodian organization, such as a multi-branch bank or a diversified holding company, this means management can no longer simply report a single line for “Administrative Expenses” if it contains items with different natures or functions that would be material to an investor.

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## Impact on Cambodian Public Interest Entities

In Cambodia, PIEs are held to the highest standards of reporting because they manage public resources or are vital to the national economy.

For commercial banks and MDIs regulated by the National Bank of Cambodia, the transition may require significant updates to accounting information systems. Since these institutions often manage thousands of interest-bearing transactions across multiple departments, the ability to correctly categorize these into the new Operating, Investing, and Financing categories will be critical for compliance. Furthermore, banks that previously relied on internal “core profit” metrics will now have to reconcile these as MPMs in their audited reports.

The Ministry of Economy and Finance has already granted a deferral for insurance companies to adopt IFRS 9 and IFRS 17 until 2028. However, IFRS 18 is scheduled for mandatory application for reporting periods beginning on or after January 1, 2027 (IFRS 18, Appendix C, paragraph C1). Insurance firms will need to coordinate their transition to IFRS 18 with their ongoing IFRS 17 implementation to ensure that the presentation of insurance revenue and insurance service expenses aligns with the new income statement categories.

Companies listed on the Cambodia Securities Exchange must provide audited financial statements that meet the rigorous requirements of CIFRS to maintain investor trust. The adoption of IFRS 18 will bring their reporting in line with global standards used in over 140 jurisdictions, potentially reducing the “Cambodian discount” and attracting more foreign direct investment.

### The Road to 2027

The effective date of January 1, 2027, might seem distant, but the transition requires a retrospective application. This means that when a Cambodian PIE issues its first IFRS 18-compliant financial statements in 2027, it must also restate its 2026 comparative figures to match the new structure.

Steps for Cambodian Financial Professionals:

- Assess Accounting Information Systems:** Managers should evaluate whether their current accounting information systems can capture the data necessary to categorize income and expenses into the new Operating, Investing, and Financing categories.
- Evaluate Current MPMs:** Review all performance metrics used in press releases or annual reviews to determine which will qualify as Management-Defined Performance Measures under the new standard.
- Review Aggregation Policies:** Analyze current “Other” categories to ensure they do not obscure material information.
- Educate the Board and Stakeholders:** Accounting is not just a back-office function; it is a tool for stewardship. Board members and senior executives must understand the new subtotals and how they will reflect on the company’s perceived performance.

### Concluding Remarks

The transition from IAS 1 to IFRS 18 is more than a technical change; it is a strategic opportunity for Cambodian PIEs to demonstrate their financial health and management integrity to the world. By providing a more transparent “monetary scorecard,” Cambodia can continue to build faith in its markets, attract high-quality investment, and spur national economic growth.

Accountants and financial managers are no longer just “bean counters” from the safe distance of an office; they are now communicators and strategic partners. By embracing IFRS 18, Cambodian business professionals ensure that their organizations are not just compliant with the relevant laws and regulations but are leaders in the global pursuit of financial transparency and excellence. The pace of change in the financial world is rapid, but for those who master the new language of IFRS 18, the future is bright.

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