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Primary Financial Statements Cover Note

Objective of the session

- 1 The objective of this session is to discuss the use of additional subtotals, including their definitions, in the Statement of Financial Performance.

Background

- 2 In July 2014, the IASB added the *Performance Reporting* project to its research agenda (which was renamed to *Primary Financial Statements* in June 2015), mainly in response to the strong demand from investors to undertake a project on performance reporting.
- 3 This research project is examining potential targeted improvements to the structure and content of the primary financial statements with a particular focus on the statement(s) of financial performance and the statement of cash flows.
- 4 For the statement(s) of financial performance, the project will examine:
 - (a) requiring additional subtotals in the statement(s) of financial performance - earnings before interest and tax (EBIT) and/or operating profit;
 - (b) removing some of the options for presentation of income and expenses in existing IFRS Standards (eg presentation of net interest cost on the net defined benefit liability);
 - (c) providing guidance on the use of performance measures, including separate presentation of non-recurring, unusual or infrequently occurring items; and
 - (d) better ways to communicate information about other comprehensive income (OCI).
- 5 For the statement of cash flows, the project will examine:
 - (a) eliminating options for the classification of the cash effects of interest and dividends;
 - (b) aligning the operating section across the statement of cash flows and the statement(s) of financial performance; and
 - (c) requiring a consistent starting point for the indirect reconciliation of cash flows.
- 6 The project will be informed by the feedback received on the UK Financial Reporting Council's Discussion Paper, 'Improving the Statement of Cash Flows' issued in October 2016.

Primary Financial Statements – Cover Note

- 7 The project will also examine the:
 - (a) implications of digital reporting for the structure and content of the primary financial statements;
 - (b) development of templates for the statement(s) of financial performance, the statement of cash flows and the statement of financial position for a small number of industries; and
 - (c) development of a principle for aggregating and disaggregating items in the primary financial statements.
- 8 Although not a focus of this project, changes to the statement of financial position will be considered if work in other areas highlights the need for change.
- 9 Possible changes to the statement of changes in equity will be considered in the Board's Financial Instruments with Characteristics of Equity project.

Agenda Papers

- 10 In addition to this cover note, agenda paper for this session is agenda paper 08-02 – *Issues Paper on Primary Financial Statements - Use of additional subtotals in the Statement of Financial Performance.*