

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Primary Financial Statements Cover Note

Objective

- 1 The objective of the session is to:
 - (a) discuss EFRAG outreach activities, particularly with the National Standard Setters;
 - (b) receive and share information about the results of outreach activities of the National Standard Setters and on any outreach events planned for the future; and
 - (c) discuss the application of the IASB proposals to separate financial statements.

Background

- 2 The IASB has undertaken this project in response to concerns from investors about the comparability and transparency of companies' performance reporting. In December 2019, the IASB published the Exposure Draft [General Presentation and Disclosure](#) (the ED) where it includes proposals to improve how information is communicated in the financial statements, with a focus on the statement of profit or loss.
- 3 The ultimate objective is to replace IAS 1 *Presentation of Financial Statements* with a new Standard that would comprise new requirements on presentation and disclosures in the financial statements and requirements brought forward from IAS 1 with only limited changes to the wording. It also sets out proposed amendments to other IFRS Standards.
- 4 The IASB expects the proposals in this ED will affect all entities that apply IFRS Standards, including financial institutions. However, the effect of these proposals will vary between entities depending on their current practice.
- 5 On 24 February 2020, EFRAG published its [Draft Comment Letter](#) (EFRAG DCL) with a comment period deadline on 19 June 2020 (subsequently extended until 28 September 2020)

Feedback received from EFRAG TEG-CFSS

- 6 In March 2020, EFRAG CFSS and EFRAG TEG members received a presentation on the IASB Exposure Draft General Presentation and Disclosures ('the ED') and EFRAG draft comment letter.
- 7 Some EFRAG CFSS and EFRAG TEG members raised questions on the presentation of some income and expenses (e.g. interest on lease liabilities and interest on consideration paid in advance or in arrears under IFRS 15 *Revenue Recognition*) given the new categories defined by the IASB and highlighted the

importance of having clear guidance on the notion of an entity's 'main business activity'.

- 8 When referring to the subtotals specified by IFRS Standards that are not management performance measures (MPMs), some members considered that in paragraph 104 of the ED, the subtotal 'operating profit before amortisation, depreciation and impairments' should not be an MPM.
- 9 Finally, some members noted that the IASB's definition of unusual items was very narrow when compared to common practice and that the ED was not clear on whether unusual items could be presented in the statement of profit or loss, particularly when an entity presents operating expenses by function.

Agenda Papers

- 10 In addition to this cover note, the EFRAG Secretariat has uploaded the Agenda paper 09-02 – Issues Paper