

PRIMARY FINANCIAL STATEMENTS

UPDATE ON THE IASB DISCUSSIONS

30 MARCH 2023



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PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS ADDED TO THE IASB'S REDELIBERATION PLAN

The IASB discussed the feedback received from its recent targeted outreach and **tentatively decided to add four topics to its redeliberation plan:**

- whether it should reconfirm its decision on **classification of income and expense from associates and joint ventures accounted for using the equity method** ★
- whether it should develop application guidance for **classifying income and expense from off-balance-sheet items**
- whether it should develop guidance for including **interest expense on lease liabilities in operating profit if subleasing is a main business activity** ★
- whether it should develop further **application guidance for the proposed rebuttable presumption in the definition of management performance measures** ★

★ Issue raised by EFRAG in its Summary Report and Recommendations

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS TO BE DISCUSSED (AS PER THE IASB'S REDELIBERATION PLAN)

In January 2023, the IASB set out a plan for responding to the feedback received in the outreaches.

The topics that were already in the redeliberations plan for which the IASB will consider feedback received are:



- **Subtotals and categories:** discuss the accounting policy choice for classifying income and expenses from cash and cash equivalents proposed for entities that provide financing to customers as a main business activity ★
- **Subtotals and categories:** discuss the classification of gains and losses from foreign exchange differences - classifying the gain or loss on net monetary position ★
- **MPMs:** discuss the application of the simplified approach to calculating the tax effects of individual items reconciling an MPM to the most directly comparable total or subtotal specified by IFRS Accounting Standards ★
- **MPMs:** the applicability of the disclosure requirements to interim financial statements, the timing of public communications, when a subtotal included in the statement of profit or loss is an MPM and the interaction between MPMs and segment disclosures ★

★ Issue raised by EFRAG in its Summary Report and Recommendations

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS TO BE DISCUSSED (AS PER THE IASB'S REDELIBERATION PLAN)

The topics that were already in the redeliberations plan for which the IASB will consider the feedback are (continuation):



- **Disaggregation:** explore an approach to operating expenses by nature that would require an entity to disclose, for all operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss 
- **Disaggregation:** discuss whether application guidance should be developed specifying the disclosure requirement tentatively decided for operating expenses by nature could be met by disclosing costs incurred 
- **Others:** Consequential amendments required for interim reporting and transition requirements

 Issue raised by EFRAG in its Summary Report and Recommendations

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS TO BE ADDRESSED IN THE DRAFTING PROCESS

The topics that will be addressed in the drafting process are:

- **Subtotals and categories:** application of the revised approach to the financing category 
- **MPMs:** introduction of examples of common public communications in the application guidance and including in the Basis for Conclusions the IASB's discussion of the expectation that entities will have controls in place over the measures included in their public communications with the objective of improving their auditability
- **Disaggregation:** clarity on how the disaggregation requirements will interact with the mixed presentation, including when having a mixed presentation would result in useful information 
- **Other:** development of educational materials on the project as a whole (when the redeliberations are completed)

Any issues that arise during drafting will be brought to the IASB when it considers sweep issues

 Issue raised by EFRAG in its Summary Report and Recommendations

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS THAT WILL NOT BE INCLUDED IN THE REDELIBERATION PLAN

Feedback received for which **the IASB concluded that no further action is required** (mainly because the feedback received did not identify new arguments compared to those received on the ED and the IASB had already considered those arguments in the redeliberations).

- On **Subtotals and categories**, the IASB decided not to rediscuss the:
 - definition of operating activity
 - classification in categories and required subtotals (e.g. whether it should require new subtotals)
 - classification of interest from other liabilities (such as net defined benefit liabilities, the unwind of discount on provisions and interest expense on lease liabilities)
 - classification of stand-alone derivatives in the operating category;
 - assessment of main business activities (reporting entity vs group level)
 - classification of cash and cash equivalents in the investing category

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS THAT WILL NOT BE INCLUDED IN THE REDELIBERATION PLAN

- On **Subtotals and categories**, the IASB decided not to rediscuss the (cont.):
 - classification of interest expense on payables with extended credit terms
 - interaction of required subtotals with IFRS 8 (alignment of IAS 1 and IFRS 8)
 - presentation of additional subtotals and line items presented in the statement(s) of financial performance that need to fit into the structure of the categories
- On **MPMs**, the IASB decided not to rediscuss the:
 - scope and definition of MPMs
 - requirements for MPMs, including the requirement for an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance

PLAN FOR RESPONDING TO THE FEEDBACK

TOPICS THAT WILL NOT BE INCLUDED IN THE REDELIBERATION PLAN

- On **Disaggregation**, the IASB decided not to rediscuss the:
 - guidance on cost of sales
 - confidentiality of employee benefits
- **Other**
 - Concerns over similar labels but differing definitions between the statement of profit or loss and the statement of cash flows

EFRAG SUMMARY REPORT AND RECOMMENDATIONS

TOPICS HIGHLIGHTED BY EFRAG

Topics highlighted in the EFRAG's Summary Report and Recommendations that will not be discussed by the IASB

- concerns over similar labels but differing definitions between the statement of profit or loss and the statement of cash flows
- how entities with different business activities should present their financial statements
- the assessment of main business activities (at reporting entity versus group level)
- the classification of stand-alone derivatives in the operating category by default
- the classification of cash and cash equivalents in the financing category (rather than investing)
- the classification of interest on lease liabilities in the financing category for financial institutions
- interaction of required subtotals with IFRS 8

EFRAG SUMMARY REPORT AND RECOMMENDATIONS

TOPICS HIGHLIGHTED BY EFRAG

Topics highlighted in the EFRAG's Summary Report and Recommendations that will not be discussed by the IASB (cont.)

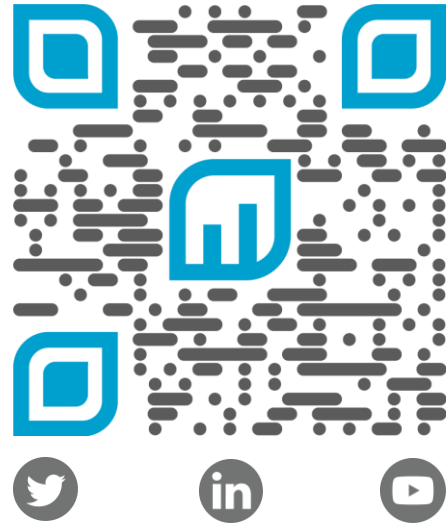
- requirement for an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance may significantly increase the costs for some preparers
- definition of unusual items

Although the IASB is planning to address the issues related to the financing category in the drafting stage, the EFRAG Secretariat will have to assess in the future to what extent EFRAG's requests have been addressed (e.g. hybrid contracts and to what extent (all) income and expenses from liabilities that arise from transactions that involve only the raising of finance - such as debt extinguishment, debt restructuring costs, as in paragraph 41 of the ED, and other transaction costs - will be part of the financing category)

QUESTIONS FOR EFRAG FRB MEMBERS

- **Do EFRAG FRB members have any comments on the IASB's tentative decisions on its redeliberation plan (i.e. topics added and topics that will not be included in the redeliberation plan), considering EFRAG's Summary Report and Recommendations?**

Follow us:



35 Square de Meeûs, B-1000 Brussels
info@efrag.org - www.efrag.org



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Thank you