

# EFRAG IASB Joint Online Roundtable

What are the implications of the recent IASB decisions on  
Primary Financial Statements?

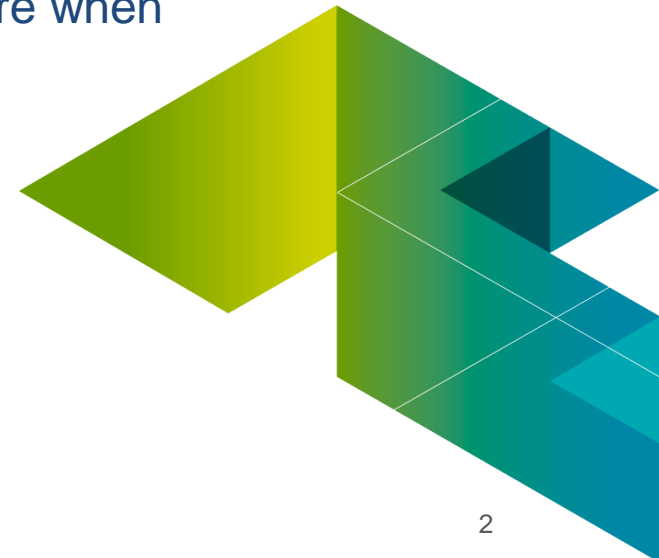
15 NOVEMBER 2022



# OVERVIEW

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- INTRODUCTION
- PROJECT OVERVIEW, TIMING AND NEXT STEPS
- OVERVIEW OF EFRAG'S OUTREACH ACTIVITIES
- PANEL DISCUSSION AND Q&A SESSION:
  - ❑ Topic 1: Subtotals and categories in the statement of profit or loss
  - ❑ Topic 2: Presentation of operating expenses and Disclosures by nature when presenting by function
  - ❑ Topic 3: Management Performance Measures
  - ❑ Topic 4: Unusual income and expenses
- ❑ CLOSING REMARKS





# INTRODUCTION

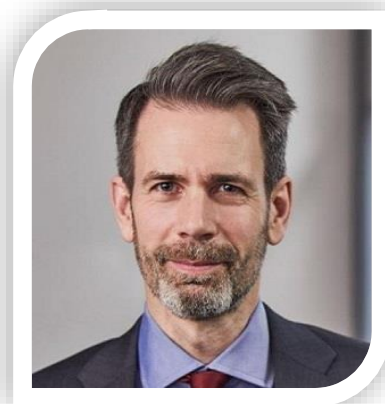
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# PRESENTERS, MODERATORS AND AUDITOR

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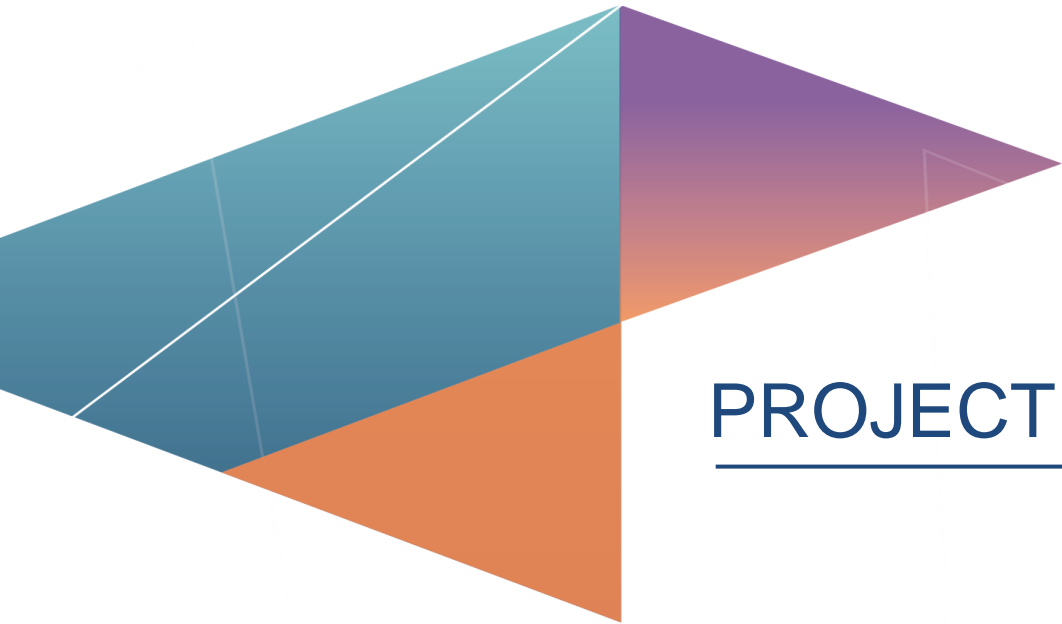
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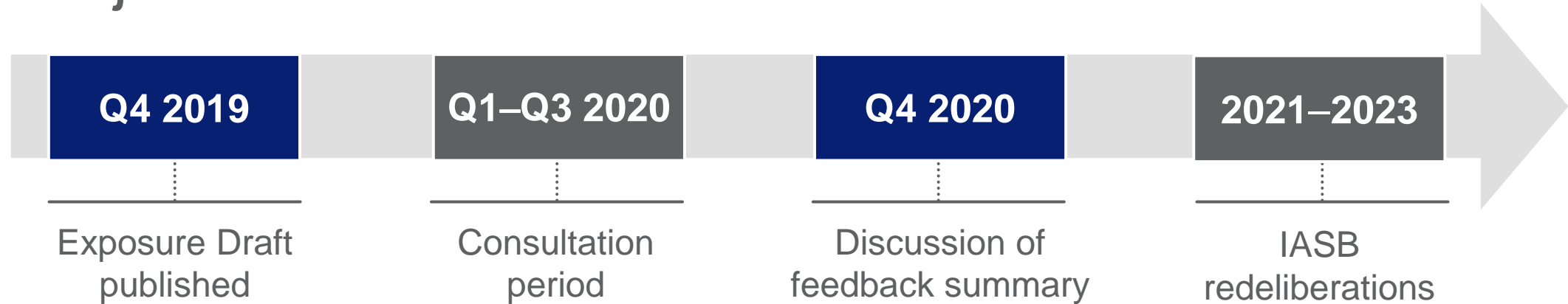
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# PROJECT OVERVIEW, TIMING AND NEXT STEPS

# Project overview



## Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

## Main proposals

- 1 Require additional **defined subtotals** in statement of profit or loss
- 2 Require disclosures about **management performance measures**
- 3 Strengthen requirements for **disaggregating information**



# OVERVIEW OF EFRAG'S OUTREACH ACTIVITIES

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# OVERVIEW EFRAG OUTREACH ACTIVITIES

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## TARGETED OUTREACH ACTIVITIES IN COOPERATION WITH IASB AND NSS

- **Objective of the targeted outreach:** assess whether the selected tentative decisions will function as intended and achieve the intended balance of costs and benefits
- The information obtained in the outreach will help the IASB in completing its due process and will be used to support the IASB's decisions on any of the proposals before issuing the final IFRS Accounting Standard
- The outreach will also support EFRAG's potential endorsement advice activities once the final IFRS Accounting Standard is published. For that purpose, the EFRAG Secretariat organised:
  - Two roundtables with corporate companies (24 October and 4 November 2022)
  - One roundtable with financial institutions (2 November 2022)
  - Discussions with the EFRAG Working Groups and other closed meetings
  - Participate in events or observe events from the NSS
  - One roundtable with users, preparers and auditors, in the form of a public webinar (15 November 2022)

EFRAG Secretariat Summary Report with recommendations end of Dec 2022

# ADDITIONAL QUESTIONS

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## ADDITIONAL TOPICS SELECTED BY EFRAG FOR OUTREACH

The topics identified below represent a change to the ED although they were not included in the questions of the IASB. The EFRAG Secretariat would like to assess whether the related tentative decisions will function as intended and achieve the intended balance of costs and benefits

- The IASB's new approach on the classification of items in the financing category, including the classification of hybrid contracts with host liabilities and embedded derivatives
- The classification of derivatives and hedging instruments
- The classification of income and expenses from subsidiaries, associates and joint-ventures
- Changes to the scope and requirements on MPMs



## PANEL DISCUSSION AND Q&A SESSION

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- ❑ Topic 1: Subtotals and categories in the statement of profit or loss
- ❑ Topic 2: Presentation of operating expenses and Disclosures by nature when presenting by function
- ❑ Topic 3: Management Performance Measures
- ❑ Topic 4: Unusual income and expenses

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## KEY CHANGES IN TERMS OF PRESENTATION

- **Presentation of operating expenses:** To **withdraw the proposed prohibition on a mixed presentation** of operating expenses and to require an entity to **include in cost of sales the carrying amount of inventories** recognised as an expense during the period when presenting cost of sales
- **Cash and cash equivalents:** Income and expenses from assets that generate a return individually and largely independently of other resources held by an entity are classified in the investing category, including cash and cash equivalents.
- For entities that invest in financial assets as a main business activity, the income and expenses from cash and cash equivalents would be classified in the operating category
- **Derivatives and hedging instruments:** income and expenses on derivatives are classified in the operating category, rather than in the investing category, under certain conditions such as the exceptions related to when it would involve grossing up gains and losses and when it would involve undue cost or effort
- **FX Classification:** Undue cost or effort relief for FX classification

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## KEY CHANGES IN TERMS OF PRESENTATION

- **Definition of financing activities:** change in the approach for classifying income and expenses within the financing category and aspects of the proposals for entities with specified main business activities
- **Share of results of associates and joint ventures:**
  - Withdrew the proposal to distinguish integral and non-integral associates and joint ventures
  - Withdrew the proposal to require the presentation of the subtotal 'operating profit and share of profit or loss of integral associates and joint ventures and the related category 'Integral associates and joint ventures'
  - Consistent with the Exposure Draft, the share of results of associates and joint ventures accounted for under the equity method would be required to be presented in the investing category, even if an entity invests as part of its main business activities
  - Specified the subtotal 'operating profit or loss and income and expenses from investments accounted for using the equity method' which would not be a management performance measure

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

## CHANGES FROM THE PROPOSALS IN THE EXPOSURE DRAFT

### CORPORATES

#### Statement of financial performance - 2019 Exposure Draft

|   |          |
|---|----------|
| Revenue   | x        |
| Changes in inventories of finished goods and WIP                                    | x        |
| Raw materials and consumables used  | x        |
| Employee benefits expense   | x        |
| Depreciation and amortisation expenses  | x        |
| Restructuring costs   | x        |
| <b>Operating profit</b>   | <b>X</b> |
| Share of results of integral associates and joint ventures                          | x        |
| <b>Operating profit and share of profit or loss of integral associates and JVs.</b> | <b>X</b> |
| Income and expenses from investments  | x        |
| Incremental expenses from investments   | x        |
| Income and expenses on derivatives and hedging instruments (specific cases)         | x        |
| Share of results of non-integral associates and joint ventures                      | x        |
| <b>Profit before financing and income tax</b>                                       | <b>X</b> |
| Income and expenses from cash and cash equivalents                                  | x        |
| Income and expenses from financing activities                                       | x        |
| . Interest expenses from debt issued or lease liabilities                           |          |
| . Debt extinguishment and debt restructuring expenses                               | x        |
| . Dividends on issued shares classified as liabilities                              | x        |
| Income and expenses not from financing activities                                   | x        |
| . Net interest expense/income on a net defined benefit liability/asset              | x        |
| . Unwinding of the discount on a decommissioning, restoration or similar liability  | x        |
| <b>Profit before tax</b>  | <b>X</b> |
| Income tax expense  | x        |
| <b>Profit for the year from continuing operations</b>                               | <b>X</b> |
| Loss from discontinued operations   | x        |
| <b>Profit for the year</b>  | <b>X</b> |

Operating

Investing

Financing

#### Statement of financial performance - Redeliberations

|   |              |
|---|--------------|
| Revenue   | x            |
| Changes in inventories of finished goods and WIP  | x            |
| Raw materials and consumables used  | x            |
| Employee benefits expense   | x            |
| Depreciation and amortisation expenses  | x            |
| Income and expenses on derivatives and hedging instruments (specific cases)                                       | x            |
| Restructuring costs   | x            |
| <b>Operating profit</b>   | <b>X</b>     |
| Share of results of associates and joint ventures   | x            |
| Income and expenses from investments, including cash and cash equivalents   | x            |
| <del>Incremental expenses from investments</del>  | <del>x</del> |
| <b>Profit before financing and income tax</b>   | <b>X</b>     |
| <i>Income and expenses from liabilities that arise from transactions that involve only the raising of finance</i> | x            |
| . Interest expenses from debt issued  | x            |
| . Debt extinguishment and debt restructuring expenses   | x            |
| . Dividends on issued shares classified as liabilities  | x            |
| <i>Specified income and expenses on other liabilities</i>   |              |
| . Interest expenses on lease liabilities  | x            |
| . Interest expenses and effect of changes in interest rates (in general)  | x            |
| . Net interest expense/income on a net defined benefit liability/asset  | x            |
| . Interest expenses to suppliers with extended payment period (goods&services)                                    | x            |
| . Unwinding of the discount on a decommissioning, restoration or similar liability                                | x            |
| Income and expenses on derivatives and hedging instruments (specific cases)                                       | x            |
| <b>Profit before tax</b>  | <b>X</b>     |
| Income tax expense  | x            |
| <b>Profit for the year from continuing operations</b>   | <b>X</b>     |
| Loss from discontinued operations   | x            |
| <b>Profit for the year</b>  | <b>X</b>     |

\*The EFRAG Secretariat has included a high level of disaggregation just to illustrate the classification of some items. However, the materiality principle and the role of disclosures have to be considered (i.e. disaggregation may appear in the disclosures)

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

## CHANGES FROM THE PROPOSALS IN THE EXPOSURE DRAFT

| Statement of financial performance - 2019 Exposure Draft                            | <b>CORPORATES<br/>(BY FUNCTION)</b>                 | Statement of financial performance - Redeliberations   |
|---|---|--|
| Revenue from the sale of goods  | <b>Operating</b>                                    | Revenue from the sale of goods   |
| Cost of goods sold  |   | Cost of goods sold, including inventory expense  |
| <b>Gross profit</b>   |   | <b>Gross profit</b>  |
| Other income  |   | Other income   |
| Selling expenses  |   | Selling expenses   |
| Research and development expenses   |   | Research and development expenses  |
| General and administrative expenses   |   | General and administrative expenses  |
| Impairment losses on trade receivables  |   | Impairment losses on trade receivables   |
| <b>Operating profit</b>   |   | <b>Operating profit</b>  |
| Share of profit or loss of integral associates and joint ventures                   |   | <b>Investing</b>   |
| Gains on disposals of integral associates and joint ventures                        | Gains on disposals of associates and joint ventures |  |
| <b>Operating profit and share of profit or loss of integral associates and JVs.</b> | <b>Operating profit</b>                             |  |
| Share of profit or loss of non-integral associates and joint ventures               | <b>Financing</b>                                    | Dividend income  |
| Dividend income   |   | <b>Profit before financing and income tax</b>  |
| <b>Profit before financing and income tax</b>                                       |   | Income and expenses from liabilities that arise from transactions that involve only the raising of finance |
| Expenses from financing activities  |   | Specified income and expenses on other liabilities   |
| Unwinding of discount on provisions   |   | <b>Profit before tax</b>   |
| <b>Profit before tax</b>  |   | Income tax expense   |
| Income tax expense  |   | <b>Profit for the year from continuing operations</b>  |
| <b>Profit for the year from continuing operations</b>                               |   | Loss for the year from discontinued operations   |
| Loss for the year from discontinued operations                                      | <b>Profit for the year</b>                          |  |
| <b>Profit for the year</b>  |   |  |

\*The EFRAG Secretariat has included a high level of disaggregation just to illustrate the classification of some items. However, the materiality principle and the role of disclosures have to be considered (i.e. disaggregation may appear in the disclosures)

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## Revised proposal for the financing category

All income and expenses from liabilities that involve only the raising of finance

A transaction that involves only the raising of finance is a transaction that involves:

- The receipt by the entity of cash, an entity's own equity instruments or a reduction in a financial liability; and
- The return by the entity of cash or an entity's own equity instruments

For example, a typical loan contract involves only the receipt of cash and the return of cash

Interest expense and the effects of changes in interest rates from other liabilities

For other liabilities, including lease liabilities, **interest expense and the effect of changes in interest rates** are classified in the financing category when such amounts are identified applying the requirements of IFRS Accounting Standards (eg IFRS 16, IAS 19 or IAS 37)

For example, a lease liability involves the receipt of a right-of-use asset and the return of cash

- The revised approach is intended to make the proposals easier to apply and is not expected to result in a change in the income and expenses classified in the financing category
- However, lease liabilities and amounts payable for goods or services will be captured by 'specified income and expenses from other liabilities'



# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## NEW STRUCTURE AND OPERATING CATEGORY

- **Strong support for the project:** general support for the IASB's efforts to improve the structure and content of primary financial statements, particularly users of financial statements
- **Terminology used:** concerns that the statement of financial performance and the statement of cash flows will have categories with similar labelling (operating, investing, and financing) but with different definitions
- **Operating category:**
  - questions from preparers and users on how the IASB's proposals would apply to specific transactions. (e.g. disposal of subsidiaries; fair values changes of NCI Puts; and other transactions related to ancillary activities)
  - preparers questioned the classification for conglomerates on lower level in the group
  - still some concerns on having an operating category defined as a residual category - includes not only income and expenses that arise from the entity's main business activity but also ancillary activities and unusual items
  - financial institutions questioned the proposed operating category, particularly when considering that associates and joint ventures accounted for under the equity method and 'specified income and expenses on other liabilities' (particularly interest expense on lease liabilities) are presented outside of the operating category while considered part of the entity's operations or/and immaterial

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## FINANCING CATEGORY

- **Revised definition of financing category:**
  - ‘Income and expenses from liabilities that arise from transactions that involve only the raising of finance’ will help users to understand the performance of the entity regardless of how it is financed
  - preparers called for additional implementation guidance on the revised definition of financing category as the wording used was difficult to understand and apply
  - financial institutions expressed concerns that now ‘interest expenses on lease liabilities and amounts payable for goods and services received’ could not be reclassified into operating profit
- **Revised classification of income and expenses from cash and cash equivalent:**
  - both users and preparers highlighted that for corporates that use a net-debt concept, the presentation of income and expenses from cash and cash equivalents in the financing category may be more appropriate
  - financial institutions noted that making the classification of ‘cash and cash equivalents’ dependent on whether an ‘entity invests in financial assets as a main business activity’ puts pressure on the definition of a main business activity

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## HYBRIDS CONTRACTS AND ASSOCIATES AND JOINT VENTURES

- **New guidance on hybrid contracts:** questions on the classification of contracts that are not separated and have to be classified in the same way as income and expenses on other liabilities - concerns that income and expenses from hybrid contracts measured at fair value would not be presented in the operating category
- **Revised proposal on the presentation of associates and joint ventures**
  - participants in roundtables expressed mixed views on the presentation of associates and joint ventures, including many participants that agreed with the IASB revised proposals.
  - some welcomed the IASB's decision to withdraw the distinction between integral and non-integral (including users) while others were supportive of the IASB's initial distinction
  - some considered that investments that contribute to main business activities should be in the operating category
  - many users expressed preference for having all associates and joint ventures presented outside of operating profit, including those measured at cost and fair value – to ensure that operating profit represents the group operating profit
  - Questions on the use of additional subtotals on associates and joint ventures and the interaction with the IASB's proposals on specified subtotals and MPMs

# TOPIC 1: SUBTOTALS AND CATEGORIES IN THE STATEMENT OF PROFIT OR LOSS

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## ASSOCIATES AND JOINT VENTURES

- **Revised proposal on the presentation of associates and joint ventures for insurance companies**
  - insurance industry highlighted that the issue of associates and joint ventures (JVs) is very important and material for insurance companies and highlighted the importance of presenting investments in associates and JVs that are linked to insurance contracts (e.g., that are backing up liabilities) or linked to own funds within operating profit (in net financial result). Else, there would be a mismatch as the operating category would only include expenses related to insurance contract liabilities and no associated investment revenue from the assets held to service those liabilities
  - the specified subtotal '*operating profit or loss and income and expenses from investments accounted for using the equity method*' would not mitigate the concerns as it would include all types of associates and JVs, including those not linked to insurance contracts. The concerns would not even be mitigated by a MPM as the operating category is key and would be incomplete
  - the use of IAS 28 option would not resolve entirely the presentation issue as measuring all associates and JVs at fair value would increase earnings volatility and the scope of the option is limited to a specific type of associates and JVs
  - Users expressed the importance of a clear distinction between associates and JVs that are investments at the service of the insurance liabilities and other investments (e.g., investments in other insurance companies) and having an operating category that would reflect the business activities of the insurance companies



## ROUNDTABLE DISCUSSION AND Q&A SESSION

- Topic 1: Subtotals and categories in the statement of profit or loss
- Topic 2: Presentation of operating expenses and Disclosures by nature when presenting by function
- Topic 3: Management Performance Measures
- Topic 4: Unusual income and expenses

## Disclosure of operating expenses by nature in the notes

The Exposure Draft proposed that an entity that reports expenses by function in the statement of profit or loss discloses in the notes an analysis of total operating expenses by nature



Some respondents (users, standard-setters and accountancy bodies) agreed

Some respondents (preparers and their representative bodies) disagreed



To achieve a more balanced outcome between costs for preparers and benefits for users the IASB has tentatively decided to:

- require an entity to disclose the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss; and
- explore in targeted outreach an approach 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 ('a general requirement') ★



*To be discussed at a future IASB meeting*

# TOPIC 2: PRESENTATION OF OPERATING EXPENSES AND DISCLOSURES BY NATURE WHEN PRESENTING BY FUNCTION

## DISCLOSURE OF OPERATING EXPENSES BY NATURE

| <b>Depreciation</b>                 |
|-------------------------------------|
| Cost of sales                       |
| Selling expenses                    |
| General and administrative expenses |
| Research and development expenses   |

| <b>Amortisation</b> |
|---------------------|
| Selling expenses    |

| <b>Employee benefits</b>            |
|-------------------------------------|
| Cost of sales                       |
| Selling expenses                    |
| General and administrative expenses |
| Research and development expenses   |

The ED proposed requiring an entity that provides an analysis of its operating expenses using the function of expense method in the statement of profit or loss to disclose in a single note an analysis of total operating expenses using the nature of expense method

The feedback received was mixed and the proposed approach was seen as being costly to apply. To achieve a more balanced outcome between costs for preparers and benefits for users, the IASB tentatively decided:

- to require an entity to disclose the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss; and
- to explore a general requirement 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

## TOPIC 2: PRESENTATION OF OPERATING EXPENSES AND DISCLOSURES BY NATURE WHEN PRESENTING BY FUNCTION

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### PRESENTATION

- **Mixed presentation:** many welcomed the IASB's decision to withdraw the prohibition on mixing the methods. However, users and some preparers were not in favour of an unrestricted mixed presentation as it could lead to cherry picking of by nature items presented on the face of the income statement and impair comparability
- **Presentation by function:** Some preparers indicated some application concerns. For example,
  - questions on the presentation of line items such as restructuring costs, impairment of fixed assets.
  - some concerns from preparers about ending with a more rigid definition of the functions
  - questions on how the disaggregation requirements will interact with the subtotals 'other expenses'
- **Interaction with IFRS 17:** Insurance companies raised questions on how the IASB's presentation proposals in the Primary Financial Statements project would interact with the presentation requirements in IFRS 17 *Insurance Contracts*



# TOPIC 2: PRESENTATION OF OPERATING EXPENSES AND DISCLOSURES BY NATURE WHEN PRESENTING BY FUNCTION

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## DISCLOSURES

- **Importance of the disclosures by nature:** Users highlighted that disclosures of operating expenses by nature when presenting by function were fundamental to carry out analysis, forecasts and cross-sector comparisons. Some users preferred the IASB's approach included in the ED (i.e., total operating expenses by nature), although they also welcomed disaggregation of line items presented by function such as 'cost of sales. There were concerns about potential loss of information with the revised disclosure approach
- **Mixed views the disclosure approach:** some preparers preferred the IASB's approach included in the ED (i.e., total operating expenses by nature), while others welcomed the IASB's revised disclosures – depends on entities' current IT systems
- **Challenges in applying the revised disclosures:** Providing expense amounts rather than cost amounts would be challenging for entities using standard costing systems - for example, for the cost of sales it is not possible to determine the exact amounts of specific nature costs (including depreciation and amortisation) that were included in the carrying amount of sold inventory (and recognised as an expense in the year).
- **Interaction with IFRS 17:** Insurance companies questioned how the proposed disclosure requirements would interact with the presentation requirements under IFRS 17 (where most of operating expenses would be allocated to the 'insurance service expenses', and presented within the 'insurance service margin') as it was significantly different from corporate entities presenting by function



## ROUNDTABLE DISCUSSION AND Q&A SESSION

- Topic 1: Subtotals and categories in the statement of profit or loss
- Topic 2: Presentation of operating expenses and Disclosures by nature when presenting by function
- Topic 3: Management Performance Measures**
- Topic 4: Unusual income and expenses

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## Revised definition of MPMs

Subtotals of income and expenses not specified by IFRS Accounting Standards that:

Are used in public communications outside financial statements (excluding oral communications, transcripts and social media posts)



Communicate management's view of an aspect of an entity's financial performance

Rebuttable presumption that a subtotal used in public communications represents management's view of an aspect of an entity's financial performance—rebutted with reasonable and supportable evidence

The rebuttable presumption is intended to:

- reduce the subjectivity involved in identifying the subtotals that represent management's view; and
  - avoid requiring entities to include as management performance measures, subtotals of income and expenses that do not represent management's view of an aspect of the entity's performance
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## Simplified approach to tax on reconciling items

In response to feedback that calculating tax on reconciling items may be complex the IASB tentatively decided to revise the requirement specifying how to calculate the income tax effect. The revised requirement allows an entity to either:

- a) calculate the tax effects of the underlying transaction(s) at the statutory tax rate(s) applicable to the transaction(s) in the relevant jurisdiction(s); or
- b) calculate the tax effects as described in a) and allocate any other tax effects related to the underlying transaction(s) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the jurisdictions concerned, or other method that achieves a more appropriate allocation

The revised requirement is intended to reduce the complexity of the proposal in the Exposure Draft by specifying a simplified calculation of the tax effects of reconciling items that an entity can choose when a full calculation would be too complex—the calculation in a)

As a simplified calculation, the information provided may be less than would be provided by a full calculation but is intended to respond to user feedback that high-level information on these tax effects would meet their needs. For example, the effect when the transaction(s) occur in a jurisdiction with a tax rate materially different to the effective tax rate for the consolidated entity

## TOPIC 3: MANAGEMENT PERFORMANCE MEASURES

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### GENERAL REMARKS

- **Use of additional subtotals:** Questions, particularly from financial institutions, on to what extent additional subtotals would be permitted and whether they would be considered as MPMs or specified subtotals
- **Public communications:** Questions on how the notion ‘public communications outside financial statements’ is applied to private non-listed companies – should an entity consider those communicated in the management report or segments of the parent entity?
- **Extend the scope of MPMs:** MPMs should include ratios, balance sheet and cash flow measures

### NEW REBUTTABLE PRESUMPTION ON MPMs

- Many welcomed the new rebuttable presumption on MPMs – however, there were questions on whether an entity will have to disclose when it decides to rebut the presumption that a specific subtotal of income and expenses is an MPM
- **Challenges for highly regulated entities:** Questions on the effective applicability of the rebuttable presumption for all the significant measures communicated for regulatory purposes which could include measures that are difficult to reconcile with IFRS measures

## TOPIC 3: MANAGEMENT PERFORMANCE MEASURES

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### REVISED SIMPLIFIED APPROACH TO CALCULATING THE TAX EFFECT

- **Mixed views on the simplified approach**

- some welcomed the proposed simplified solution for the income tax effects for each reconciling item would remove large part of operational complexity - however it was noted that the method can lead to oversimplifications and the disclosed amounts can be very different to the actual effects
- others were not convinced whether the revised calculation of tax effect for reconciling items actually resulted in simplification for reporting entities, particularly for international groups
- request for illustrative examples to help implementation

### DISCLOSURE REQUIREMENTS ON EACH RECONCILING ITEM

- **Disclosures on each reconciling item can be difficult - can it be done by subtotal instead?**

- the combination of by individual line and tax and NCI effect by item may result in a complex presentation - if an entity also presents by segment (current practice for some entities) it may become quite complex
- users prefer linking the reconciliations to the operating segments rather than to each reconciling line item. Thus, questions on the need to disclose, for each reconciling item, amount(s) related to each line item in the statement(s) of financial performance



## ROUNDTABLE DISCUSSION AND Q&A SESSION

- Topic 1: Subtotals and categories in the statement of profit or loss
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## Unusual income and expenses

The Exposure Draft proposed a definition of unusual income and expenses and disclosure requirements (for example, an entity would disclose the line item(s) in the statement of financial performance in which unusual income and expenses are included and narrative information)



Most agreed with the IASB developing a definition, but also said the definition was too subjective, that it included income and expenses that some did not view as unusual, and that more application guidance was required

- The IASB has been working on a revised definition of unusual items – focusing on reducing the subjectivity and limiting the population of items captured by the definition
- Discussions with stakeholders and IASB members over the last nine months have not led to a consensus on what the population of unusual income and expenses should be



The IASB tentatively decided not to proceed with the specific requirements for unusual income and expenses as part of this project



## TOPIC 4: UNUSUAL INCOME AND EXPENSES

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### UNUSUAL ITEMS

- Many, particularly preparers, welcomed the IASB decision to withdraw the requirement to define and disclose information on unusual income and expenses as there is no consensus on what it is
- Users disagreed with the IASB tentative decision to withdraw the definition and disclosure requirements on unusual items. Members highlighted the importance of having more transparency and discipline on the use of 'unusual items' or 'non-recurring items' in the financial statements



# CLOSING REMARKS

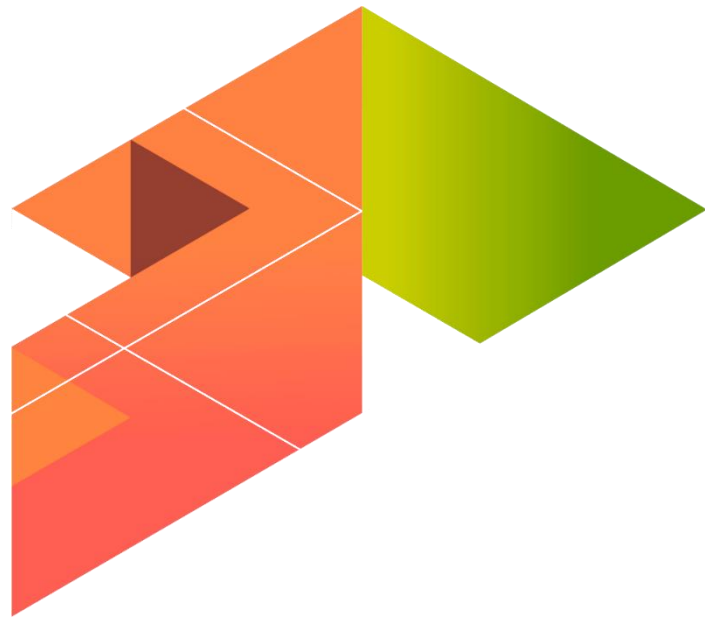
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THANK YOU



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