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## Primary Financial Statements Cover Note

### Objective

- 1 The objective of the session is:
  - (a) to provide an overview on the status of IASB's project Primary Financial Statements (presentation by the IASB Staff);
  - (b) to seek EFRAG FR TEG-UP members' views on the following topics:
    - (i) Categories and subtotals of the statement of profit or loss, with a focus on the classification of income and expenses that arise from associates and joint ventures;
    - (ii) Management performance measurements (MPMs), with a focus on the interaction with subtotals of the statement of profit or loss;
    - (iii) Disaggregation and other proposals, with a focus on disclosures of operating expenses by nature when presenting by function and changes to the statement of cash flows;
    - (iv) Effective date and transition period; and
    - (v) Effective ways of educating users of financial statements on the IASB's project Primary Financial Statements;
- 2 The questions for EFRAG FR TEG-UP members are included in agenda paper 05-02.

### Background

- 3 In December 2019, the IASB published the [Exposure Draft General Presentation and Disclosures](#) focused on improving how information is communicated in the financial statements, with a focus on information about performance in the statement of profit or loss. The IASB's comment period ended in September 2020. EFRAG sent its [comment letter](#) to the IASB on 2 November 2020.
- 4 In early 2021, the IASB discussed the feedback received and has since made numerous tentative decisions on key aspects of the proposals in response to the feedback received. Some of these tentative decisions would result in changes from the proposals in the ED.
- 5 In September 2022, the IASB launched an outreach on a targeted selection of its tentative decisions through roundtable discussions on topics. In addition, EFRAG sought feedback on additional topics where the IASB's tentative decisions would change the proposals in the ED.
- 6 From October to November 2022 EFRAG organised, jointly with the IASB and in coordination with the national standard setters, a series of roundtables. The summary

reports of the roundtables on [24 October](#), [2 November](#), [4 November](#) and [15 November](#) have been published on EFRAG Website. In addition, EFRAG UP members discussed the aforementioned IASB tentative decisions at their meetings in October and December 2022.

- 7 Finally, the EFRAG Secretariat prepared a [summary report](#) with recommendations that reflects all the feedback received during the roundtables, working groups meetings and other ad-hoc meetings. In addition, the report includes a number of recommendations to the IASB developed based on the feedback received. The report was submitted to the IASB together with a letter.
- 8 More recently, in its January 2023 meeting the IASB discussed the feedback received and made a number of adjustments to its redeliberation plan to address some of the concerns raised by stakeholders. Shortly afterwards, the IASB re-started the redeliberations and the key topics discussed by the IASB in its [January](#) and [March](#) 2023 meetings can be found below:

<p><b>Targeted outreaches and feedback</b> <i>IASB January 2023</i></p>	<p>The IASB discussed the feedback from the targeted outreach conducted between September and December 2022 and discussed how to address the comments received, including which:</p> <ul style="list-style-type: none"> <li>• should be added to the IASB’s redeliberations plan;</li> <li>• should be addressed in the drafting process; and</li> <li>• no further action is required.</li> </ul>
<p><b>Subtotals and categories</b> <i>IASB January and March 2023</i></p>	<p>The IASB discussed issues related to the categories in the statement of profit or loss, including:</p> <ul style="list-style-type: none"> <li>• the accounting policy choice for the classification of income and expenses arising from cash and cash equivalents for entities that provide financing to customers as a main business activity;</li> <li>• classification of interest expense on lease liabilities when subleasing is a main business activity;</li> <li>• classification of foreign exchange differences on other liabilities;</li> <li>• classification of income and expenses from specific hybrid contracts with host liabilities that arise from transactions that do not involve only the raising of finance and are measured at amortised cost in their entirety</li> </ul>
<p><b>Management Performance Measures</b> <i>IASB January and March 2023</i></p>	<p>On management performance measures, the IASB discussed:</p> <ul style="list-style-type: none"> <li>• whether it should develop further application guidance for the proposed rebuttable presumption in the definition of MPM,</li> <li>• the relationship between MPM and disclosure requirements according to IAS 8 and IAS 34;</li> <li>• whether a wider range of approaches to calculating the income tax effect would improve the balance between costs and benefits;</li> </ul>

	<ul style="list-style-type: none"> <li>• whether the IASB should require specific disclosure requirements for the approach(es) an entity uses to calculate the income tax effect.</li> </ul>
<p><b>Disaggregation and other issues</b></p> <p><i>IASB January and March 2023</i></p>	<p>The IASB discussed:</p> <ul style="list-style-type: none"> <li>• disclosure of operating expenses by nature in the notes (revised approach);</li> <li>• the relationship between the general disaggregation requirements in the ED and the specific presentation and disclosure requirements in other IFRS Accounting Standards,</li> <li>• the implications of some of the IASB’s tentative decisions for the general requirement to disaggregate material information; and</li> <li>• possible further requirements and application guidance relating to the general disaggregation requirements.</li> </ul> <p>Furthermore, the IASB discussed:</p> <ul style="list-style-type: none"> <li>• the classification of interest received in the statement of cash flows for entities other than those with specified main business activities</li> <li>• the classification of interest received, interest paid and dividends received for entities with specified main business activities; and</li> <li>• the withdrawal of the proposal to relabel the two categories of the other comprehensive income.</li> </ul>

**Questions for EFRAG FR TEG-UP**

9 Do EFRAG FR TEG-UP members have any comments on the summary above?

**Next steps**

10 The EFRAG Secretariat will continue to monitor the IASB’s discussions.

**Agenda Papers**

11 In addition to this cover note, agenda paper 05-02 – *Update on the IASB discussions* – has been provided for the session.