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Targeted Outreach Activities on PFS Cover Note

Objective

- 1 The objective of the session is to discuss the targeted outreach activities on a selection of tentative decisions made by the IASB that represent a change to the proposals in the Exposure Draft *General Presentation and Disclosures* ('the ED') issued in 2019. In particular:
 - (a) the topics (i.e. tentative decisions) that the IASB Staff has selected to discuss;
 - (b) the specific questions raised by the IASB Staff; and
 - (c) materials to be used in the roundtables to help participants understand the selected topics for discussion.

Background

- 2 In December 2019, the IASB published the ED focused on improving on 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.
- 3 Early in 2021, the IASB discussed the feedback received and has since made tentative decisions on key aspects of the proposals in response to the feedback received. Some of these tentative decisions result in changes from the proposals in the ED.
- 4 The IASB is now launching an outreach on a targeted selection of its tentative decisions through roundtable discussions. The topics selected for outreach are those where the IASB's tentative decisions change the proposals in the ED.

Topics and questions raised by the IASB Staff

- 5 In the supporting documents for the roundtable discussions, the IASB Staff makes specific questions on the following topics:
 - (a) Subtotals in the statement of profit or loss – Financing Category
 - (b) Subtotals in the statement of profit or loss – Entities with specified main business activities
 - (c) Management Performance Measures – Rebuttable presumption
 - (d) Management Performance Measures - Method of calculating the tax effect for reconciling items
 - (e) Disclosure of operating expenses by nature (IASB's tentative decisions in July 2022)

Targeted Outreach Activities on PFS

- (f) Unusual income and expenses (IASB's tentative decisions in September 2022).
- 6 In June, the EFRAG FR TEG-CFSS already had an initial discussion on the targeted outreach activities. Considering the feedback received, the EFRAG Secretariat considers that, in addition to those mentioned above, the following additional topics should be considered and specific questions should be raised:
- (a) the classification of hybrid contracts with host liabilities and embedded derivatives (financial institutions only);
 - (b) the classification of derivatives – default category (financial institutions only);
 - (c) the inclusion in the scope of the requirements for MPMs the numerator or denominator of a ratio, if that numerator or denominator meets the definition of a MPM (particularly for financial institutions).
- 7 Considering the limited timing of the outreach and extended list of topics referred to in paragraph 6 above, the EFRAG Secretariat does not recommend expanding this list further to avoid having too many topics for stakeholders to react to.

Questions for EFRAG FR TEG

- 8 Do EFRAG FR TEG members agree with the EFRAG Secretariat recommendation in paragraph 6 above on the additional topics to be considered?
- 9 Do EFRAG FR TEG members agree with the additional specific questions proposed in agenda paper 04-02?

Materials to be used in the roundtables

- 10 The documentation prepared by the IASB Staff (agenda papers 04-03 to 04-06) is detailed and presents the outcome of the project in accordance with the latest tentative decisions. Thus, it will help those that are not very familiar with the project to understand the final expected outcome.
- 11 However, the EFRAG Secretariat considers that it would also be useful to compare the income statement prepared in accordance with the proposals in the ED with the income statement prepared in accordance with the latest IASB tentative decisions.
- 12 In addition, the EFRAG Secretariat considers that it would be useful to provide the comparison mentioned above for an income statement of a bank or insurance company.

Question for EFRAG FR TEG

- 13 Do EFRAG FR TEG members have any suggestions for materials to be prepared by the EFRAG Secretariat for the roundtables event?

Next steps

- 14 Finally, the IASB will make further tentative decisions regarding the definition of unusual income and expenses at its September meeting. The IASB intends to seek feedback on these proposals and will provide specific questions after its September meeting. These will be discussed in a future meeting.
- 15 The EFRAG Secretariat will also start preparing the roundtables and will provide an update in October 2022.

Question for EFRAG FR TEG

- 16 Do EFRAG FR TEG members have any suggestions for preparers, regulators and representatives of preparers and users that should be contacted by the EFRAG Secretariat?

Agenda Papers

- 17 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 04-02 – Additional questions for outreach;
 - (b) Agenda paper 04-03 – IASB Outreach Information – Questions - for background only
 - (c) Agenda paper 04-04 – IASB Outreach Information - Appendix– for background only
 - (d) Agenda paper 04-05 – IASB Outreach Information - Project as at July 2022 - for background only