

PRIMARY FINANCIAL STATEMENTS

EFRAG OUTREACH ACTIVITIES FROM
OCTOBER TO NOVEMBER 2022

30 NOVEMBER 2022



DISCLAIMER

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IASB PROJECT STATUS AND REDELIBERATIONS TO DATE

THE IASB REDELIBERATIONS ARE EXPECTED TO CONTINUE IN 2023



The IASB has already discussed in parallel the different parts of the proposals in its ED, including subtotals and categories, Management Performance Measures (MPMs), Disaggregation and others

At future IASB meetings, the IASB will continue its redeliberations on the project proposals, including a number of topics that have not yet been discussed

After the outreach events, which are expected to end by the end of 2022, the IASB plans to discuss the feedback received from the outreach activities. 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

OVERVIEW EFRAG OUTREACH ACTIVITIES

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
- 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)
 - Roundtable by ASCG and EFRAG jointly with IASB (11 November 2022)
 - Discussions with the EFRAG Working Groups and other closed meetings
 - Participated in events organized by national standard setters
 - One roundtable with users, preparers and auditors, in the form of a public webinar ([15 November 2022](#))
- The discussions benefited from the IASB's educational session on 14 October and EFRAG's on [18 October](#)
- In December 2022, EFRAG Secretariat is going to discuss with EFRAG FR TEG a summary report – for more details please see agenda papers for EFRAG FR TEG Meeting on 1 December 2022 [here](#).

IASB AND EFRAG QUESTIONS

IASB's QUESTIONS

- **Subtotals in the statement of profit or loss:** change in the approach for the financing category and aspects of the proposals for entities with specified main business activities
- **Management performance measures:** new rebuttable presumption and simplified method of calculating the tax effect for reconciling items
- **Disclosure of operating expenses by nature:** IASB's revised approach for disclosures by nature
- **Unusual income and expenses:** withdraw the proposals for unusual income and expenses

ADDITIONAL TOPICS SELECTED BY EFRAG FOR OUTREACH

Additional topics that represented a change to the ED but were not included in the IASB's material:

- 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

SUBTOTALS AND CATEGORIES

KEY CHANGES TO THE PROPOSALS IN THE EXPOSURE DRAFT

- **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
- **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
- **Share of results of associates and joint ventures:**
 - Withdraw of the proposal to distinguish integral and non-integral associates and joint ventures
 - Withdraw of 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
 - Introduction of a specified 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

SUBTOTALS AND CATEGORIES

KEY CHANGES TO THE PROPOSALS IN THE EXPOSURE DRAFT

- **Presentation of operating expenses:** Some of the key decisions include:
 - the **withdraw of the proposed prohibition on a mixed presentation** of operating expenses and provide examples of when a mixed presentation might provide the most useful information
 - 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
 - to provide application guidance to clarify the requirement for consistent presentation of operating expenses from one reporting period to the next and how to label nature line items when a mixed presentation is used
 - to expand the explanation in the description of the function of expense method
 - to require an entity that presents functional line items to disclose a narrative description of what types of expenses (based on their nature) are included in each functional line item
- **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

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **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, as it improves comparability. However, it was noted that some of the IASB's proposals would still lead to considerable implementation costs for preparers
- **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: concerns mainly from those that use 'operating profit' as a key performance measure, including interaction with segment reporting under IFRS 8**
 - 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, particularly on lower level in the group. To change the classification on different levels was considered being complex and costly.
 - 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

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **Operating category (continuation)**
 - 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
 - questions on how the IASB’s proposals on presentation would interact with the presentation requirements in Exposure Draft Accounting for Regulatory Assets and Regulatory Liabilities (e.g. revenue and total allowed compensation)

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **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 (e.g., classification of transaction costs such as fees)
- 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
- the revised definition of the category "financing" raises questions regarding the reporting of income and expenses from subleases. In principle, according to the tentative decisions of the IASB, only interest expense and the effect of changes in interest rates should be reported in the category "Financing". However, it remains open how the disclosure would be made if there is both a head lease and a sublease. For example, it is conceivable that a company as an intermediate lessor leases an asset (such as a car) to a customer and finances itself through a leasing contract, the head lease.

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **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
 - there was support from financial institutions and conglomerates for keeping the accounting option under paragraph 51 of the ED for income and expenses that arise from cash and cash equivalents (EFRAG CL paragraph 33-36 does not support the accounting option for conglomerates)

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **New guidance on hybrid contracts:** preparers, particularly from the banking industry, asked for more clarity on the meaning of “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:
 - many agreed with the IASB revised proposals, particularly users of financial statements
 - 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, including financial institutions, considered that investments that are integral or contribute to main business activities should be in the operating category
 - users expressed preference for having all associates and joint ventures presented outside of operating profit, including those measured at cost and fair value so that operating profit represents the group’s operating profit
 - a few participants suggested that the classification of associates and joint ventures should be based on the general model and not through an exception - questions on the relevance for separate financial statements
 - Questions on the use of additional subtotals on associates and joint ventures (more disaggregation to separate strategic investments) and the interaction with the proposals on specified subtotals and MPMs

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **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 following the insurance industry 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

SUBTOTALS AND CATEGORIES

FEEDBACK RECEIVED IN OUTREACH EVENTS

- **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 which were difficult to allocate to by function line items
 - concerns that some line items (such as legal claims, goodwill impairments, royalties, non-income related taxes and restructuring expenses) had characteristics of both nature and function elements
 - some concerns from preparers about ending with a more rigid definition of the functions, leading to less meaningful allocations
 - 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*

SUBTOTALS AND CATEGORIES

QUESTIONS FOR EFRAG CFSS MEMBERS

- Do EFRAG CFSS members have identified any potential implementation concerns in your jurisdiction with the IASB's revised proposals on subtotals and categories?
- Do EFRAG CFSS members consider that the IASB's tentative decisions will function as intended?
- Do EFRAG CFSS members consider that the IASB achieved the intended balance of costs for preparers and benefits for users?
- Do EFRAG CFSS members have any recommendations to the IASB on its revised proposals on:
 - Subtotals and categories as proposed by the IASB, including hybrid contracts;
 - Presentation of associates and joint-ventures; and
 - Presentation by function of expense method.

ANALYSIS OF OPERATING EXPENSES - DISCLOSURES

CHANGES TO THE PROPOSALS IN THE EXPOSURE DRAFT

Depreciation
Cost of sales
Selling expenses
General and administrative expenses
Research and development expenses

Amortisation
Selling expenses

Employee benefits
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 an analysis of total operating expenses using the nature of expenditure disclose in a single note se 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

ANALYSIS OF OPERATING EXPENSES - DISCLOSURES

FEEDBACK RECEIVED IN THE OUTREACH EVENTS

- **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. Items by nature such as amortisation, depreciation, impairments, employee benefits and energy costs were fundamental for them. 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 from preparers:** 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) – need for practical expedient
- **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

ANALYSIS OF OPERATING EXPENSES - DISCLOSURES

QUESTIONS FOR EFRAG CFSS MEMBERS

- Do EFRAG CFSS members have identified any potential implementation or application concerns in your jurisdiction with the IASB's revised proposals on analysis of operating expenses in terms of presentation and disclosures?
- Do EFRAG CFSS members consider that the IASB's tentative decisions will function as intended?
- Do EFRAG CFSS members consider that the IASB achieved the intended balance of costs for preparers and benefits for users?
- Do EFRAG CFSS members have any recommendations to the IASB on its revised proposals on disclosures by nature when presenting by function?

MANAGEMENT PERFORMANCE MEASURES

CHANGES TO THE PROPOSALS IN THE EXPOSURE DRAFT

- **Management performance measures:** the IASB tentatively decided to:
 - Add a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of the entity's financial performance applying the definition and
 - Simplify the method of calculating the tax effect for reconciling items
 - Disclose, for each reconciling item, amount(s) related to each line item in the statement(s) of financial performance
 - Subtotal of income and expense used in the numerator or denominator of a ratio is MPM
- **Disclosure of operating expenses by nature:** The IASB suggested new revised disclosures to achieve a more balanced outcome between costs for preparers and benefits for users
- **Unusual income and expenses:** The IASB tentatively decided that it will not proceed with any specific requirements for unusual income and expenses as part of this project

MANAGEMENT PERFORMANCE MEASURES

FEEDBACK RECEIVED IN THE OUTREACH EVENTS - 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?
- **Interaction with IFRS 8:** Questions, whether reconciliations are required for the information on group level or when reporting MPMs as segment information. Some MPM are only used on segment level
- **Extend the scope of MPMs:** MPMs should include ratios, balance sheet and cash flow measures. Banks mentioned that users are specifically interested in reporting on equity, MPMs are rarely used by banks for the income statement

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 – the scope may be wider unintendedly

MANAGEMENT PERFORMANCE MEASURES

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
- some participants suggested the use of the group tax rate according to IAS 12 (for MPMs at group level) or a tax rate per segment (for MPMs at segment level) as a simplification.
- 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

MANAGEMENT PERFORMANCE MEASURES

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
- **Disclosures on each reconciling item can be difficult – Why for reclassifications?**
 - Few preparers mentioned - additional information proposed by the IASB on the effects of reconciling items on non-controlling interests (NCI) and income taxes is useful for eliminated one-off items (i.e. true adjustments). Informational usefulness of these disclosures appears limited in the case of reclassifications (e.g. in the case of a different definition of operating profit or loss that results in certain items being included in operating profit or loss that do not belong to the operating category according to the IASB's definition)

MANAGEMENT PERFORMANCE MEASURES

QUESTIONS FOR EFRAG CFSS MEMBERS

- Do EFRAG CFSS members have identified any potential implementation or application concerns in your jurisdiction with the IASB's revised proposals on analysis of operating expenses in terms of presentation and disclosures?
- Do EFRAG CFSS members consider that the IASB's tentative decisions will function as intended?
- Do EFRAG CFSS members consider that the IASB achieved the intended balance of costs for preparers and benefits for users?
- Do EFRAG CFSS members have any recommendations to the IASB on its revised proposals on MPMs?

UNUSUAL INCOME AND EXPENSES

CHANGES TO THE PROPOSALS IN THE EXPOSURE DRAFT

- The IASB received feedback that the definition of unusual income and expenses proposed in the Exposure Draft was subjective, required more application guidance, and included income and expenses that some did not view as unusual
- In response the IASB has tentatively decided to explore revising the definition of unusual income and expenses

FEEDBACK RECEIVED IN THE OUTREACH EVENTS

- 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
- In general users were disappointed 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. However, some users acknowledged the difficulties of reaching a consensus on what unusual is and supported the IASB decision, considering that the principles of disaggregation and MPMs will mitigate the lack of a definition of unusual items

UNUSUAL INCOME AND EXPENSES

QUESTIONS FOR EFRAG CFSS MEMBERS

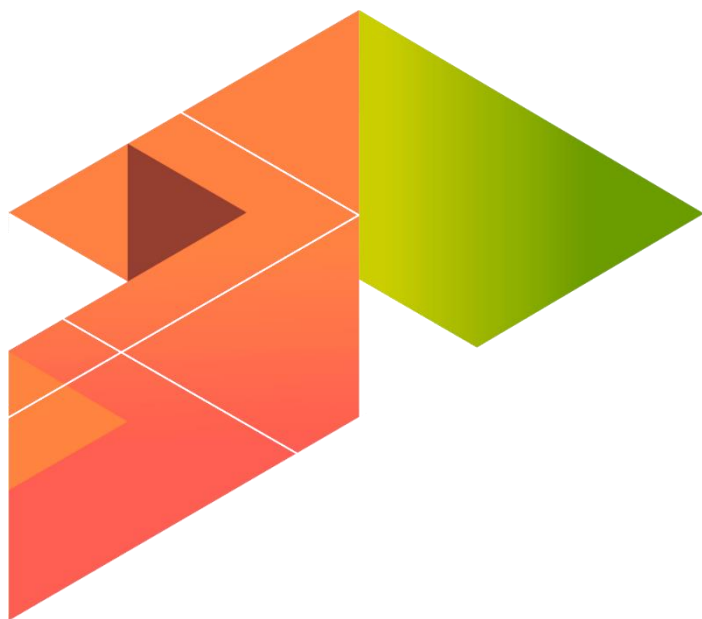
- Do EFRAG CFSS members have any recommendations to the IASB on its revised proposals on unusual income and expenses?



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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
Operating profit	X
Share of results of integral associates and joint ventures	x
Operating profit and share of profit or loss of integral associates and JVs.	X
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
Profit before financing and income tax	X
Income and expenses from cash and cash equivalents	x
Income and expenses from financing activities	x
. Interest expenses from debt issued or lease liabilities	x
. 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
Profit before tax	X
Income tax expense	x
Profit for the year from continuing operations	X
Loss from discontinued operations	x
Profit for the year	X

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
Operating profit	X
Share of results of associates and joint ventures	x
Income and expenses from investments, including cash and cash equivalents	x
Incremental expenses from investments	x
Profit before financing and income tax	X
<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
Profit before tax	X
Income tax expense	x
Profit for the year from continuing operations	X
Loss from discontinued operations	x
Profit for the year	X

*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	CORPORATES (BY FUNCTION)	Statement of financial performance - Redeliberations
Revenue from the sale of goods	Operating	Revenue from the sale of goods
Cost of goods sold		Cost of goods sold, <i>including inventory expense</i>
Gross profit		Gross profit
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
Operating profit		Operating profit (no prohibition of a mixed presentation)
Share of profit or loss of integral associates and joint ventures		Investing
Gains on disposals of integral associates and joint ventures	<i>Share of profit or loss of associates and joint ventures</i>	
Operating profit and share of profit or loss of integral associates and JVs.	Gains on disposals of associates and joint ventures	
Share of profit or loss of non-integral associates and joint ventures	Financing	Dividend income
Dividend income		Profit before financing and income tax
Profit before financing and income tax		<i>Income and expenses from liabilities that arise from transactions that involve only the raising of finance</i>
Expenses from financing activities		<i>Specified income and expenses on other liabilities</i>
Unwinding of discount on provisions		Profit before tax
Profit before tax		Income tax expense
Income tax expense		Profit for the year from continuing operations
Profit for the year from continuing operations		Loss for the year from discontinued operations
Loss for the year from discontinued operations	Profit for the year	
Profit for the year		

*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)

CHANGES FROM THE PROPOSALS IN THE EXPOSURE DRAFT

BANKS (OPTION ALL IN OP)

Statement of financial performance - 2019 ED

Interest income	x
Interest expense	x
Net interest income	x
Fee and commission income	x
Fee and commission expense	x
Net fee and commission income	x
Net trading income	x
Net investment income, including cash and cash equivalents	x
Credit impairment losses	x
Employee benefits expense	x
Depreciation and amortisation expenses	x
Operating profit	X
Share of results of integral associates and joint ventures	x
Operating profit and share of profit or loss of integral associates and joint ventures	X
Share of results of non-integral associates and joint ventures	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
Profit before tax	X
Income tax expense	x
Profit for the year	X

Operating
(includes investing and financing activities that are part the entity's main business activities)

Investing & financing activities that are not part of main business activities

Statement of financial performance - - Redeliberations

Interest income	x
Interest expense	x
Net interest income	x
Fee and commission income	x
Fee and commission expense	x
Net fee and commission income	x
Net trading income	x
Net investment income, including cash and cash equivalents	x
Credit impairment losses	x
Employee benefits expense	x
Depreciation and amortisation expenses	x
Operating profit	X
Share of profit or loss of associates and joint ventures	x
Specified income and expenses on other liabilities	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
. Interest expenses on lease liabilities	x
Profit before tax	X
Income tax expense	x
Profit for the year	X

***Cash and cash equivalents** presented in the operating if an entity provides financing to customers as a main business activity or if an entity invests in the course of its main business activities in financial assets. Else it is classified in the financing category.

***Cash and cash equivalents** classified in the operating category when an entity invests in financial assets as a main business activity. Else it is classified in the investing category. Accounting option in paragraph 51 of ED under discussion

CHANGES FROM THE PROPOSALS IN THE EXPOSURE DRAFT

INSURANCE

Statement of financial performance - 2019 ED

Insurance revenue	X
Insurance service expenses	X
Insurance service results	X
Interest revenue calculated using the effective interest method	X
Dividends and fair value changes on financial assets	X
Incremental expenses from investments	X
Other investment revenue	X
Credit impairment losses	X
Insurance finance expenses	X
Net financial result	X
Other expenses	X
Operating profit	X
Share of results of integral associates and joint ventures	X
Operating profit and share of profit or loss of integral associates and joint ventures	X
Share of results of non-integral associates and joint ventures	X
Profit before financing and income tax	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
Profit before tax	X
Income tax expense	X
Profit for the year	X

***Cash and cash equivalents** presented in the operating if an entity invests in the course of its main business activities in financial assets. Else it is classified in the financing category.

Operating
(includes investing activities that are part of the entity's main business activities)

Investing

Financing

Statement of financial performance - Redeliberations

Insurance revenue	X
Insurance service expenses	X
Insurance service results	X
Interest revenue calculated using the effective interest method	X
Dividends and fair value changes on financial assets	X
Incremental expenses from investments	X
Other investment revenue, including cash and cash equivalents	X
Credit impairment losses	X
Insurance finance expenses	X
Net financial result	X
Other expenses	X
Operating profit	X
Share of profit or loss of associates and joint ventures	X
Profit before financing and income tax	X
Specified income and expenses on other liabilities	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
. Interest expenses on lease liabilities	X
Profit before tax	X
Income tax expense	X
Profit for the year	X

***Cash and cash equivalents** classified in the operating category when an entity invests in financial assets as a main business activity. Else it is classified in the investing category.