

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Primary Financial Statements

Cover Note

Objective

- 1 The objective of this session is to seek the views of EFRAG FR TEG members on the latest tentative decisions taken by the IASB in January and March 2023, which have not been discussed by the EFRAG FR TEG and EFRAG User Panel on 10 May 2023.

Structure of the session

- 2 For each of the topics listed below, a summary of the IASB's proposal in the Exposure Draft *General Presentation and Disclosures* ("the ED"), EFRAG's position in its final comment letter, the latest IASB discussions and decision, and the EFRAG Secretariat analysis is provided.
- 3 The topics to be discussed are:
 - (a) Subtotals and categories (agenda paper 06-02):
 - (i) Issues for categories in the statement of profit or loss (IASB [AP21E](#), March 2023); and
 - (ii) Issues related to the proposals for entities with specified main business activities (IASB [AP21F](#), March 2023).
 - (b) Management performance measures (agenda paper 06-03):
 - (i) Rebuttable presumption (IASB [AP21B](#), March 2023);
 - (ii) Relationship with the requirements of other IFRS Accounting Standards (IASB [AP21C](#), March 2023); and
 - (iii) Tax disclosure (IASB [AP21D](#), March 2023).
 - (c) Disaggregation (agenda paper 06-04):
 - (i) Implications of the IASB's tentative decisions on specific disclosure requirements – Unusual income and expenses (IASB [AP21C](#), January 2023);
 - (ii) Implications of the IASB's tentative decisions on specific disclosure requirements – Operating expenses by nature (IASB [AP21C](#), January 2023 and IASB [AP21A](#), March 2023);
 - (iii) Other issues on general disaggregation requirements – application guidance on how to improve the description of disaggregated amounts (IASB [AP21D](#), January 2023);
 - (iv) Other issues on general disaggregation requirements – prohibition of disaggregation (IASB [AP21D](#), January 2023);

- (v) Other issues on general disaggregation requirements – label “other” (IASB [AP21D](#), January 2023);
- (d) Other issues (agenda paper 06-05)
 - (i) Other comprehensive income (IASB [AP21E](#), January 2023); and
 - (ii) Statement of cash flows (IASB [AP21E](#), January 2023).

Background

- 4 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.
- 5 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.
- 6 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.
- 7 Also in September 2022, EFRAG FR TEG and EFRAG CFSS members discussed the targeted outreach activities planned by EFRAG and the IASB on a selection of tentative decisions that represented a change to the initial proposals included in the IASB’s exposure draft on this project.
- 8 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.
- 9 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.

Latest developments

- 10 In its [January 2023](#) meeting the IASB discussed the feedback received from the targeted outreach including the feedback received from EFRAG.
- 11 Based on the feedback received, the IASB decided in January 2023 to adjust its workplan and add four topics. The additional topics on the redeliberation plan are:
 - (a) whether it should reconfirm its decision on the classification of income and expense from associates and joint ventures accounted for using the equity method;
 - (b) whether it should develop application guidance for classifying income and expense from off-balance-sheet items;
 - (c) whether it should develop guidance for including interest expense on lease liabilities in operating profit if subleasing is a main business activity; and
 - (d) whether it should develop further application guidance for the proposed rebuttable presumption in the definition of management performance measures.

- 12 In addition, in January 2023 the IASB redeliberated the proposals in its ED relating to (agenda papers 06-04 and 06-05):
 - (a) the general requirements on disaggregation;
 - (b) other comprehensive income; and
 - (c) the statement of cash flows - interest received and classification for entities with specified main business activities.
- 13 In their [March 2023](#) meeting, EFRAG FR TEG and EFRAG CFSS members received an update on the IASB's discussions on its redeliberation plan.
- 14 Members generally welcomed the IASB's adjustments to its redeliberation plan to address the feedback received in the outreaches, including discussions on the presentation of income and expenses that arise from associates and joint ventures. Nonetheless, members highlighted the importance of having an open and transparent process on topics that will be addressed in the drafting process, particularly improvements to the financing category and management performance measures.
- 15 On the transition period and effective date, some members considered that a 24-month transition period may not be long, particularly when considering the IASB's proposal for entities to present the new subtotals in the condensed financial statements in interim financial reports, (including comparatives), the impacts that it will have on digital reporting and the information used internally by management. In addition, the IASB's forthcoming discussions on disclosures by nature when presenting by function were considered fundamental.
- 16 Finally, members generally agreed with the IASB's cost-benefit analysis but highlighted the importance of updating the impact analysis at the end of the IASB's redeliberations.
- 17 In its [March 2023](#) meeting, EFRAG FRB members received an update on the IASB's latest tentative decisions and provided input on transition period and effects analysis of the forthcoming IFRS Accounting Standard.
- 18 EFRAG FRB members generally welcomed the IASB's changes to its redeliberation plan to address the feedback received in the outreaches, but expressed their regret that the IASB did not include on its workplan to develop guidance regarding conglomerates and groups combining different main activities. In addition, several members highlighted the importance of a re-discussion of the presentation of income expense from associate and joint ventures.
- 19 On the transition period and effective date, some members expressed the same considerations highlighted during the FR TEG-CFSS meeting mentioned above.
- 20 In its [March 2023](#) meeting, the IASB discussed and redeliberated the proposals in its ED relating to:
 - (a) disclosure of operating expenses by nature (discussed by the EFRAG FR TEG and EFRAG User Panel on 10 May 2023);
 - (b) management performance measures (e.g., rebuttable presumption and tax disclosure) (agenda paper 06-03);
 - (c) categories in the statement of profit or loss (e.g., foreign exchange differences) (agenda paper 06-02); and
 - (d) entities with specified main business activities (e.g., income and expenses arising from cash and cash equivalents) (agenda paper 06-02).

Questions for EFRAG FR TEG

21 Does EFRAG FR TEG have any comments on the above summary?

Next steps

22 The EFRAG Secretariat will continue to monitor the IASB's discussions.

Agenda Papers

23 In addition to this cover note, agenda papers for this session are:

- (a) Agenda paper 06-02 – Subtotals and categories;
- (b) Agenda paper 06-03 – MPMs;
- (c) Agenda paper 06-04 – Disaggregation; and
- (d) Agenda paper 06-05 – Others.