

IASB ED/2019/7 General Presentation and Disclosures

EFRAG's draft comment letter

For those in a regulated industry, would the IASB proposals in paragraph 48, for entities that invest in the course of the entity's main business activities, result in significant changes in practice that would be in conflict with regulation in your industry? Do you expect any additional challenges or significant costs? (Q. 32)

We do not have information on this issue.

Do you consider that separating returns from investments made in the course of an entity's main business activities from those that are not will be difficult to make in practice? Please explain. (Q. 33)

We consider that this may be difficult and there should be more guidance on the concept of "entities main business activities".

Do you consider that it is difficult or costly to allocate income and expenses from financing activities and from cash and cash equivalents to those that do or do not relate to the provision of financing to customers? Please explain. (Q. 42)

We believe that usually firms have information systems that should provide this kind of information.

For those that provide financing to customers as a main business activity and are in a regulated industry, would the IASB's proposals in paragraph 51 of the ED be in conflict with regulation in your industry? Do you expect any additional challenges or significant costs? (Q. 43)

We do not have information on this issue.

Do you consider income and expenses from cash and cash equivalents (i.e. short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value) as part of the entity's financing (paragraph 54 above) or investing activities (paragraph 55 above)? Please explain. (Q. 57)

It depends on the nature of the firm's activities.

How costly would it be to track whether exchange differences relate to the entity's main business activities, investing activities or financing activities? Please explain. (Q. 63)

We believe that usually firms have information systems that should provide this kind of information.

Do you consider income and expenses that reflect the effect of the time value of money on liabilities that do not arise from financing activities (as in paragraph B47 of the ED) as part of the entity's financing or operating activities? Please explain. (Q. 76)

It seems that EFRAG would say paragraph B37 instead of B47.

There is some diversity in practice and this issue should be analysed carefully.

Do you consider that the IASB needs to expand the new paragraph 20D of IFRS 12, for example to include additional indicators, to reduce the level of judgment involved when making a distinction between integral and non-integral entities? Please explain. (Q. 93)

Yes, it is very important that the IASB expand the new paragraph 20D of IFRS 12. For example, it should be clarified whether associates and joint ventures of holding companies should be classified as integral or non-integral entities.

Considering that the IASB is proposing the subtotal 'profit before financing and income tax', which includes the result of associates and joint-ventures on a net basis, do you consider that it would be useful to separately present or disclose the income tax related to associates and joint-ventures accounted for under the equity method? (Q. 94)

In our opinion, the income tax related to associates and joint-ventures accounted for under the equity method should not be separately presented.

Do you consider that it is useful to have disclosures by nature in single note when an entity presents its expenses within operating profit or loss by function (i.e. when an

entity assesses that presentation by function provides the most useful information)? Do you anticipate that such information will be costly to provide? Please explain. (Q. 121)

We believe that this disclosure is useful and usually firms have information systems that should provide this kind of information.

Do you consider that it is useful to have in the statement of profit or loss:

- a) a strict presentation either by nature or by function (no mix);
- b) a general presentation by nature or by function together with limited additional requirements as suggested in the ED by the IASB; or
- c) a mix presentation basis (no restrictions). Please specify why. (Q. 122)

We suggest that firms should be required to provide a general presentation by nature or by function together with limited additional requirements as suggested in the ED by the IASB. However, when an entity is presenting an analysis of expenses classified in the operating category by function it shall also disclose in a specific Note all the income and expenses by nature that contributes to the operating profit.

What is your assessment of the overall costs and benefits of the IASB's proposal on the calculation of the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation as required by paragraph 106(b)? (Q. 185)

We do not have information on this issue.

What is your assessment on number of MPMs that will need to be disclosed by entities under the IASB's proposals? Please indicate which MPMs you have identified. (Q. 186)

We do not have information on this issue.

What is your assessment on the relevance of the MPMs identified (is it too much? too little? which additional ones?) (Q. 187)

The EBITDA should also be included in the MPMs list.

Do you agree with the scope of the IASB's proposals? If not, which alternative (Alternative 1 or Alternative 2 above) would you prefer so that financial statements remain relevant? (Q. 188)

At the moment, we prefer Alternative 1.

Do you agree with EFRAG's suggestion to apply the MPM requirements also to the non-GAAP performance measures, presented within financial statements, that may not satisfy the proposed criteria of MPMs (e.g. adjusted revenues and ratios)? (Q. 189)

We agree with this EFRAG's suggestion.

The ED is introducing more structure in the presentation requirements, including a requirement to present on the face of the income statement a new subtotal named "operating profit or loss", which will become an IFRS defined measure. Entities that currently use a performing measure labelled "operating profit or loss" on the face or in the notes will be forced to either (i) change the label for their performing measure and continue to use both the old measure and the new IFRS defined "operating profit", or to (ii) discontinue the pre-existing performance measure, replacing its use with the new IFRS defined "operating profit or loss". In the context described above, do you believe that the IASB's proposals on the structure and content of the statement of profit or loss will lead to an increased number of MPMs? (Q. 190)

No. We do not expect that.

Do you agree that the IASB should consider providing more guidance for the presentation of revenues and costs when they are allocated to different business activities on the face of the statement of profit or loss, including consistency with IFRS 8 and disclosure on judgment applied in the allocation process? (Q. 250)

Yes. More guidance should be provided.

Lisbon, 15th June 2020