

# Primary Financial Statements

## Planning for redeliberations

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 1  
March 2021

# Purpose of this session

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Agenda ref 1

- Discuss planning for redeliberations of the project proposals in the light of feedback received.
- Detailed papers discussing feedback on the proposals and redeliberations plan can be found on the [December 2020](#) and [January 2021](#) IASB meeting pages.

# Questions for ASAF members

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Agenda ref 1

Considering the stakeholder feedback received and the redeliberations plan reflecting that feedback, what **advice** do you have for the Board as it starts redeliberations? In particular:

- which proposals do you think are the **most important** for the **success** of this project and why? (see slide 5 for a list of the main proposals)
- which proposals do you see as the **greatest risks** for project **timeliness** and how do you suggest we manage those risks?
- in the light of your responses to the above questions, do you have any suggestions for the Board's **redeliberations planning**?



Overall feedback and  
approach to redeliberations

# Feedback summary—overall

Agenda ref 1

Many/most agreed with some practical issues	Agreed in principle with many practical issues	Many/most disagreed with many practical issues
<ul style="list-style-type: none"><li>✓ Subtotals and categories</li><li>✓ Management performance measures (but demand for broader scope)</li><li>✓ Roles of primary financial statements and notes</li><li>✓ Disaggregation principles</li><li>✓ Amendments to IAS 7 <i>Statement of Cash Flows</i></li></ul>	<ul style="list-style-type: none"><li>? Unusual income and expenses</li><li>? Minimum line items</li></ul>	<ul style="list-style-type: none"><li>✗ Analysis of expenses by nature and by function</li><li>✗ Integral and non-integral associates and joint ventures</li></ul>

# Key factors considered in redeliberations planning

Agenda ref 1



## Project objective and focus

Improve how information is communicated in the financial statements, with a focus on the statement of profit or loss



## Linkages between topics

Decisions on one topic may affect approach on another topic



## Timeliness

Users want to see improvements as soon as possible



## Efficiency

Use staff and Board time efficiently

# General approach to redeliberations

Agenda ref 1

## Priority topics

Prioritise topics that:

- a. are in the project focus area
- b. were well-received and can be finalised efficiently

- ask the Board to confirm approach
- immediately move on to targeted discussions

## Staged approach

Apply a staged approach to topics that:

- a. received mixed feedback
- b. have multiple possible ways forward
- c. may involve changes in project scope

- first ask the Board to decide on overall direction before developing detailed proposals
- helps to avoid spending time on proposals the Board may not want to pursue

# General approach to redeliberations

Agenda ref 1

## Priority topics

- Profit or loss subtotals and categories (except associates and joint ventures)
- Management performance measures (except scope)
- Disaggregation principles and roles of primary financial statements and the notes
- Statement of cash flows

## Staged approach

- Minimum line items
- Analysis of operating expenses
- Unusual income and expenses
- Integral and non-integral associates and joint ventures
- Scope of management performance measures



# Feedback and approach to redeliberations by topic

# Feedback—subtotals

Agenda ref 1

Many/most agreed with:

- ✓ Introducing defined subtotals and categories
- ✓ Requiring entities with particular main business activities to include additional income and expenses in the operating category

Many expressed concerns about:

- ✗ Lack of guidance on main business activities
- ✗ Labelling of categories
- ✗ FX and derivatives classification
- ✗ Accounting policy choice for entities that provide financing to customers as a main business activity

Mixed views and practical concerns relating to integral and non-integral associates and joint ventures

# Approach to redeliberations—subtotals

Agenda ref 1

## Initial paper—confirm:

Requirement for operating profit subtotal

Definition of operating as a default category

Income and expenses to be excluded from operating

## Subsequent papers

Financing category & Profit before financing and tax subtotal

Investing category (including alignment with statement of cash flows)

Model for entities with particular main business activities

Foreign exchange differences and gains and losses from derivatives

Associates and joint ventures (staged approach)

# Feedback—management performance measures

Agenda ref 1

Many/most agreed with:

- ✓ Requiring management performance measures to be disclosed in the notes
- ✓ Most disclosure requirements for management performance measures
- ✓ Not defining EBITDA

Many expressed concerns about:

- ✗ Limiting definition to subtotals of income and expenses
- ✗ Breadth of public communications
- ✗ Constraints such as faithful representation, columns
- ✗ Clarification of timing and interactions (segments, other subtotals, unusual, group and statutory F/S)
- ✗ Disclosing tax and NCI effects

# Approach to redeliberations—MPMs

Agenda ref 1

## Initial paper

Confirm requirement for  
MPMs in financial statements

Decide whether to explore expanding the  
scope of MPMs beyond income and  
expense subtotals (staged approach)

## Subsequent papers

MPM definition including  
public communications and  
faithful representation

Disclosures including  
reconciliation, tax and non-  
controlling interests

EBITDA

Interaction with other  
requirements

Other proposals  
including columns

# Feedback summary—disaggregation

Agenda ref 1

Many/most agreed with some practical issues	Agreed in principle with many practical issues	Many/most disagreed with many practical issues
<ul style="list-style-type: none"><li>✓ Roles of primary financial statements and the notes</li><li>✓ Principles for disaggregation</li></ul>	<ul style="list-style-type: none"><li>? Unusual income and expenses</li><li>? Minimum line items</li></ul>	<ul style="list-style-type: none"><li>✗ Ban on mixing nature and function</li><li>✗ Disclosure of an analysis of operating expenses by nature for entities presenting the statement of profit or loss by function</li></ul>

# Approach to redeliberations—disaggregation

Agenda ref 1

Initial paper—address feedback on:

Roles of the primary financial statements and the notes

Disaggregation principles

Subsequent papers (staged approach)

Minimum line items—in the first stage ask the Board whether to conduct a comprehensive review

Nature/function—in the first stage ask the Board to clarify objective and identify approaches to explore

Unusual items—in the first stage ask the Board to clarify objective and identify approaches to explore

Specified and additional subtotals

- Other topics that will be discussed in the redeliberations include:
  - proposals relating to items of other comprehensive income;
  - requirements carried over from IAS 1 *Presentation of Financial Statements*;
  - amendments to other IFRS Standards;
  - transition requirements; and
  - effective date.

- Project timing is currently uncertain as:
  - the Board may decide to alter the project scope or conduct further outreach or research before proceeding to the next stage; and
  - additional work needed on one topic may mean work on other topics has to be paused.
- Plan to develop estimated timeline following initial discussion on these topics.

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