

STAFF PAPER

December 2016

IASB® Meeting

Project	Primary Financial Statements		
Paper topic	Scope of the project – Cover note		
CONTACT(S)	Denise Durant	ddurant@ifrs.org	+44 (0) 20 72466469

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

Purpose of the meeting

1. Our purpose for this meeting is to ask the Board to decide on the scope of the research project on the Primary Financial Statements. In doing so, our papers for this meeting:
 - (a) outline the issues that the staff recommend could form the basis of the research project on Primary Financial Statements; and
 - (b) seek the Board's approval on our recommendations.
2. We recommend that the research should focus on targeted improvements, mainly to the presentation of the statement(s) of financial performance, rather than a fundamental revision of the presentation of all the primary financial statements.
3. We developed our recommendations for improvement on the basis of:
 - (a) input that we received from a variety of stakeholders during our outreach activities;
 - (b) our review of a sample of financial statements; and
 - (c) our review of relevant studies conducted by academics and non-academic organisations.
4. This input was summarised in [Agenda Papers 21–21E](#) and presented to the Board at its November 2016 meeting.

Direction of the research project

5. We recommend that the Board works towards issuing a Discussion Paper with preliminary views on the presentation of the primary financial statements as the first due process output of the research project.
6. We recommend that this Discussion Paper:
 - (a) describes the problems that we have identified on the presentation of the primary financial statements;
 - (b) outlines preliminary views for improving specific presentation aspects; and
 - (c) seeks feedback on the issues identified and possible alternatives for improvement.

Approach

A 'fresh start' but using other relevant research to support our analysis

7. We recommend the Board approaches its preliminary decisions about the issues and potential solutions to explore from a 'fresh start', using the evidence we gathered and that we presented to the Board at its November 2016 meeting.
8. We also propose using some of the research carried out in other projects that are relevant to this Primary Financial Statements project (such as the work done by the Disclosure Initiative in its Principles of Disclosure project), or in previous projects dealing with presentation (such as the previous Financial Statement Presentation project), or from other sources (where relevant research is available).

Develop proposals that would apply equally to financial and non-financial institutions

9. We intend that the proposals in the Discussion Paper would apply to all entities.
10. However, when developing proposals we will need to think about the potential impact of such proposals on the financial statements of financial institutions (for example, requiring an EBIT measure or a subtotal of operating profit, or in suggesting changes to the statement of cash flows).

11. We think that the Discussion Paper could include specific questions about:
 - (a) how financial institutions would apply specific aspects of the proposed improvements; and
 - (b) whether users of the financial statements of financial institutions would benefit from the resulting information.

12. We suggest that the Discussion Paper should not discuss whether the statement of cash flows is useful or relevant for banks because this would entail significant additional research and analysis that could delay the issue of the Discussion Paper.

Implications for digital reporting

13. The Primary Financial Statements project will have implications for the presentation of financial information, and consequently will have an impact on the IFRS Taxonomy. We are also aware that the rise of structured electronic reporting for accounting information may change how preparers, users and auditors treat this information in the future.

14. We expect the Primary Financial Statements and the Taxonomy teams to coordinate and work together in the development of proposals for the Discussion Paper to consider any potential impact of the proposed changes on the accessibility of information when delivered in a structured electronic format such as XBRL.

How is the Primary Financial Statements project different from the previous Financial Statement Presentation project?

15. The scope that we are proposing for the Primary Financial Statements project is narrower than the proposals detailed in the 2010 draft exposure document on [Financial Statement Presentation \(Staff Draft\)](#). In this respect we observe that:
 - (a) the Primary Financial Statements project proposes targeted improvements, mainly to the statement(s) of financial performance; whereas,
 - (b) the previous Financial Statement Presentation project focused on broad changes to three of the primary statements and sought to provide cohesiveness across these statements. It also proposed adding some note disclosures.

16. We are seeking to make targeted improvements to performance reporting within this project because we think that a broader or more comprehensive project is likely to encounter significant resistance from some stakeholders. Moreover, a narrower project is more likely to be completed in a timely fashion than a more fundamental rethink about the presentation of the financial statements.
17. Even though we have identified a few areas of improvement as part of the scope of this project we expect that these improvements will have a significant impact on the way financial performance is currently reported.

Papers for this meeting

18. We divided our recommendations and questions for the Board into two papers:
 - (a) **Agenda Paper 21A:** outlines the staff's recommendations about the issues and potential solutions to explore concerning the structure and content of the statement(s) of financial performance.
 - (b) **Agenda Paper 21B:** outlines the staff's recommendations about the issues and potential solutions to explore concerning the statement of cash flows, the statement of financial position, and segment reporting. This paper also includes a brief discussion about whether the following aspects should be explored in the Discussion Paper:
 - (i) templates for the primary financial statements for particular industries; and
 - (ii) a principle for aggregation and disaggregation in the primary financial statements.

Next steps

19. If the Board accepts the staff's recommendations, we expect to begin drafting of the Discussion Paper in Q1 of 2017. As we draft the Discussion Paper we may have some meetings with the Board to obtain some preliminary views on some of the issues included in the Discussion Paper. The publication of the Discussion Paper would be targeted for the second half of 2017.

Questions for the Board

1. Does the Board agree with the staff recommendation to focus on targeted improvements to some of the primary financial statements?
2. Does the Board agree with the staff recommendation to develop a Discussion Paper with preliminary views on the presentation of the primary financial statements as the first due process output of the project?