STAFF PAPER

March 2022

IASB® Meeting

Project	**Primary Financial Statements**
Paper topic	Cover note and summary of feedback and redeliberations

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Purpose of this meeting

1. At this meeting we will continue redeliberating the proposals from the Exposure Draft *General Presentation and Disclosures* relating to:
   (a) entities with specified main business activities; and
   (b) the location of disclosures and the use of cross-referencing for management performance measures.
2. We will discuss the following papers:
   (a) Agenda Paper 21A: *Entities with specified main business activities—general issues*; and
   (b) Agenda Paper 21B: *Management performance measures—location and cross-referencing*.

IASB Next steps

3. At future IASB meetings, we will continue redeliberating the project proposals. Over the next few months, we plan to bring the IASB papers discussing a number of project topics, including:
   (a) further discussion relating to subtotals in the statement of profit or loss and entities with specified main business activities;

(b) disclosure of information about operating expenses by nature when an entity presents an analysis of expenses by function in the statement of profit or loss; and

(c) proposals relating to unusual income and expenses.

Summary of proposals discussed and proposals yet to be redeliberated

4. Appendix A gives an overview of project status, listing the proposals in the Exposure Draft that have been discussed and proposals that are yet to be redeliberated by the IASB.

Summary of proposals and feedback

5. Appendix B summarises proposals in the Exposure Draft, feedback received and the IASB's tentative decisions made so far. As the IASB redeliberates the proposals, we will be updating Appendix B to include the latest tentative decisions.

Diagram summarising the proposals for the structure of the statement of profit or loss

6. Appendix C provides a diagram summarising the proposals in the Exposure Draft and the changes tentatively agreed by the IASB in the redeliberations to date on the structure of the statement of profit or loss for entities applying the general model.

Appendix A—Project status summary

Topic	Proposals discussed	Proposals yet to be redeliberated
Subtotals	• Required subtotals • Classification in categories, general model • Associates and joint ventures	• Remaining issues relating to classification by entities with specified main business activities • Remaining issues related to investing and financing categories
Management performance measures	• Scope and definition • Disclosure of reconciliation	• Disclosure of tax and NCI • Changes in management performance measures, use of columns, relationship with segments and other
Disaggregation and other	• Roles of primary financial statements and notes • General principles of aggregation and disaggregation • Direction for unusual income and expenses • Presentation of operating expenses • Direction for disclosure of operating expenses • Statement of cash flows	• Definition of unusual income and expenses, related disclosures • Disclosure of operating expenses • Proposals relating to items labelled ‘other’ and other remaining general disaggregation topics • Remaining proposals for statement of cash flows • Consequential amendments

Appendix B—Summary of proposals, feedback and tentative decisions

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
December 2020 **AP21B Subtotals and categories – general model** March 2021 **AP21A Subtotals in the statement of profit or loss- operating profit** May 2021 **AP21A Subtotals and categories—financing category**	**Subtotals** A1. The Exposure Draft proposed that an entity presents the following new subtotals in the statement of profit or loss (paragraph 60 of the Exposure Draft): a) operating profit or loss (operating profit); b) operating profit or loss and income and expenses from integral associates and joint ventures; and c) profit or loss before financing and income tax.	**Subtotals** B1. Most respondents agreed with the proposals to introduce defined subtotals in the statement of profit or loss. They think the proposals have the potential to result in useful information and improve comparability between entities. B2. Many respondents agreed with the proposals to define the operating category as a residual category. However, some respondents disagreed with defining the operating category as a residual category and preferred a 'positive' or 'direct' definition because they disagreed with the content of operating profit.	**Subtotals–operating profit** *Confirmed proposals* C1. The IASB tentatively confirmed that entities would be required to present an operating profit subtotal in the statement of profit or loss and not to develop a direct definition of operating profit. **Subtotals–profit before financing and income tax** *Confirmed proposals* C2. The IASB tentatively confirmed to retain the proposal to define the 'profit before financing and income tax' subtotal and require it to be presented in the statement of profit or loss.
	Categories A2. In applying these proposed new subtotals, an entity would present in the statement of profit or loss income and expenses classified in the following categories (paragraph 45 of the Exposure Draft): a) operating; b) integral associates and joint ventures;	**Categories** B3. Most respondents agreed with the proposals to introduce categories in the statement of profit or loss. They think the proposals have the potential to result in useful information and improve comparability between entities. B4. However, some respondents said additional guidance would be needed to achieve consistent application and comparability, including guidance	**Categories** *Confirmed proposals* C3. The IASB tentatively confirmed to retain the proposal to introduce separate investing and financing categories in the statement of profit or loss. C4. See below for the confirmed proposals and changes to the proposals related to derivatives and hedging instruments, foreign exchange differences and alignment of the investing

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
AP21B Subtotals and categories—profit before financing and income tax July 2021 AP21A Classification of income and expenses in the financing category of statement of profit or loss AP21B Classification of fair value gains or losses on derivatives and hedging instruments AP21C Classification of foreign exchange differences in profit or loss	c) investing; and d) financing.	on the definitions of the categories and the term 'main business activities'. B5. Many respondents expressed concerns about: a) the proposed classification of foreign exchange differences and of fair value gains and losses on derivatives and hedging instruments—they question whether the benefits of such classification would outweigh the costs; and b) the proposed labels for the categories in the statement of profit or loss—they say it is confusing that the labels are similar to the labels of the categories in the statement of cash flows, although the content of the categories is different.	categories in the statement of profit or loss and statement of cash flows.
	Operating category A3. The operating category would include income or expenses not classified in the other categories such as the investing category or the financing category. In other words, the operating category would be the default category (paragraph 46 of the Exposure Draft).[1] A4. The Exposure Draft proposed specific requirements for entities with specified main business activities, to ensure that the operating category includes all income and expenses from their main business activities. These requirements and related	**Operating category** B6. Some respondents expressed concerns about defining the operating category as a residual category—mainly because they disagree with including in operating profit some income and expenses that are unusual, volatile or do not arise from an entity's main business activities.	**Operating category** *Confirmed proposals* C5. The IASB tentatively confirmed that: a) these types of income and expenses shall not be classified in the operating category: investing, financing, income tax, and discontinued operations. b) the operating category comprises all income and expenses arising from an entity's operations, including volatile and unusual income and expenses arising from an entity's operations; and includes, but is not limited to, income and expenses from an entity's main business activities.

[1] Also see paragraphs BC53–BC57 of the Basis for Conclusions on the Exposure Draft.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	feedback are discussed in Agenda Paper 21C of the December 2020 IASB meeting.		
December 2021 **AP21B Income and expenses classified in the investing category**	**Investing category** A5. The investing category would include returns from investments, that is, income and expenses from assets that generate a return individually and largely independently of other resources held by an entity. The investing category would also include related incremental expenses (paragraph 47 of the Exposure Draft).[2]	**Investing category** B7. Many respondents agreed with the proposal for the investing category. However, some respondents said the definition is insufficiently robust. B8. A few respondents expressed concerns about including incremental expenses in the investing category.	**Investing category** *Confirmed proposals* C6. The IASB tentatively decided: a) to retain the proposal for entities to classify in the investing category income and expenses from assets that generate returns individually and largely independently of other resources held by an entity; b) to retain the proposed application guidance in the Exposure Draft; and c) to retain the label 'investing category' for that category. *Changes to the proposals* C7. The IASB tentatively decided: a) to add further application guidance stating that income and expenses arising from individual assets and disposal groups held for sale and income and expenses arising from business combinations would not be classified in investing category, and negative returns are classified in the same category as positive returns; b) to classify income and expenses from associates and joint ventures in the investing category; c) to remove the discussion of the objective from the requirements in the Standard and explain in the Basis for Conclusions the

[2] Also see paragraphs B32–B33 of the Exposure Draft and BC48–BC52 of the Basis for Conclusions on the Exposure Draft.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
			reasons for including specific items in the investing category; and d) not to proceed with the proposed use of the defined term 'income and expenses from investments'. C8. The IASB will discuss other aspects of proposals at a future meeting.
	Financing category A6. The financing category would include (paragraph 49 of the Exposure Draft):[3] a) income and expenses from cash and cash equivalents; b) income and expenses on liabilities arising from financing activities; and c) interest income and expenses on other liabilities, for example, the unwinding of discounts on pension liabilities and provisions.	**Financing category** B9. Some respondents expressed concerns about the proposed classification of income and expenses from cash and cash equivalents and other investments held as part of treasury activities.	**Financing category** *Changes to the proposals* C9. The IASB tentatively decided not to proceed with the proposed addition to the definition of 'financing activities' in IAS 7 *Statement of Cash Flows*. C10. The IASB tentatively decided to require an entity to classify income and expenses from cash and cash equivalents in the investing category rather than the financing category. C11. The IASB tentatively decided in relation to the classification in categories of statement of profit or loss to: a) require an entity to classify in the financing category: i) for liabilities that arise from transactions that involve only the raising of finance—all income and expenses; ii) from other liabilities—specified income and expenses (see C13); b) describe transactions that involve only the raising of finance as transactions that involve: i) the receipt by the entity of cash, a reduction in a financial liability or an entity's own equity; ii) the return by the entity of cash or an entity's own equity;

[3] Also see paragraphs B34–B37 of the Exposure Draft and BC33–BC47 of the Basis for Conclusions on the Exposure Draft.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
			c) require an entity, in relation to hybrid contracts with host liabilities and embedded derivatives, to classify: i) income and expenses relating to separated host liabilities in the same way as income and expenses on other liabilities; ii) income and expenses relating to separated embedded derivatives in the same way as income and expenses on stand-alone derivatives; and iii) income and expenses related to contracts that are not separated in the same way as income and expenses on other liabilities. C12. In addition, the IASB tentatively decided to develop disclosure requirements for the situation in which an entity designates an entire hybrid contract as at fair value through profit or loss and as a result does not separate from the host financial liability an embedded derivative that is otherwise required to be separated by IFRS 9 *Financial Instruments*. The objective of these disclosure requirements would be to give users of financial statements information about when the use of the fair value option changes the classification of income and expenses. C13. For liabilities that arise from transactions that do not involve only the raising of finance, except some such liabilities specified by the IASB, the IASB tentatively decided to require an entity to classify in the financing category of the statement of profit or loss interest expense and the effect of changes in interest rates, when such amounts are identified applying the requirements of IFRS Accounting Standards. C14. The IASB specified that this tentative decision does not apply to liabilities that arise from transactions that do not involve only the raising of finance and that: a) are hybrid contracts in the scope of IFRS 9 measured at amortised cost; and

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
			b) include an embedded derivative the economic characteristics and risks of which are closely related to the economic characteristics and risks of the host contract. C15. In relation to these specified liabilities, the IASB decided to explore an approach that would classify all income and expenses in the financing category of the statement of profit or loss.
	Derivatives and hedging instruments A7. The IASB's proposals for the classification of gains or losses on derivatives and hedging instruments can be summarised as follows:	**Derivatives and hedging instruments and foreign exchange differences** B10. Many respondents expressed concerns about the proposed classification of foreign exchange differences and of fair value gains and losses on derivatives and hedging instruments—they question whether the benefits of such classification would outweigh the costs.	**Derivatives and hedging instruments** *Confirmed proposals* C16. The IASB tentatively confirmed that fair value gains or losses on financial instruments used for risk management that are designated or used for risk management but are not designated as hedging instruments should be classified in the category affected by the risk the entity manages, except when doing so would involve: a) grossing up of fair value gains or losses (derivatives designated as hedging instruments); or b) undue cost or effort (derivatives not designated as hedging instruments). *Changes to the proposals* C17. The IASB tentatively decided in cases where classifying fair value gains or losses in the category of the statement of profit or loss affected by the risk the entity manages involves grossing up of fair value gains or losses (derivatives designated as hedging instruments) or undue cost or effort (derivatives not designated as hedging instruments) an entity would classify all fair value gains or losses in the operating category.

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<tr><th>Topic and ref</th><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
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<tr><td></td><td></td><td colspan="2">Gains or losses on:</td></tr>
<tr><td></td><td></td><td>Derivatives</td><td>Non-derivative financial instruments</td></tr>
<tr><td rowspan="2">Used for risk management</td><td>Hedging instruments</td><td colspan="2">Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains or losses—then classify in the investing category.</td></tr>
<tr><td>Not designated in hedging relationships</td><td>Apply the classification requirements for hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.</td><td>Apply requirements for classification in paragraphs 45–55 of the Exposure Draft.</td></tr>
<tr><td colspan="2">Not used for risk management</td><td>Classify in the investing category, except when used in the course of a main business activity—then classify in the operating category.</td><td>Not relevant for this paper</td></tr>
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Foreign exchange differences
A8. The IASB proposes that an entity shall classify foreign exchange differences included in profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences.
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C18. The IASB tentatively decided to require an entity to classify fair value gains or losses on derivatives not used for risk management in the operating category, unless a derivative relates to financing activities and is not used in the course of the entity’s main business activities. In such cases, an entity classifies all fair value gains or losses on the derivative in the financing category.
Foreign exchange differences
Confirmed proposals
C19. The IASB tentatively confirmed to require an entity to classify foreign exchange differences included in the statement of profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences, except when doing so would involve undue cost or effort.
Changes to the proposals
C20. The IASB tentatively decided in cases that involve undue cost or effort in classifying the items, an entity would classify the foreign exchange differences on the item in the operating category.
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<td>December 2020</td>
<td>A9. In addition to the general model, the Exposure Draft proposed specific requirements for entities with specified</td>
<td>Operating category</td>
<td>C21. The IASB will begin to discuss these proposals at the March 2022 meeting..</td>
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Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
AP21C Subtotals and categories – entities with particular main business activities	main business activities to ensure that the operating category includes all income and expenses from their main business activities. The Exposure Draft proposed that the operating category would include: a) income and expenses from investments made in the course of an entity's main business activities (paragraph 48 of the Exposure Draft). For example, this proposal would apply to insurers and investment entities. An entity would assess on an asset-by-asset basis whether investments are made in the course of its main business activities.[4] b) some or all income and expenses from financing activities and income and expenses from cash and cash equivalents if the entity provides financing to customers as a main business activity (paragraph 51 of the Exposure Draft). For example, this proposal would apply to banks and entities that provide financing to customers purchasing their products. The choice of whether some or all such income and expenses is included in the operating category would be an accounting policy choice.[5]	B11. Most respondents agreed with the proposals to require entities to classify in the operating category: a) income and expenses from investments made in the course of an entity's main business activities; and b) income and expenses from financing activities and income and expenses from cash and cash equivalents if the entity provides financing to customers as a main business activity. **Main business activities** B12. However, many respondents said additional guidance would be needed to achieve consistent application and comparability, including guidance on the terms 'main business activities' and 'in the course of main business activities'. **Accounting policy choice** B13. Many respondents disagreed with the proposed accounting policy choice for entities that provide financing to customers as a main business activity. Some respondents suggest that, to improve comparability between entities, the accounting policy choice should be restricted or replaced with a practical expedient.	

[4] Also see paragraphs B27 of the Exposure Draft and BC58–BC61 of the Basis for Conclusions on the Exposure Draft.

[5] Also see paragraphs B28–B29 of the Exposure Draft and BC62–BC69 of the Basis for Conclusions on the Exposure Draft.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	c) income and expenses from cash and cash equivalents if the entity, in the course of its main business activities, invests in financial assets that generate a return individually and largely independently of other resources held by the entity (paragraph 52(a) of the Exposure Draft).[6] d) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 *Financial Instruments* (paragraph 52(b) of the Exposure Draft).[7] e) insurance finance income and expenses included in profit or loss (paragraph 52(c) of the Exposure Draft).[8]		
December 2020 **AP21D Subtotals and categories – Integral and non-integral associates and JVs**	A10. The Exposure Draft proposed to require an entity to classify its equity-accounted associates and joint ventures as either integral or non-integral to the entity's main business activities, and proposed definitions of integral and non-integral associates and joint ventures. The Exposure Draft also proposed to require an entity to provide information about integral associates and joint ventures	B14. Respondents expressed diverse opinions across various aspects of the proposals in the Exposure Draft. Many respondents did not express an overall view, commenting instead on specific aspects of the proposals. However, of those that expressed an overall view, more disagreed with the proposals than agreed. B15. Most respondents highlighted concerns with the proposals. These respondents included respondents that agreed with the proposals,	*Confirmed proposals* C22. The IASB tentatively confirmed to require an entity to classify income and expenses from equity-accounted associates and joint ventures outside the operating category. *Changes to the proposals* C23. The IASB tentatively decided:

[6] Also see paragraphs B30 of the Exposure Draft and BC70–BC72 of the Basis for Conclusions on the Exposure Draft.

[7] Also see paragraphs BC74–BC76 of the Basis for Conclusions on the Exposure Draft.

[8] Also see paragraphs BC73 of the Basis for Conclusions on the Exposure Draft.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
October 2021 **AP21A Associates and joint ventures** December 2021 **AP21B Income and expenses classified in the investing category**	separately from that for non-integral associates and joint ventures. The Exposure Draft proposed that an entity would be required to: a) classify, in the 'integral associates and joint ventures' category of the statement of profit or loss, income and expenses from integral associates and joint ventures, and present a subtotal for 'operating profit or loss and income and expenses from integral associates and joint ventures' (paragraphs 53 and 60(b) of the Exposure Draft); b) present, in each of the categories of the statement of comprehensive income, the share of other comprehensive income of integral associates and joint ventures separately from non-integral associates and joint ventures (paragraph 75(a) of the Exposure Draft); c) present, in the statement of financial position, investments in integral associates and joint ventures separately from investments in non-integral associates and joint ventures (paragraphs 82(g)–82(h) of the Exposure Draft); and d) disclose, in the notes, information required by paragraph 20 of IFRS 12 *Disclosure of Interests in Other Entities* for integral associates and joint ventures separately from non-integral associates	respondents that disagreed and respondents that did not express an overall view. Their concerns relate to: a) the proposal to identify separately integral associates and joint ventures; b) the proposed definition of integral and non-integral associates and joint ventures; and c) the separate presentation of amounts relating to these investments in the primary financial statements. B16. Overall, there is not much support among stakeholders for the proposals. Both preparers and users generally disagreed with the proposals. However, most users agreed with one aspect of the proposal, the exclusion from operating profit of the share of profit or loss from equity-accounted associates and joint ventures. B17. Feedback from fieldwork identified many practical difficulties with the proposed requirements.	a) not to proceed with the proposal to require an entity to present the subtotal 'operating profit or loss and income and expenses from integral associates and joint ventures'; and b) not to proceed with the proposal to require an entity to identify and present income and expenses from integral associates and joint ventures separately from income and expenses from non-integral associates and joint ventures. C24. The IASB also tentatively decided to require an entity to include income and expenses from equity-accounted associates and joint ventures in the statement of profit or loss: a) after operating profit and before the subtotal profit before financing and income taxes; b) in the investing category (see 'Investing category' above); and c) not to specify that such income and expenses should be presented immediately after operating profit.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	and joint ventures (proposed new paragraph 20E of IFRS 12). A11. The proposed new paragraphs 20A–20E of IFRS 12 and 38A of IAS 7, the proposed requirements are set out in paragraphs 60(b), 53, 75(a), 82(g)–82(h) of the Exposure Draft and paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for these proposals and discuss approaches that were considered but rejected by the IASB.		
December 2020 AP21E Disaggregation – general proposals and minimum line items April 2021 AP21A Principles of aggregation and disaggregation and roles of	**Principles of aggregation and disaggregation** A12. The Exposure Draft also proposed principles and general requirements on the aggregation and disaggregation of information—the principles would be applicable to both presentation in the primary financial statements and disclosures in the notes. The principles would require an entity to classify identified assets, liabilities, equity, income and expenses into groups based on shared characteristics and to separate those items based on further characteristics. The Exposure Draft also proposed to require an entity to use meaningful labels for the group of immaterial items that are not similar and	**Principles of aggregation and disaggregation** B18. Most respondents commented on the principles of aggregation and disaggregation and the proposals relating to disaggregation and labelling of items described as 'other'. Of these many agreed with the proposals but some disagreed, mostly expressing disagreement with proposals relating to items labelled as 'other'. Many did not express agreement or disagreement and instead commented on the need for additional guidance or clarifications, particularly on the proposal relating to items labelled as 'other'.	**Principles of aggregation and disaggregation** *Changes to the proposals* C25. The IASB tentatively decided in relation to the principles of aggregation and disaggregation to: a) state the purpose of disaggregation more clearly—items shall be disaggregated if the resulting disaggregated information is material. b) strengthen the application of that principle by emphasising that a single dissimilar (non-shared) characteristic between items would be sufficient to require an entity to disaggregate information about those items if that information were material. c) explore developing guidance for entities on how to use characteristics to identify when to aggregate or disaggregate items. C26. The IASB tentatively decided to set out the relationship between the general presentation and disclosure requirements

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
the primary financial statements and the notes September 2021 AP21D Principles of aggregation and disaggregation and their application in the primary financial statements and the notes February 2022 AP21A Principles for presentation and required line items in primary financial statements	to consider whether it is appropriate to use non-descriptive labels such as 'other'.		and the principles of aggregation and disaggregation, subject to considering whether 'class' is the best term to use in all situations. C27. The IASB tentatively decided to require an entity to explain how a disclosed class of items is included in line items in the primary financial statements. C28. The IASB tentatively decided to include application guidance summarising characteristics that: a) if shared, might form the basis for aggregating items that comprise a class that enhances the understandability of information provided in the financial statements. b) if not shared, might form the basis for disaggregating a single class of items into separate classes that provide material information. **Aggregation and disaggregation in the notes** C29. The IASB tentatively decided to provide application guidance that states that, in general, the more diverse the items in a class (that is, the more dissimilar characteristics the items have in addition to the shared characteristics that form the basis for the class) the more likely it would be that disaggregation based on some of those dissimilar characteristics would result in material information. C30. The IASB also discussed whether to provide cost relief for the general requirement to provide information about classes. The IASB decided to continue that discussion after it has considered cost relief for specific disclosure requirements at a future IASB meeting. **Aggregation and disaggregation in the primary financial statements**

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
			C31. The IASB tentatively decided to provide application guidance that states that, in general, the more diverse the items in a class (that is, the more dissimilar characteristics the items have in addition to the shared characteristics that form the basis for the class) the more likely it would be that disaggregation based on some of those dissimilar characteristics would result in a more understandable overview.
	Roles of the primary financial statements and the notes A13. The Exposure Draft proposed to describe the roles of the primary financial statements and the notes.	**Roles of the primary financial statements and the notes** B19. Many respondents commented on the roles of primary financial statements and notes. Of these, most agreed with the proposals and a few disagreed.	**Roles of the primary financial statements and the notes** *Confirmed proposals* C32. The IASB tentatively confirmed that in relation to the roles of primary financial statements to not reinstate paragraph 29 of IAS 1 *Presentation of Financial Statements* in the new IFRS Accounting Standard. *Changes to the proposals* C33. The IASB tentatively decided to include a reference to understandability in the description of the role of the primary financial statements.
	Minimum line items A14. The Exposure Draft proposed some additional minimum line items to be presented in the statement of profit or loss (expenses from financing activities and share of profit or loss from integral and non-integral associates and joint ventures) and in the statement of financial position (goodwill and integral and non-integral associates and joint ventures).	**Minimum line items** B20. Some respondents commented on the requirements for minimum line items. Of those, some agreed with the proposals and some disagreed. Most respondents that commented on the proposals said further guidance or clarification is needed.	**Minimum line items** *Confirmed proposals* C34. The IASB tentatively decided: a) not to revisit the requirements for specified line items brought forward from IAS 1 *Presentation of Financial Statements*; b) not to add a specific requirement to present impairments of non-financial assets; c) to proceed with the proposed requirement to present goodwill separately from intangible assets; and

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	A15. The proposed requirements, including those proposed to be carried over from IAS 1, are set out in paragraphs 20–21, 25–28, and B5–B15 of the Exposure Draft and paragraphs BC19–BC27 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for these proposals.		d) to proceed with the proposed requirement for required line items to be presented in each affected category in the statement of profit or loss. *Changes to the proposals* C35. The IASB tentatively decided: a) to revise the general principle for the presentation of line items in the primary financial statements set out in paragraph 42 of the Exposure Draft by removing the term 'relevant' and instead including a reference to an understandable overview of an entity's income and expenses or assets, liabilities and equity; b) to require all presentation requirements to apply only when the resulting presentation does not detract from the primary financial statement providing an understandable overview; c) to add application guidance that indicates that in the operating category it is unlikely that the presentation of items set out in paragraph 65 of the Exposure Draft would reduce how useful the statement is in providing an understandable overview of the entity's income and expenses; d) to remove the term 'minimum' from paragraph 42 of the Exposure Draft; and e) not to specify any required line items to be presented in the financing category in the statement of profit or loss. C36. The IASB will discuss other aspects of proposals at a future IASB meeting.
December 2020 AP21F Disaggregati	A16. The Exposure Draft proposed to continue to require entities to present in the statement of profit or loss an analysis of operating expenses using either the nature	B21. Most respondents that commented on the proposals relating to the presentation of operating expenses in the statement of profit or loss. The respondents had mixed views.	*Confirmed proposals* C37. The IASB tentatively decided: a) not to develop a definition of the term 'cost of sales' as part of this project.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
on – analysis of operating expenses October 2021 AP21B Analysis of operating expenses - presentation in the statement of profit or loss AP21C Analysis of operating expenses - disclosure in the notes	of expense method or the function of expense method. **Method that provides the most useful information and prohibition on mixing the methods** A17. The Exposure Draft proposed the method presented should be the one that provides the most useful information to users of financial statements and that entities should not present line items mixing the two methods, with the exceptions of line items that are required line items. In addition, the Exposure Draft proposed to describe the factors to consider when deciding which method of operating expense analysis should be used.	**Method that provides the most useful information** B22. Many respondents (mainly accountancy bodies and standard-setters) agreed and some (mainly preparers and their representative bodies) disagreed with the proposal to require an entity to select the method of analysis of operating expenses that is most useful; a) some of those who agreed said that the factors included in the application guidance were helpful, including how management reports internally and industry practice. b) some of those who disagreed said that entities already consider which method is most useful, so the proposals would require entities to incur additional costs for no reason, and the proposed guidance effectively gives an entity a free choice. **Prohibition on mixing the methods** B23. Many respondents (mainly users, accountancy bodies and standard-setters) agreed and many (mainly preparers and their representative bodies along with a few users) disagreed with the proposal to prohibit an entity from mixing the methods of analysis of expenses; a) some of those who agreed said that the mixed presentation has emerged over time and the proposals are a good way to reset the boundaries of what is acceptable, and the proposals are not expected to have significant impact on entities, which are not mixing the two methods currently.	b) to explore retaining the proposal to require an entity to analyse and present operating expenses in the statement of profit or loss based on their nature or function. *Changes to the proposals* C38. The IASB tentatively decided to explore: a) providing limited application guidance on the 'function of expense' method set out in paragraph 70 of the Exposure Draft; b) providing application guidance to explain that, as a minimum, cost of sales would include inventory expense (if applicable), calculated in accordance with IAS 2 *Inventories*; c) withdrawing the proposed prohibition on a mixed presentation and instead to provide application guidance in order to improve comparability and help achieve faithful representation; and d) retaining the proposal to provide application guidance on how to determine which presentation method an entity would use to provide the most useful information to users of the financial statements (but modifying that guidance as a consequence of withdrawing the proposal to prohibit a mixed presentation). C39. The IASB will continue discussing these proposals at a future IASB meeting.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
		b) some of those who disagreed said that in some instances, the mixed method provides the most useful information, and the proposals will not enhance comparability, especially with companies applying US GAAP.	
	Total operating expenses by nature in a single note A18. An entity that presents an analysis of operating expenses using the function of expense method in the statement of profit or loss would also be required to disclose in a single note an analysis of its total operating expenses using the nature of expense method. A19. The proposed requirements are set out in paragraphs 68, 72 and B45–B48 of the Exposure Draft and paragraphs BC109–BC114 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for the proposals.	**Total operating expenses by nature in a single note** B24. Many respondents (mainly users, standard-setters and accountancy bodies) agreed and many (mainly preparers and their representative bodies) disagreed with the proposal to require an entity to disclose an analysis of expenses by nature in the notes if they present analysis of expenses by function; a) some of those who agreed said that the analysis: will provide comprehensive information and help users make forecasts, will help reconcile the statement of cash flows with the income statement, and will enhance comparability, because it is less judgmental than analysis by functions. b) some of those who disagreed with the proposals said that both methods are equally relevant, but the proposals seem to favour by-nature analysis, and the costs of providing the analysis by nature will be higher than the benefits, including some entities that may not be able to provide the analysis with their existing systems. B25. Feedback from fieldwork identified practical difficulties with the proposed requirements.	**Total operating expenses by nature in a single note** *Confirmed proposals* C40. The IASB tentatively decided not to explore providing an undue cost relief for the disclosure of information about operating expenses by nature when an entity presents in the statement of profit or loss an analysis of expenses by function. C41. The IASB will continue discussing these proposals at a future meeting.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
December 2020 [AP21G Disaggregation – unusual income and expenses] December 2021 [AP21A Unusual income and expenses]	**Definition of unusual items and disclosures** A20. The Exposure Draft proposed introducing a definition of 'unusual income and expenses'; and proposed requiring all entities to disclose unusual income and expenses in a single note. The Exposure Draft also proposed application guidance to help an entity to identify its unusual income and expenses. A21. The proposed requirements are set out in paragraphs 100–102, B67–B75 of the Exposure Draft and paragraphs BC122–BC144 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for the proposals and discuss approaches that were considered but rejected by the IASB.	**Definition of unusual items** B26. The key messages from the feedback on the proposals relating to unusual items are: a) most respondents who commented on this question, including almost all users of financial statements, agreed with the IASB defining unusual items. Users explained that they wish to identify recurring or normalised earnings but have to rely on voluntary disclosures by an entity to do so. Defining unusual items and requiring their disclosure would provide consistent input for users' analysis. Other respondents also indicated they expected defining unusual items would provide useful information. A few respondents specifically supported the discipline that they expected a definition would provide, thus reducing opportunistic classification of items as unusual; and b) however, most of these respondents, including some users, did not agree with the IASB's definition of unusual items. They said important aspects of the definition were unclear and suggested various clarifications and changes. Those suggestions did not lead to a clear consensus on what an alternative definition should be. **Disclosures** B27. Respondents were split evenly on whether or not they supported the proposed disclosure in a single note; some preferred presentation in the statement	**Definition of unusual items** *Changes to the proposals* C42. The IASB tentatively decided: a) to explore how to proceed with a definition of 'unusual income and expenses'; b) to remove the reference to 'limited predictive value' from the definition of 'unusual income and expenses', and clarify in the Accounting Standard that it is a necessary characteristic of unusual income and expenses, not the sole characteristic; and c) to develop the application guidance accompanying the definition of 'unusual income and expenses': i) to clarify that the definition means that 'unusual income and expenses' can be dissimilar in type or amount from income and expenses expected in the future; ii) to help an entity to assess whether similar income or expenses will arise in the future, based on guidance on the assessment of future transactions and other events in other IFRS Accounting Standards; and iii) to explain that in considering whether income or expenses are similar to expected future income or expenses, an entity would consider characteristics of the income and expenses, including the underlying event or transaction that gives rise to income or expenses. C43. The IASB will continue to discuss other aspects of proposals at a future meeting.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
		of profit or loss because it would provide a clear 'normalised' profit amount, but others thought that would add clutter to the statement and give too great an incentive for opportunistic labelling of items as unusual; some agreed with disclosure in a single note because it allows easy access to the information and helps in tracking what items are classified as unusual over time. Others said it would be more helpful to include the information in the notes for the specific items of income and expenses in question, for example the notes for IAS 37 provisions or IAS 36 impairments. They also said that the requirement for a single note could lead to duplication of information required by other IFRS Accounting Standards or regulations to be given elsewhere, for example in other notes or in the management commentary.	
December 2020 AP21H Management performance measures March 2021 AP21B Scope of management performance measures –	**Including management performance measures in the financial statements** A22. The Exposure Draft proposed that an entity disclose 'management performance measures' in a single note to the financial statements. A23. Totals or subtotals specified by IFRS Accounting Standards were specifically stated not to be management performance measures and include: a) totals or subtotals required by the Exposure Draft;	**Including management performance measures in the financial statements** B28. Many respondents, including almost all users, agreed with the IASB's proposals to require the disclosure of management performance measures in the notes to the financial statements. These respondents said that including these measures in the financial statements would provide useful information and that the proposed disclosure requirements would bring needed discipline and transparency. B29. Some respondents disagreed with including management performance measures in the financial statements stating the following reasons:	**Including management performance measures in the financial statements** *Confirmed proposals* C44. The IASB tentatively confirmed to require an entity to include information about management performance measures in the financial statements. **Scope of management performance measures** *Confirmed proposals* C45. The IASB tentatively confirmed not to further explore expanding the scope of management performance measures to include:

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
subtotals of income and expenses June 2021 AP21A Scope of management performance measures September 2021 AP21A Management performance measure and the scope of public communications AP21B Management performance measures—other aspects of definition October 2021	b) gross profit or loss (revenue less cost of sales) and similar subtotals; c) operating profit or loss before depreciation and amortisation; d) profit or loss from continuing operations; and e) profit or loss before income tax. A24. When disclosing management performance measures the Exposure Draft proposed an entity would also be required to comply with the general requirements in IFRS Accounting Standards for information included in financial statements. For example, each management performance measure must faithfully represent an aspect of the financial performance of the entity and be described in a clear and understandable manner that does not mislead users. A25. However, the Exposure Draft did not propose additional restrictions on management performance measures, such as only allowing an entity's management to provide measures based on amounts recognised and measured in accordance with IFRS Accounting Standards.	a) in their view non-GAAP measures are either outside the scope of financial statements or do not achieve the objective of financial statements in IAS 1 *Presentation of Financial Statements* or in the Exposure Draft; b) including management performance measures in the financial statements would increase the costs of preparing financial statements; or c) it may be challenging to audit such measures. B30. A few respondents disagreed with including management performance measures in the financial statements because many of these measures are subjective.	a) measures based on line items presented in the statements of financial performance; b) measures based on the cash flow statement; c) measures based on the statement of financial position; and d) ratios. *Changes to the proposals* C46. The IASB tentatively decided to include in the scope of its requirements for management performance measures the numerator or denominator of a ratio, if that numerator or denominator meets the definition of a management performance measure.
	Definition of management performance measures	**Definition of management performance measures** B31. However, most respondents, including users, that agreed with requiring management performance	**Definition of management performance measures** *Confirmed proposals*

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
AP21D Operating profit or loss before depreciation and amortisation November 2021 **AP21A Management performance measures-management's view of an aspect of performance** **AP21B Management performance measures and the scope of public communications** **AP21C Management performance measures-faithful**	A26. The Exposure Draft defined management performance measures as subtotals of income and expenses that: a) are used in public communications outside financial statements; b) complement totals or subtotals specified by IFRS Accounting Standards; and c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.	measures in the financial statements, raised concerns about the definition of management performance measures. The two most significant concerns of respondents were: a) requiring disclosure of all management performance measures used in 'public communications' is too wide in scope. Most respondents that raised this concern requested additional guidance or suggested a narrower definition of public communications. b) management performance measures do not include measures that would, in their view, equally benefit from being disclosed in the financial statements. Most respondents that raised this concern suggested revising the definition to include other measures such as those based on items presented in the statement of financial position or the statement of cash flows. Many of these respondents said that in their opinion the full benefits of the proposals would not be realised without including these additional measures. However, some respondents, including some users, said the proposals had significant benefits, even if they did not include additional measures.	C47. The IASB tentatively confirmed to retain: a) 'providing management's view of an aspect of an entity's financial performance' as the objective of management performance measures; and b) 'communicate to users of financial statements management's view of an aspect of an entity's financial performance' in the definition of management performance measures. *Changes to the proposals* C48. The IASB tentatively decided to amend the definition of management performance measures: a) to remove the reference to complementing totals or subtotals specified by IFRS Accounting Standards; and b) to state that totals and subtotals specified by IFRS Accounting Standards are not management performance measures. C49. The IASB tentatively decided to establish 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. In addition, the IASB tentatively decided to provide high-level application guidance on how to assess whether the entity has reasonable and supportable information to support the rebuttal. C50. The IASB tentatively decided to narrow the scope of public communications considered for the purposes of applying the definition of management performance measures, by excluding oral communications, transcripts and social media posts. C51. The IASB also tentatively decided to add application guidance, but remove the specific requirement about faithful representation.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
representation January 2022 AP21A Management performance measures-Disclosures-Usefulness and reconciliations AP21B Management performance measures-Disclosure of tax and NCI	**Disclosure requirements** A27. The Exposure Draft proposed that an entity would be required to disclose specific information about management performance measures, including: a) a description of why the management performance measure communicates management's view of performance; b) a reconciliation to the most directly comparable total or subtotal specified by IFRS Accounting Standards; c) the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation; and d) how the entity determined the income tax effect for each item disclosed in the reconciliation. A28. If an entity changed the calculation of its management performance measures, introduced a new management performance measure or removed a previously disclosed management performance measure the Exposure Draft proposed it would be required to: a) disclose sufficient explanation for users to understand the change, addition or removal and its effects;	**Disclosure requirements** B32. Most respondents agreed with the majority of the IASB's proposed disclosure requirements. Many respondents, including all users, said the requirement to reconcile management performance measures to the most directly comparable subtotal specified in IFRS Accounting Standards would increase the transparency and usefulness of information about these measures. Some respondents, particularly users, said the disclosure requirements that would apply when a management performance measure is changed or removed would be particularly useful. B33. However, there was mixed feedback on the IASB's proposal to require the disclosure of the tax and non-controlling interest effects of reconciling items between the management performance measure and the most directly comparable subtotals specified in IFRS Accounting Standards. While many users agreed with the disclosure requirements, some other respondents said that it would be costly to obtain the information, a more onerous disclosure requirement than the disclosures required for items in the statement of profit and loss, or contrary to management performance measures communicating a management view to require the information. It would be contrary to communicating a management view because	**Disclosure requirements – usefulness and reconciliations** *Confirmed proposals* C52. The IASB tentatively confirmed: a) to require an entity to disclose why a management performance measure communicates management's view of performance, subject to some drafting considerations relating to the terms 'why' and 'how', including an explanation of: i) how the management performance measure is calculated; and ii) how the measure provides useful information about the entity's performance; and b) to require an entity to disclose a reconciliation between a management performance measure and the most directly comparable subtotal or total specified in IFRS Accounting Standards. *Changes to the proposals* C53. The IASB tentatively decided: a) to provide additional application guidance to support the proposed requirement described in (C51(a)). The guidance would clarify that, where doing so would be necessary for a user of financial statements to understand why a management performance measure communicates management's view of performance, the explanations described in (C51(a)(i)) and (C51(a)(ii)) would refer to the individual reconciling items. b) to require an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance. **Disclosure of tax and NCI**

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	b) disclose the reasons for the change, addition or removal; and c) restate its comparative information, including in the required note disclosures, to reflect the change, addition or removal. A29. The Exposure Draft also proposed that an entity be prohibited from using columns to present management performance measures in the statement(s) of financial performance. A30. The proposed requirements are set out in paragraphs 103–110 of the Exposure Draft and paragraphs BC145–BC180 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for the proposals and discuss approaches that were considered but rejected by the IASB.	information about tax and non-controlling interest effects is not always used by management.	C54. The IASB discussed feedback on the proposal to require an entity to disclose the effects of tax and non-controlling interests for individual items in the reconciliation between a management performance measure and the most directly comparable subtotal or total specified in IFRS Accounting Standards. The IASB asked for further information about entities that already disclose the tax effects of such reconciling items; in particular, how they calculate the tax effect. C55. The IASB will discuss other aspects of proposals at a future meeting.
	Operating profit or loss before depreciation and amortisation A31. The Exposure Draft did not propose defining EBITDA. However, the IASB proposed to exempt from the disclosure requirements for management performance measures a subtotal calculated as operating profit or loss before depreciation and amortisation. The IASB considered, but rejected, describing the subtotal operating profit or loss before depreciation and amortisation as EBITDA.	**Operating profit or loss before depreciation and amortisation** B34. Most respondents, including most users, agreed with the IASB's proposal not to define earnings before interest, tax, depreciation and amortisation (EBITDA). These respondents said they agreed that there was no consensus on what EBITDA represents, that its use varies widely and that it is not applicable to some industries. B35. Some respondents, including some users, disagreed saying the IASB should define	**Operating profit or loss before depreciation, amortisation, and specified impairments** *Changes to the proposals* C56. The IASB tentatively decided: a) to specify an operating profit or loss before depreciation and amortisation subtotal that excludes impairments of assets within the scope of IAS 36 *Impairment of Assets*; b) to do this by amending the specified subtotal 'operating profit or loss before depreciation and amortisation', rather than adding an additional subtotal to the list of specified subtotals;

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
	A32. Paragraphs BC172–BC173 of the Basis for Conclusions on the Exposure Draft explain why the IASB has not proposed requirements relating to EBITDA.	EBITDA because it is a widely used measure that would benefit from a consistent definition.	c) to label the amended specified subtotal as 'operating profit or loss before depreciation, amortisation, and specified impairments'; d) not explicitly to prohibit 'EBITDA' as a label for an 'operating profit or loss before depreciation, amortisation and specified impairments' subtotal, but to explain in the Basis for Conclusions that such a label would rarely be a faithful representation for the subtotal; and e) to include no further specific requirements in relation to this subtotal.
December 2020/ January 2021 **AP21I Statement of cash flows** March 2021 **AP21C Statement of cash flows**	**Starting point for indirect method** A33. The Exposure Draft proposed requiring an entity to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.	**Starting point for indirect method** B36. The key messages from the feedback on the proposals relating to the statement of cash flows are: a) many respondents did not comment on the proposals; and b) of those respondents that did comment, many agreed with the proposals saying that the proposals would result in a consistent presentation that would enhance comparability between entities.	**Starting point for indirect method** *Confirmed proposals* C57. The IASB tentatively confirmed to require an entity to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.
	Classification of interest and dividend cash flows A34. The Exposure Draft also proposed reducing the presentation alternatives currently permitted by IAS 7 and requiring that, in the statement of cash	**Classification of interest and dividend cash flows** B37. The main concern of those that did not agree was the lack of alignment between the statement of cash flows and the statement of profit or loss, which was also raised as a concern by some fieldwork participants.	**Classification of interest and dividend cash flows** *Confirmed proposals* C58. The IASB tentatively confirmed proposals relating to the classification of interest paid and dividend cash flows for entities other than those for which investing and financing are main business activities. Accordingly, interest and dividends

<table>
<tr><th>Topic and ref</th><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
<tr>
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<td>flows, an entity classifies interest and dividend cash flows as shown in the table.
<table>
<tr><th>Cash flow item</th><th>Most entities</th><th>Specified entities[9]</th></tr>
<tr><td>Interest paid</td><td>Financing</td><td rowspan="3">Accounting policy choice, possible location depends on the classification of the related income and expenses in the statement of profit or loss</td></tr>
<tr><td>Interest received</td><td>Investing</td></tr>
<tr><td>Dividends received</td><td>Investing</td></tr>
<tr><td>Dividends paid</td><td colspan="2">Financing</td></tr>
</table>
A35. In the Exposure Draft, the proposed amendment to paragraph 18(b) of IAS 7, proposed new paragraphs 33A and 34A–34D of IAS 7 and paragraphs BC185–BC208 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for the proposals and discusses approaches that were considered but rejected by the IASB.</td>
<td>B38. Some respondents requested a comprehensive review of IAS 7 Statement of Cash Flows.</td>
<td>paid would be classified as financing activities, and dividends received would be classified as investing activities.

C59. The IASB will discuss the classification of interest received at a future IASB meeting.</td>
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[9] An entity that provides financing to customers as a main business activity or in the course of its main business activities invests in assets that generate a return individually and largely independently of the entity’s other resources.

Topic and ref	Summary of proposals	Summary of feedback	Tentative decisions
December 2020/ January 2021 **AP21J Other topics**	A36. Other comments on the proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions on the Exposure Draft, including Appendix) and Illustrative Examples accompanying the Exposure Draft.	B39. Most of the comments not responding to specific question related to additional work respondents would like the IASB to undertake, mostly as separate projects. Respondents also provided feedback on proposals relating to other comprehensive income and interim financial reporting and comments on the proposed implementation period.	C60. The IASB will discuss these proposals at a future IASB meeting.

Appendix C—Diagram summarising the proposals for the structure of the statement of profit or loss

C1. The following diagram summarises the proposals in the Exposure Draft and the changes tentatively agreed by the IASB in the redeliberations on the structure of the statement of profit and loss for entities applying the general model.

General model as proposed in the Exposure Draft	General model reflecting redeliberations to date
Operating (para. 46) Default category—income and expenses that are not included in other categories.	**Operating*** Default category—income and expenses that are not included in other categories.
Integral associates and joint ventures (para. 53) **Investing* (para. 47)** Income and expenses from investments (including non-integral associates and joint ventures) and incremental expenses.	**Investing** • Income and expenses from associates and joint ventures. • Income and expenses from investments, including cash and cash equivalents • Incremental expenses from investments.
Financing (para. 49) • Income and expenses from cash and cash equivalents • Income and expenses on liabilities arising from financing activities • Interest income and expenses on other liabilities.	**Financing** • All income and expenses from liabilities that arise from transactions that involve only the raising of financing. • Specified income and expenses on other liabilities.
Income tax (para. 54)	**Income tax**
Discontinued operations (para. 55)	**Discontinued operations**

* Default category for gains and losses on derivatives and hedging instruments.