Staff paper

Agenda reference: 21

IASB® meeting

Date	**November 2023**
Project	**Primary Financial Statements**
Topic	**Cover note and summary of feedback and redeliberations**
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Objective

1. In July 2023, the IASB gave the staff permission to start the balloting process for the publication of the new IFRS Accounting Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*. In October 2023, the IASB discussed several sweep issues related to aggregation and disaggregation and other topics identified during the pre-ballot phase of IFRS 18. At this meeting we will discuss sweep issues related to:

   (a) subtotals and categories (AP21A Sweep issues related to subtotals and categories); and

   (b) aggregation and disaggregation and other topics (AP21B Sweep issues related to aggregation and disaggregation and other topics).

Summary of the sweep issues

2. Appendix A summarises the sweep issues identified in the balloting process of IFRS 18.

Summary of proposals and feedback

3. Appendix B summarises proposals in the Exposure Draft *General Presentation and Disclosures*, feedback received and the IASB's tentative decisions to date.

Appendix A—Summary of the sweep issues

A1. Appendix A summarises the sweep issues identified so far in the balloting process for IFRS 18.

Sweep issues to be discussed	Timing
Sweep issues related to subtotals and categories in the statement of profit or loss	
The scope of income and expenses classified in the investing category	See AP21A of this meeting
Financial assets for which the income and expenses are classified in the investing category	See AP21A of this meeting
Minor sweep issues addressed in drafting that are confirmed by the IASB: • accounting policy choices for entities that provide financing to customers as a main business activity; • classification of income and expenses from specific hybrid contracts by entities that provide financing to customers as a main business activity; • classification of gains and losses on a derivative not used to manage identified risks and related to a transaction that involves only the raising of financing by entities that provide financing to customers as a main business activity; • classification of income and expenses on assets or disposal groups held for sale; and • classification of expenses arising from increases in the present value of the costs to sell a non-current asset (or disposal group) held for sale that arise from the passage of time.	See Appendix A of Agenda Paper 21A of October 2023

<table>
<tr><th>Sweep issues to be discussed</th><th>Timing</th></tr>
<tr><td>Minor sweep issues addressed in drafting to be confirmed by the IASB:
• transition requirements for investments in associates or joint ventures measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments;
• the financial assets an entity invests in that will require the classification of income and expenses from cash and cash equivalents in the operating category;
• income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9;
• classification of foreign exchange differences on liabilities that arise from transactions that do not involve only the raising of finance that are denominated in a foreign currency;
• timing to implement changes in the outcome of the assessment of specified main business activities when the change occurs during the period;
• disclosure of a change in the assessment of a specified main business activity;
• disclosure of specified main business activities; and
• assessment of specified main business activities.</td><td>See Appendix A of Agenda Paper 21A of this meeting</td></tr>
</table>

<table>
<tr><th>Sweep issues to be discussed</th><th>Timing</th></tr>
<tr><td colspan="2"><u>Sweep issues related to management-defined performance measures[1] (MPMs)</u></td></tr>
<tr><td>Minor sweep issues addressed in drafting that are confirmed by the IASB:
• specified subtotal comprising operating profit and all income and expenses in the investing category.</td><td>See Appendix A of Agenda Paper 21A of October 2023</td></tr>
<tr><td>Minor sweep issues addressed in drafting to be confirmed by the IASB:
• disclosure of changes to management-defined performance measures;
• totals or subtotals required to be disclosed by other IFRS Accounting Standards;
• timing of public communications;
• application of the requirements for management-defined performance measures to specific measures; and
• use of the term ‘reasonable and supportable information’ in the rebuttable presumption for management-defined performance measures.</td><td>See Appendix A of Agenda Paper 21B of this meeting</td></tr>
<tr><td colspan="2"><u>Sweep issues related to aggregation and disaggregation</u></td></tr>
<tr><td>Presentation of cost of sales</td><td rowspan="2">See Agenda Paper 21A of October 2023</td></tr>
<tr><td>Hierarchy of characteristics for the statement of financial position</td></tr>
<tr><td>Useful structured summary</td><td>See Agenda Paper 21B of this meeting</td></tr>
<tr><td>Minor sweep issues addressed in drafting that are confirmed by the IASB:
• requirement to present separately each material class of similar items in IAS 1 Presentation of Financial Statements;</td><td>See Appendix A of Agenda Paper</td></tr>
</table>

[1] Referred to as ‘management performance measures’ in the Exposure Draft *General Presentation and Disclosures*.

Sweep issues to be discussed	Timing
• disclosure of specified expenses by nature—scope of entities required to provide the disclosure and scope of line items subject to the requirement; and • disclosure of specified expenses by nature—scope of employee benefits.	21A of October 2023
Minor sweep issues addressed in drafting to be confirmed by the IASB: • disclosure requirement for an aggregation of items for which information is not material	See Appendix A of Agenda Paper 21B of this meeting
Sweep issues related to transition	
• Transitional relief for additional comparative information	See Agenda Paper 21A of October 2023
Minor sweep issues addressed in drafting that are confirmed by the IASB: • requirement to disclose a reconciliation of the statement of profit or loss in interim financial statements; and • whether to provide relief for paragraph 28(g) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in transition to IFRS 18.	See Appendix A of Agenda Paper 21A of October 2023
Sweep issues related to other topics	
Minor sweep issues addressed in drafting that are confirmed by the IASB: • relationship between the requirements of IFRS 14 *Regulatory Deferral Accounts* with the requirements in IFRS 18 and amendments to IAS 33 *Earnings per Share.*	See Appendix A of Agenda Paper 21A of October 2023
Minor sweep issues addressed in drafting to be confirmed by the IASB: • consequential amendment to IFRS 8 *Operating Segments;* and • definition of IFRS Accounting Standards.	See Appendix A of Agenda Paper 21B of this meeting

Appendix B—Summary of the proposals in the Exposure Draft, feedback and the IASB's tentative decisions

B1. Appendix B summarises the proposals in the Exposure Draft, the feedback received and the IASB's tentative decisions in response to that feedback. This section is structured as follows:

(a) subtotals and categories;

(b) entities with specified main business activities;

(c) investments in subsidiaries, associates and joint ventures;

(d) roles of the primary financial statements and the notes, aggregation and disaggregation;

(e) analysis of operating expenses;

(f) unusual income and expenses;

(g) management-defined performance measures;

(h) operating profit or loss before depreciation, amortisation and specified impairments;

(i) statement of cash flows; and

(j) other topics.

<table>
<tr><th colspan="3">Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)</th></tr>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>IASB tentative decisions in response to the feedback</th></tr>
<tr><td>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.</td><td>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.</td><td>Subtotals

Confirmed proposals

C1. The IASB tentatively decided to confirm 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 (see paragraph C6 for the definition of operating profit).

C2. The IASB tentatively decided to confirm 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 (except for some entities with specified main business activities discussed in paragraph C26(e)).

Withdrawn proposals

C3. The IASB tentatively decided to withdraw the proposed required subtotal of operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph C30(b) for the classification of income and expenses from associates and joint ventures accounted for using the equity method and paragraph C65(a) for the specified subtotal of operating profit and income and expenses from investments accounted for using the equity method).</td></tr>
<tr><td>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;
(c) investing;
(d) financing;
(e) income taxes; and
(f) discontinued operations.</td><td>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 on the definitions of the categories.

B5. Many respondents expressed concerns about 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.</td><td>Categories

Confirmed proposals

C4. The IASB tentatively decided to confirm the proposal to introduce separate investing and financing categories in the statement of profit or loss (see paragraphs C7 and C12). As part of the IASB’s discussions, it reaffirmed that it developed the proposals for the categories in the statement of profit or loss without trying to align classifications across the primary financial statements as explained in paragraph BC30 of the Exposure Draft General Presentation and Disclosures.

Withdrawn proposals

C5. The IASB tentatively decided to withdraw the proposed integral associates and joint ventures category (see paragraph C30(b) for the classification of income and expenses from associates and joint ventures accounted for using the equity method).</td></tr>
</table>

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
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).[2]	**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. B7. Both respondents who supported a residual definition and respondents who preferred a direct definition agreed that income and expenses from investing, financing, income taxes and discontinued operations should be classified outside of operating profit.	**Operating category** *Confirmed proposals* C6. The IASB tentatively decided to confirm that: (a) following types of income and expenses shall not be classified in the operating category: (i) investing; (ii) financing; (iii) income tax; and (iv) 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.
Investing category A4. 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).[3] A5. Paragraphs BC48–BC52 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.	**Investing category** B8. Many respondents agreed with the proposal for the investing category. However, some respondents said the definition is insufficiently robust. B9. A few respondents expressed concerns about including incremental expenses in the investing category.	**Investing category** *Confirmed proposals* C7. The IASB tentatively decided to confirm: (a) 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 (see Agenda Paper 21A of this meeting); (b) the proposed application guidance for the investing category in the Exposure Draft; and (c) the label 'investing category' for that category. *Changes to the proposals* C8. The IASB tentatively decided: (a) to add further application guidance stating that: (i) income and expenses arising from individual assets and disposal groups held for sale are not classified in the investing category unless the asset (or all assets other than income tax assets

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

[3] Also see paragraphs B32–B33 of the Exposure Draft.

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
		in the disposal group) generated income and expenses that were classified in the investing category before the classification as held for sale; (ii) income and expenses arising from business combinations would not be classified in the investing category; (iii) and negative returns are classified in the same category as positive returns; (b) to classify expenses arising from increases in the present value of the costs to sell a non-current asset (or disposal group) held for sale that arise from the passage of time in the operating category or investing category together with other income and expenses from the non-current asset (or the disposal group) held for sale; (c) to classify income and expenses from associates and joint ventures in the investing category (see paragraph C30(b); (d) to classify income and expenses from cash and cash equivalents in the investing category rather than the financing category (see paragraph C11); (e) to remove the discussion of the objective from the requirements in IFRS 18 and explain in the Basis for Conclusions the reasons for including specific items in the investing category; and (f) not to proceed with the proposed use of the defined term 'income and expenses from investments'. *Proposals withdrawn* C9. The IASB tentatively decided to withdraw the proposed requirement in the Exposure Draft for an entity to classify incremental expenses in the investing category.
Financing category A6. The financing category would include (paragraph 49 of the Exposure Draft):[4] (a) income and expenses from cash and cash equivalents; (b) income and expenses on liabilities arising from financing activities; and	**Financing category** B10. Many respondents agreed with classifying income and expenses on liabilities arising from financing activities and specific income and expenses on liabilities not arising from financing activities in the financing category. B11. A few respondents said some aspects of the proposed definition of 'financing activities' were not clear. For example, respondents asked for clarifications on who is a provider of finance, must the	**Financing category** *Changes to the proposals* C10. The IASB tentatively decided not to proceed with the proposed addition to the definition of 'financing activities' in IAS 7. C11. 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. C12. The IASB tentatively decided to require an entity to classify in the financing category:

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

<table>
<tr><th colspan="3">Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)</th></tr>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>IASB tentative decisions in response to the feedback</th></tr>
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<td>
(c) interest income and expenses on other liabilities, for example, the unwinding of discounts on pension liabilities and provisions.

A7. The Exposure Draft proposed an addition to the defitiniton of ‘financing activities’ in IAS 7 Statement of Cash Flows. In relation to borrowings, financing activities would involve the recipt or use of a resource from a provider of finance with the expectattion that:

(a) the resource will be returned to the provider of finance: and

(b) the provider of finance will be appropriately compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.
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<td>
resource that is returned be the same as the resource received and what is a finance charge.

B12. A few respondents said interest on liabilities not arising from financing activities should be classified in the operating category rather than the financing category.

B13. Some respondents expressed concerns about the proposed classification of income and expenses from cash and cash equivalents in a separate category to income and expenses from other investments held as part of treasury activities.
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<td>
(a) all income and expenses from changes in the carrying amount of liabilities that arise from transactions that involve only the raising of finance (see Appendix A of Agenda Paper 21A of this meeting); and

(b) particular income and expenses from liabilities other than those specified in (a), only if such amounts are identified by the entity for the purpose of applying the requirements in IFRS Accounting Standards. The particular income and expenses are:

(i) interest income and expenses; and

(ii) the effects of changes in interest rates.

C13. The IASB tentatively decided to describe transactions that involve only the raising of finance as transactions that involve:

(a) the receipt by the entity of cash, a reduction in a financial liability or an entity’s own equity; and

(b) the return by the entity of cash or an entity's own equity.
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Derivatives and hedging instruments

A8. The IASB’s proposals for the classification of gains or losses on derivatives and hedging instruments can be summarised as follows (paragraph B40 of the Exposure Draft):

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Gains and losses on:</th></tr>
<tr><th>Derivatives</th><th>Non-derivative financial instruments</th></tr>
<tr><td rowspan="2">Used for risk manageme nt</td><td>Designated as a hedging instrument</td><td colspan="2">Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains and losses—then classify in the investing category.</td></tr>
<tr><td>Not designated as a hedging instrument</td><td>Apply the presentation requirements for derivatives designated as hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.</td><td rowspan="2">Apply requirements for classification in paragraphs 45–55.</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></tr>
</table>
</td>
<td>
Derivatives and hedging instruments

B14. Many respondents expressed concerns about the proposed classification of fair value gains and losses on derivatives and hedging instruments and whether the benefits of such classification would outweigh the costs.
</td>
<td>
Derivatives and hedging instruments

Confirmed proposals

C14. The IASB tentatively decided to confirm that fair value gains or losses on financial instruments used to manage exposures from particular risks that are designated as hedging instruments or from derivatives used to manage exposures from particular risks 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; or

(b) for derivatives not designated as hedging instruments, undue cost or effort.

Changes to the proposals

C15. The IASB tentatively decided for the cases described in paragraphs C14(a) and (b) an entity would classify all fair value gains or losses in the operating category.

C16. The IASB tentatively decided to require an entity to classify fair value gains or losses on derivatives not used to manage exposures from particular risks 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.
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</tr>
</table>

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
A9. Paragraphs BC93–BC102 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.		
Hybrid contracts comprising host liabilities and embedded derivatives A10. The Exposure Draft did not provide specific guidance on classification of income and expenses from hybrid contracts.	**Hybrid contracts comprising host liabilities and embedded derivatives** B15. Not applicable – clarifications on classification of income and expenses from hybrid contracts comprising host liabilities and embedded derivatives arose as a result the feedback on the financing category (see paragraph B11).	**Hybrid contracts comprising host liabilities and embedded derivatives** C17. The IASB tentatively decided that, for hybrid contracts with host liabilities, an entity shall classify income and expenses: (a) from a separated host liability, by applying the requirements for liabilities in paragraph C12; (b) from a separated embedded derivative that is in the scope of IFRS 9 *Financial Instruments*, by applying the requirements for stand-alone derivatives in paragraphs C14–C16; (c) from a liability containing an embedded derivative that is not separated and arises from transactions that involve only the raising of finance, by applying the requirements for liabilities that arise from transactions that involve only the raising of finance in paragraph C12: (d) from a liability containing an embedded derivative that is not separated and does not arise from transactions that involve only the raising of finance: (i) if the liability is a financial liability in the scope of IFRS 9 that is measured at amortised cost, by classifying all income and expenses from the contract after initial recognition in the financing category; and (ii) otherwise, by applying the requirements for liabilities that do not only involve the raising of finance applying the requirements in paragraph C12(b).
Foreign exchange differences and the gain or loss on the net monetary position A11. The Exposure Draft proposed 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 (paragraph 56 of the Exposure Draft). A12. The Exposure Draft did not provide specific guidance on classification of the gain or loss on the net monetary position	**Foreign exchange differences and the gain or loss on the net monetary position** B16. Many respondents expressed concerns about the proposed classification of foreign exchange differences and whether the benefits of such classification would outweigh the costs. B17. Some stakeholders asked the IASB to clarify how an entity should classify the gain or loss on the net monetary position applying IAS 29.	**Foreign exchange differences and the gain or loss on the net monetary position** *Changes to the proposals* C18. The IASB tentatively decided 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. 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. C19. The IASB tentatively decided that when a foreign exchange difference arises on a liability that arises from a transaction that involves activities in addition to the raising of finance (which may give rise to income and expenses classified in more than one category) an entity uses its judgement to determine

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
recognised applying IAS 29 *Financial Reporting in Hyperinflationary Economies*.		whether the foreign exchange difference relates to the amounts classified in the financing category or the amounts classified in another category (see Appendix A of Agenda Paper 21A of this meeting). C20. The IASB tentatively decided to clarify that the foreign exchange differences arising from assets and liabilities within the scope of IAS 12 *Income Taxes* that are recognised in profit or loss in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* would be classified in the income tax category in the statement of profit or loss, unless doing so would involve undue cost or effort. The IASB also tentatively decided to make a consequential amendment to the requirement in paragraph 78 of IAS 12 for classifying foreign exchange differences on deferred tax assets and liabilities to align with this tentative decision. C21. The IASB tentatively decided to clarify that the gain or loss on the net monetary position would be classified in the operating category in the statement of profit or loss when an entity applying IAS 29 presents it in a single line item.
Derecognition of an asset or liability or change in category for classifying income and expenses A13. The Exposure Draft did not provide specific guidance on classification of income and expenses on derecognition of an asset or liability or a change in category for classification of income and expenses.	**Derecognition of an asset or liability or change in category for classifying income and expenses** B18. Some stakeholders asked for guidance on how to classify specific income and expenses—for example, foreign exchange differences reclassified from equity to profit or loss on disposal of a foreign operation.	**Derecognition of an asset or liability or change in category for classifying income and expenses** *Changes to the proposals* C22. The IASB tentatively decided to clarify that: (a) income and expenses arising from the derecognition of an asset or liability are classified in the same category as the income and expenses generated by that asset or liability immediately before derecognition; (b) income and expenses arising from a transaction or other event that changes the classification of income and expenses from an asset or liability (without derecognition of the asset or liability) are classified in the category in which income and expenses were classified immediately before the transaction or other event; (c) if income and expenses described in (a) and (b) arise from a single transaction or other event that involves a group of assets and liabilities for which income and expenses were classified in different categories immediately before the transaction or other event: (i) the gain or loss on the transaction or other event is classified in the operating category if any of the assets in the group generated income and expenses that were classified in the operating category; and

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
		(ii) the gain or loss on the transaction or other event is classified in the investing category if all the assets in the group generated income and expenses that were classified in the investing category.

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Entities with specified main business activities A14. 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. 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;[5] (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;[6]	**Classification of income and expenses by entities with specified main business activities** B19. 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. **Assessment of specified main business activities** B20. 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'. B21. Some respondents also asked the IASB to clarify whether the assessment of main business activities should be made from the perspective of the reporting entity and how main business activities relate to operating segments.	**Assessment of specified main business activities** *Changes to the proposals* C23. The IASB tentatively decided to provide additional guidance by clarifying that: (a) the role of main business activities is limited to assessing whether an entity invests in assets as a main business activity or provides financing to customers as a main business activity. The assessment is performed at the reporting-entity level. Any changes in the outcome of the assessment should be applied prospectively with disclosure of: (i) the fact that there has been a change; (ii) information about the effect of the change that would allow users to perform trend analysis on operating profit (see Appendix A of Agenda Paper 21A of this meeting); (b) investing in assets as a main business activity or providing financing to customers as a main business activity is a matter of fact and not an assertion. An entity will need to use its judgement in assessing whether it invests in assets as a main business activity or provides financing to customers as a main business activity. The assessment should be based on observable evidence to the extent available. Examples of observable evidence include (see Appendix A of Agenda Paper 21A of this meeting): (i) operating performance measures used in public communications; and (ii) information about segments if an entity applies IFRS 8 *Operating Segments*. (c) examples of important indicators of operating performance for entities with specified main business activities are the specified subtotals similar to gross profit in paragraph B78 of the Exposure Draft (also see paragraph C64) (see Appendix A of Agenda Paper 21A of this meeting).

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

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

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
(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);[7] (d) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 (paragraph 52(b) of the Exposure Draft);[8] and (e) insurance finance income and expenses included in profit or loss (paragraph 52(c) of the Exposure Draft).[9]	**Accounting policy choice for entities that provide financing to customers as a main business activity** B22. 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.	**Investing category** *Changes to the proposals* C24. The IASB tentatively decided: (a) to require an entity that invests in assets as a main business activity to classify in the operating category income and expenses from such assets that would otherwise be classified in the investing category. (b) to permit an entity to group assets with shared characteristics for the purpose of assessing whether those investments are made as a main business activity. The way an entity groups financial assets for this assessment should be consistent with the way it groups financial assets into classes for the purposes of disclosures about financial instruments, in accordance with IFRS 7 *Financial Instruments: Disclosures*. (c) to add application guidance clarifying that income and expenses from financial assets arising from providing financing to customers are classified in the operating category (See Agenda Paper 21A and Appendix A of Agenda Paper 21A of this meeting). The IASB also decided to explore a related disclosure requirement. C25. The IASB tentatively decided to require an entity with specified main business activities to classify in the investing category income and expenses from associates and joint ventures accounted for using the equity method (see paragraph C8(c)). **Financing category** *Confirmed proposals* C26. The IASB tentatively decided to confirm: (a) the proposed accounting policy choice for an entity that provides financing to customers as a main business activity to classify in the operating category either: (i) all income and expenses from liabilities that arise from transactions that involve only the raising of finance; or (ii) the portion related to providing finance to customers;

[7] Also see paragraphs B30 of the Exposure Draft and BC70–BC72 of the Basis for Conclusions on the Exposure Draft.
[8] Also see paragraphs BC74–BC76 of the Basis for Conclusions on the Exposure Draft.
[9] Also see paragraphs BC73 of the Basis for Conclusions on the Exposure Draft.

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
		(b) that the proposed accounting policy choice described in paragraph (a) is not applied to the specified income and expenses from liabilities that do not arise from transaction that involve only the raising of finance in paragraph C12(b), including hybrid contracts in paragraph C17(d); (c) that the proposed accounting policy in (a) is also be applied to gains and losses on a derivative that is not used to manage identified risks and relates to a transaction that involves only the raising of finance (see paragraph C16). (d) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 (see Appendix A of Agenda Paper 21A of this meeting) and insurance finance income and expenses included in profit or loss are excluded from the financing category and classified in the operating category; and (e) that specific entities would not present the subtotal ‘profit or loss before financing and income tax’. This prohibition would apply when an entity that provides financing to customers as a main business activity classifies in the operating category all income and expenses from liabilities that arise from transactions that involve only the raising of finance (see paragraph (a)). (see paragraph C65(a) for a specified subtotal comprising operating profit and all income and expenses in the investing category for these entities) **Cash and cash equivalents** *Confirmed proposals* C27. The IASB tentatively decided: (a) to confirm the proposed requirement for an entity that invests in financial assets as a main business activity to classify income and expenses from cash and cash equivalents in the operating category; and (b) to confirm the accounting policy choice for the classification of income and expenses arising from cash and cash equivalents proposed for entities that are not covered by (a), but provide financing to customers as a main business activity. (c) to clarify that an entity that applies the accounting policy choice in (b) is required to apply the same accounting policy as paragraph C26(a) .

Investments in subsidiaries, associates and joint ventures (Exposure Draft question 7)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Integral and non-integral associates and joint ventures A15. The Exposure Draft proposed to require an entity to classify its associates and joint ventures accounted for using the equity method 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 (see proposed paragraphs 20A-20E of IFRS 12 *Disclosures of Interests in Other Entities*). The Exposure Draft also proposed to require an entity to: (a) provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures in the primary financial statements and in the notes (see proposed paragraphs 38A of IAS 7, and paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft); (b) classify income and expenses from integral associates and joint ventures in the integral associates and joint ventures category and income and expenses from non-integral associates and joint ventures in the investing category (see paragraph 45(d) and 47(a) of the Exposure Draft); and (c) present a subtotal of operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph 60 of the Exposure Draft). A16. 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.	**Integral and non-integral associates and joint ventures** B23. 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. B24. Most respondents highlighted concerns with the proposals. These respondents included respondents that agreed with the proposals, 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. B25. 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 associates and joint ventures accounted for using the equity method. B26. Feedback from fieldwork identified many practical difficulties with the proposed requirements.	**Integral and non-integral associates and joint ventures** *Confirmed proposals* C28. The IASB tentatively decided to require an entity to classify income and expenses from associates and joint ventures accounted for using the equity method outside the operating category. *Withdrawn proposals* C29. The IASB tentatively decided: (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' (see paragraph C65(a) for the specified subtotal of operating profit and income and expenses from investments accounted for using the equity method); (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; and (c) not to proceed with the proposals related to integral and non-integral associates and joint ventures in the statement of cash flows (see paragraph C81) and in other comprehensive income (see paragraph C83). *Changes to the proposals* C30. The IASB also tentatively decided to require an entity to include income and expenses from associates and joint ventures accounted for using the equity method 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 paragraph C8(c)); and (c) not to specify that such income and expenses should be presented immediately after operating profit.
Investments in subsidiaries, associates and joint ventures A17. The Exposure Draft proposed that: (a) income and expenses from associates and joint ventures *not* accounted for using the equity method be classified:	**Investments in subsidiaries, associates and joint ventures** B27. A few respondents and fieldwork participants asked the IASB to clarify: (a) the scope of associates and joint ventures *not* accounted for using the equity method;	**Investments in subsidiaries, associates and joint ventures** *Changes to the proposals* C31. The IASB tentatively decided: (a) to clarify the scope of associates and joint ventures *not* accounted for using the equity method includes associates and joint ventures in the scope of IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures.*

<table>
<tr><th colspan="3">Investments in subsidiaries, associates and joint ventures (Exposure Draft question 7)</th></tr>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>IASB tentative decisions in response to the feedback</th></tr>
<tr><td>(i) in the investing category when they are not investments in the course of an entity’s main business activities;

(ii) in the operating category when they are investments in the course of an entity’s main business activities; and

(b) income and expenses from associates and joint ventures accounted for using the equity method be classified outside of the operating category (paragraphs 47, 48, 53, B27, B32 and B38 of the Exposure Draft).</td><td>(b) how an entity should classify income and expenses from investments in subsidiaries, associates and joint ventures in its separate financial statements; and

(c) how an entity should classify income and expenses from investments in subsidiaries, associates and joint ventures in consolidated and separate financial statements when the measurement basis used in the consolidated and separate financial statements differs.</td><td>(b) to require income and expenses from investments in subsidiaries not accounted for using the equity method to be classified:

(i) in the investing category if investing in subsidiaries is not a main business activity; and

(ii) in the operating category if investing in subsidiaries is a main business activity.

(c) to clarify the scope of subsidiaries not accounted for using the equity method includes subsidiaries in the scope of IFRS 10 Consolidated Financial Statements and IAS 27;

(d) to require that an entity classifies income and expenses from subsidiaries accounted for using the equity method in the investing category; and

(e) to clarify that how an entity categorises subsidiaries, associates and joint ventures to assess whether investing in subsidiaries, associates and joint ventures is a main business activity should be consistent with how the entity categorises investments to determine the measurement basis (paragraph 10 of IAS 27)

C32. The IASB tentatively decided to:

(a) add ‘operating profit or loss and income and expenses from investments accounted for using the equity method’ to the list of specified subtotals in paragraph 104 of the Exposure Draft (see paragraph C65(a)); and

(b) provide transition requirements that will permit an entity to elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 when the investment is held by, or is held through, an entity that is a venture capital organisation, a mutual fund, unit trust and similar entities including investment-linked insurance funds (see paragraph 18 of IAS 28) (see Appendix A of Agenda Paper 21A of this meeting).</td></tr>
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Roles of the primary financial statements and the notes, aggregation and disaggregation (Exposure Draft question 8)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Roles of the primary financial statements and the notes A18. The Exposure Draft proposed to describe the roles of the primary financial statements and the notes (see pargraphs 20–21 of the Exposure Draft).	**Roles of the primary financial statements and the notes** B28. Many respondents commented on the roles of the primary financial statements and the notes. Of these, most agreed with the proposals and a few disagreed.	**Roles of the primary financial statements and the notes** *Confirmed proposals* C33. The IASB tentatively decided to confirm that, in relation to the roles of primary financial statements, not to reinstate paragraph 29 of IAS 1 *Presentation of Financial Statements* in IFRS 18, which requires an entity to present separately each material class of similar items[10]. However, an entity will be required to disclose such classes separately (see paragraph C35) *Changes to the proposals* C34. The IASB tentatively decided to include a reference to understandability in the description of the role of the primary financial statements. (See Agenda Paper 21B of this meeting)
Principles of aggregation and disaggregation A19. 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 (paragraph 25 of the Exposure Draft).	**Principles of aggregation and disaggregation** B29. Most respondents commented on the principles of aggregation and disaggregation. Of these many agreed with the proposals. Many did not express agreement or disagreement and instead commented on the need for additional guidance or clarification.	**Principles of aggregation and disaggregation** *Changes to the proposals* C35. 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. C36. The IASB tentatively decided to set out the relationship between the general presentation and disclosure requirements and the principles of aggregation and disaggregation. C37. The IASB tentatively decided to require an entity to explain how an amount disclosed in the notes that is recognised in a primary financial statement is included in the line items in the statement. C38. The IASB tentatively decided to include application guidance summarising characteristics that: (a) if shared, might form the basis for aggregating items to enhance the understandability of information presented in the financial statements. (b) if not shared, might form the basis for disaggregating amounts to provide material information. C39. The IASB tentatively decided to provide application guidance that states that, in general, the more diverse items are (that is, the more dissimilar characteristics the items have) the more likely it would be

[10] The IASB tentatively decided to confirm the removal of the reference to material class in drafting.

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<tr><td></td><td></td><td>that disaggregation based on some of those dissimilar characteristics would result in material information.

C40. The IASB tentatively decided:

(a) to add a requirement that any line items an entity presents in its statement(s) of financial performance and statement of financial position are recognised and measured in accordance with IFRS Accounting Standards; and

(b) not to prohibit an entity from disaggregating income and expenses in the notes to the financial statements into components not recognised or measured in accordance with IFRS Accounting Standards.

C41. The IASB has tentatively decided to clarify for the statement of financial position an entity uses:

(a) the characteristics of duration and timing of recovery and settlement to classify assets and liabilities as either current or non-current and the characteristic of liquidity to classify assets and liabilities by the order of liquidity; and

(b) the characteristics of nature and function to aggregate assets and liabilities into separate line items. Other characteristics like duration, liquidity, measurement basis, type and tax effects assist an entity identifying the nature or function of the assets and liabilities.</td></tr>
<tr><td>Labelling of disaggregated information

A20. The Exposure Draft also proposed to require an entity to use meaningful labels for the group of immaterial items that are not similar and to consider whether it is appropriate to use non-descriptive labels such as ‘other’ (paragraphs 26–27 of the Exposure Draft).</td><td>Labelling of disaggregated information

B30. Most respondents commented on 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’.</td><td>Labelling of disaggregated information

Changes to the proposals

C42. The IASB tentatively decided:

(a) to clarify that an entity is required to:

(i) describe disaggregated amounts in a clear and understandable way that would not mislead users of financial statements; and

(ii) be transparent about the meaning of the terms it has used and the methods it has applied to the disaggregation.

(b) to extend the proposals in the Exposure Draft relating to the label ‘other’ to require an entity to use this label only if it is unable to find a more informative label. If an entity is unable to find a more informative label:</td></tr>
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<tr><td></td><td></td><td>(i) for an aggregation of varied material items—the IASB would require it to use a label that is as precise as possible about the type of item the ‘other’ amount is, for example, ‘other operating expenses’ or ‘other finance expenses’.

(ii) for an aggregation of varied immaterial items—the IASB would require an entity to consider whether the aggregated amount is large enough that users of financial statements might question what it includes. If so, further information about that amount is material and accordingly would be provided by the entity (see Appendix A of Agenda Paper 21B of this meeting).

(c) to include as examples of material information about the amount described in (b)(ii):

(i) an explanation that no material items are included in the amount; and

(ii) an explanation that the amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item (see Appendix A of Agenda Paper 21B of this meeting).</td></tr>
<tr><td>Minimum line items

A21. 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) (see paragraphs 20–21, 25–28 and B5–B15 of the Exposure Draft).

A22. Paragraphs BC21–BC27 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.</td><td>Minimum line items

B31. 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.</td><td>Line items listed in paragraphs 54 and 82 of IAS 1

Confirmed proposals

C43. The IASB tentatively decided:

(a) not to revisit the lists of line items brought forward from paragraphs 54 and 82 of IAS 1;

(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

(d) to proceed with the proposed requirement for the listed line items to be presented in each affected category in the statement of profit or loss.

Changes to the proposals

C44. 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 (see Agenda Paper 21B of this meeting);</td></tr>
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Roles of the primary financial statements and the notes, aggregation and disaggregation (Exposure Draft question 8)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
		(b) to require all presentation requirements to apply only when the resulting presentation does not detract from the primary financial statements providing an understandable overview (see Agenda Paper 21B of this meeting); (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 (see Agenda Paper 21B of this meeting); (d) to remove the term 'minimum' from paragraph 42 of the Exposure Draft; and (e) not to specify any line items to be presented in the financing category in the statement of profit or loss.

Analysis of operating expenses (Exposure Draft question 9)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Presentation of operating expenses A23. 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 of expense method or the function of expense method (see paragraph 68 of the Exposure Draft). A24. 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 (see paragraph 68, B46 and B47 of the Exposure Draft).. A25. In addition, the Exposure Draft proposed to describe the factors to consider when deciding which method of operating expense analysis should be used (see paragraph B45 of the Exposure Draft).	**Presentation of operating expenses** B32. Most respondents that commented on the proposals relating to the presentation of operating expenses in the statement of profit or loss had mixed views. B33. 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. B34. Many respondents (mainly users, accountancy bodies and standard-setters) agreed and many (mainly preparers and their representative	**Presentation of operating expenses** *Confirmed proposals* C45. The IASB tentatively decided: (a) to require operating expenses to be presented in the statement of profit or loss using a classification based either on their nature or function; and (b) to include application guidance on deciding whether classifying expenses by nature or by function provides the most useful information, including the factors set out in paragraph B45 of the Exposure Draft. *Changes to the proposals* C46. The IASB tentatively decided: (a) to expand the explanation in the description of a presentation of operating expenses by function to clarify how presenting operating expenses by function involves allocating and aggregating operating expenses according to the activity to which the consumed economic resource relates; (b) to provide application guidance to clarify the role of primary financial statements (see paragraph C34) and the aggregation and disaggregation principles (see paragraph C35) in applying a presentation of operating expenses by function;

Analysis of operating expenses (Exposure Draft question 9)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
	bodies along with a few users) disagreed with the proposal to prohibit an entity from mixing the methods of analysis of expenses. B35. 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. B36. 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.	(c) to require an entity to present a line item for cost of sales separately from any other expenses classified by function only if the entity classifies operating expenses by function that include cost of sales; (d) to require an entity in (b) to include in cost of sales the carrying amount of inventories recognised as an expense during the period; (e) to require an entity that presents functional line items to disclose a narrative description of what types of expenses (based on their nature) are included in each functional line item; (f) to withdraw the proposed prohibition on a mixed presentation of operating expenses, and: (i) require an entity, when considering whether to present operating expenses by function or by nature, to consider the roles of primary financial statements (see paragraph C34); and (ii) provide examples of when a mixed presentation might provide the most useful information; and (g) to provide application guidance to clarify: (i) the requirement for consistent presentation of operating expenses from one reporting period to the next; and (ii) how to label nature line items when a mixed presentation is used.
Disclosure of operating expenses by nature in a single note A26. 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 (see paragraph 72 of the Exposure Draft). A27. BC109–BC114 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.	**Disclosure of operating expenses by nature in a single note** B37. 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 an analysis of operating expenses by function. B38. 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 function. B39. 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	**Disclosure of operating expenses by nature in a single note** *Confirmed proposals* C47. The IASB confirmed the proposal in the Exposure Draft to require an entity to provide information about operating expenses by nature in a single note. *Changes to the proposals* C48. The IASB tentatively decided to require an entity to disclose the amounts of depreciation, amortisation, employee benefits, impairment and write-downs of inventories included in each function line item in the statement of profit or loss. C49. The IASB decided to confirm the clarifications made in drafting that: (a) an entity that presents one or more line items comprising expenses classified by function in the statement of profit or loss is required to disclose the amounts in paragraph C48 included in any line item presented in the operating category of the statement of profit or loss; and

Analysis of operating expenses (Exposure Draft question 9)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
	will be higher than the benefits, including some entities that may not be able to provide the analysis with their existing systems. B40. Feedback from fieldwork identified practical difficulties with the proposed requirements.	(b) the total amount disclosed for employee benefits included in each line item in the statement of profit or loss includes amounts recognised applying: (c) IAS 19 Employee Benefits; and (d) IFRS 2 *Share-based Payment* for services received from employees. C50. The IASB tentatively decided: (a) to provide application guidance clarifying that the amounts required to be disclosed in paragraph C48 are not required to be expense amounts; (b) to require an entity to provide a qualitative explanation if part of the amount disclosed has been included in the carrying amount of assets. The explanation would include identifying in which assets the amounts have been included; (c) to require an entity to provide the total for each specified expense by nature in paragraph C48, already required in IFRS Accounting Standards in the single note (see paragraph C47); and (d) to require an entity to provide an explanation of which line items outside the operating category include any difference between the total amounts included in the line items in the operating category and the total described in (c).
Exemptions from general disaggregation requirements A28. The Exposure Draft did not propose exemptions from the general disaggregation requirements.	**Exemptions from general disaggregation requirements** B41. Not applicable – the IASB considered whether an exemption to the general disaggregation requirements was necessary to limit the required disclosures of items by nature to those proposed in paragraphs C48 and C50 in response to the feedback on the proposed disclosure requirements for operating expenses by nature discussed in paragraphs B37–B40.	**Exemptions from general disaggregation requirements** C51. The IASB tentatively decided to add an exemption to the general requirement to disaggregate material information. As a result, an entity would be exempt from disclosing: (a) in relation to function line items in the statement of profit or loss, the amounts of nature of expenses included therein (beyond those specifically required in paragraph C48); and (b) in relation to nature expenses that are required to be disclosed by an IFRS Accounting Standard, the amounts included in each function line item in the statement of profit or loss.

Unusual income and expenses (Exposure Draft question 10)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Definition of unusual income and expenses and disclosures A29. 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 (see paragraphs 100–102 and B67–B75 of the Exposure Draft). A30. 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 income and expenses** B42. The key messages from the feedback on the proposals relating to unusual income and expenses 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) 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. **Disclosure of unusual income and expenses** B43. Respondents were split evenly on whether or not they supported the proposed disclosure in a single note; some preferred presentation in the statement 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. B44. Others said it would be more helpful to include the information in the notes for the specific items of income and expenses in question,	**Definition and disclosure of unusual income and expenses** C52. The IASB tentatively decided that it will not proceed with any specific requirements for disclosure of unusual income and expenses as part of this project. However, the characteristic of non-recurrence will be listed as a characteristic that could lead to separate presentation or disclosure.

Unusual income and expenses (Exposure Draft question 10)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
	for example the notes for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* provisions or IAS 36 *Impairment of Assets* 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.	

Management-defined performance measures (Exposure Draft question 11)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Disclosure of management-defined performance measures in a single location in the financial statements A31. The Exposure Draft proposed that an entity disclose 'management-defined performance measures' in a single note to the financial statements (see paragraph 106 of the Exposure Draft). A32. When disclosing management-defined 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-defined 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 (see paragraph 105 of the Exposure Draft). A33. However, the Exposure Draft did not propose additional restrictions on management-defined 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.	**Disclosure of management-defined performance measures in a single location in the financial statements** B45. Many respondents agreed with the IASB's proposals to require the disclosure of management-defined 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. B46. Some respondents agreed with disclosing management-defined performance measures in a single note because it provides a single point of reference which contributes to transparency. B47. Some respondents disagreed with including management-defined performance measures in the financial statements stating the following reasons: (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 or in the Exposure Draft; (b) including management-defined performance measures in the financial statements would increase the costs of preparing financial statements; or (c) it may be challenging to audit such measures.	**Disclosure of management-defined performance measures in a single location in the financial statements** *Confirmed proposals* C53. The IASB tentatively decided to confirm the proposal to require an entity to include information about management-defined performance measures in the financial statements and that 'providing management's view of an aspect of an entity's financial performance' is the objective of management-defined performance measures. C54. The IASB tentatively decided to confirm: (a) the proposed requirement to disclose information about management-defined performance measures in a single note to the financial statements; and (b) not to add any requirements relating to an entity including disclosures about management-defined performance measures in the financial statements by reference to another document. *Changes to the proposals* C55. The IASB tentatively decided to remove the specific requirement about faithful representation. Given the general requirement for information in financial statements to give a faithful representation, the IASB decided there is no need to repeat that requirement in the specific requirements for management-defined performance measures. C56. The IASB tentatively decided to clarify that the choice of a management-defined performance measure, including how the measure is calculated is not an accounting policy as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Management-defined performance measures (Exposure Draft question 11)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Definition of management-defined performance measures A34. The Exposure Draft defined management-defined 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 (see paragraph 103 of the Exposure Draft). A35. The IASB considered but rejected: (a) imposing specific restrictions on how management-defined performance measures are calculated (see paragraph BC155 of the Basis for Conclusions on the Exposure Draft); (b) defining management-defined performance measures as all subtotals of income and expense included in an entity's annual report (see paragraph BC157 of the Basis for Conclusions on the Exposure Draft); and (c) specifically stating that management-defined performance measures should not be misleading (see paragraph BC162 of the Basis for Conclusions on the Exposure Draft).	**Definition and scope of management-defined performance measures** B48. Most respondents, including users, that agreed with requiring management-defined performance measures in the financial statements, raised concerns about the definition of management-defined performance measures. The two most significant concerns of respondents were: (a) requiring disclosure of all management-defined 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-defined 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. B49. Some respondents to the Exposure Draft said it was not clear whether individual segment measures could meet the definition of management-defined performance measures.	**Definition of management-defined performance measures** *Confirmed proposals* C57. The IASB tentatively decided to confirm the proposal to define management-defined performance measures, as subtotals of income and expenses that communicate to users of financial statements management's view of an aspect of an entity's financial performance. *Changes to the proposals* C58. The IASB tentatively decided to amend the definition of management-defined 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-defined performance measures. C59. 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 (see Appendix A of Agenda Paper 21B of this meeting). The application guidance will explain that reasonable and supportable information for rebutting the presumption would include management communicating or using a subtotal in a way that is consistent with the assertion that the subtotal does not communicate management's view. The IASB also tentatively decided to include some examples of when this could be the case. C60. The IASB tentatively decided to narrow the scope of public communications considered for the purposes of applying the definition of management-defined performance measures, by excluding oral communications, transcripts and social media posts (see Appendix A of Agenda Paper 21B of this meeting). **Scope of management-defined performance measures** *Confirmed proposals* C61. The IASB tentatively decided to confirm not to further explore expanding the scope of management-defined performance measures to include: (a) measures based on line items presented in the statements of financial performance; (b) measures based on the statement of cash flows;

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<tr><td></td><td></td><td>(c) measures based on the statement of financial position; and

(d) ratios.

Changes to the proposals

C62. The IASB tentatively decided to include in the scope of its requirements for management-defined performance measures the numerator or denominator of a ratio if that numerator or denominator meets the definition of a management-defined performance measure.

C63. The IASB tentatively decided to clarify that management-defined performance measures are measures that reflect management’s view of the performance of the entity as a whole.</td></tr>
<tr><td>Specified subtotals

A36. Totals or subtotals specified by IFRS Accounting Standards were specifically stated not to be management-defined performance measures and include:

(a) totals or subtotals required by the Exposure Draft;

(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 (see paragraph 104 of the Exposure Draft).</td><td>Specified subtotals

B50. A few respondents said that the IASB had followed a rules-based approach with respect to specified subtotals. One respondent said the IASB needs to clarify whether a management-defined performance measure can be reconciled to a specified subtotal only if that subtotal is presented in the statement of profit or loss.</td><td>Specified subtotals

Confirmed proposals

C64. The IASB tentatively decided:

(a) to confirm the proposal that the specified subtotals listed in paragraph 104 of the Exposure Draft (see paragraph A36) are not management-defined performance measures (see Appendix A of Agenda Paper 21B of this meeting); and

(b) to confirm the examples of subtotals similar to gross profit listed in paragraph B78 of the Exposure Draft.

Changes to the proposals

C65. The IASB tentatively decided:

(a) to add ‘operating profit or loss and income and expenses from investments accounted for using the equity method’ and a subtotal comprising operating profit and all income and expenses in the investing category (for entities that do not present profit before financing and income tax (see paragraph C26(e)) to the list of specified subtotals; and

(b) to specify in the application guidance that if a management-defined performance measure is reconciled to a specified subtotal that is not presented in the statement of profit or loss, an entity is required to reconcile that specified subtotal to a subtotal presented in the statement(s) of financial performance. An entity would not be required to disclose any other information relating to the specified subtotal.</td></tr>
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<tr><td>Disclosure requirements—usefulness and reconciliation

A37. The Exposure Draft proposed that an entity would be required to disclose specific information about management-defined performance measures, including:
(a) a description of why the management-defined performance measure communicates management’s view of an aspect of the entity’s financial performance (see paragraph 104(a) of the Exposure Draft); and
(b) a reconciliation to the most directly comparable total or subtotal specified by IFRS Accounting Standards (see paragraph 104(b) of the Exposure Draft).

A38. The IASB considered but rejected requiring a five-year historical summary of management-defined performance measures (see paragraph BC175 of the Basis for Conclusions on the Exposure Draft). The IASB also considered but rejected requiring an adjusted earnings per share that is based on the entity’s management performance (see paragraph BC176 of the Basis for Conclusions on the Exposure Draft).</td><td>Disclosure requirements—usefulness and reconciliation

B51. Most respondents agreed with the majority of the IASB’s proposed disclosure requirements. Many respondents, including all users, said the requirement to reconcile management-defined performance measures to the most directly comparable subtotal specified in IFRS Accounting Standards would increase the transparency and usefulness of information about these measures.</td><td>Disclosure requirements—usefulness and reconciliation

Confirmed proposals

C66. The IASB tentatively decided to confirm the proposal:
(a) to require an entity to disclose why a management-defined 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-defined performance measure is calculated;
(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-defined performance measure and the most directly comparable subtotal or total specified in IFRS Accounting Standards.

Changes to the proposals

C67. The IASB tentatively decided to:
(a) provide additional application guidance to support the proposed requirement described in paragraph C66(a). The guidance would clarify that, where doing so would be necessary for a user of financial statements to understand why a management-defined performance measure communicates management’s view of performance, the explanations described in paragraphs C66(a)(i)and C66(a)(ii) would refer to the individual reconciling items; and
(b) 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.</td></tr>
<tr><td>Disclosure of the tax effect and the effect on non-controlling interests

A39. The Exposure Draft proposed that an entity would be required to disclose:
(a) the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation (see paragraph 104(c) of the Exposure Draft); and</td><td>Disclosure of the tax effect and the effect on non-controlling interests

B52. 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-defined performance measure and the most directly comparable subtotals specified in IFRS Accounting Standards.

B53. While many users agreed with the disclosure requirements, some other respondents said that it would be:</td><td>Disclosure of the tax effect and the effect on non-controlling interests

Confirmed proposals

C68. The IASB tentatively decided to confirm the proposed requirement:
(a) to disclose the income tax effect and the effect on non-controlling interests of each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal or total specified by IFRS Accounting Standards; and
(b) in paragraph 106(d) of the Exposure Draft for an entity to disclose how it has determined the income tax effects for items reconciling a management-defined performance measure to the most directly comparable subtotal or total specified by IFRS Accounting Standards.</td></tr>
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<td>(b) how the entity determined the income tax effect for each item disclosed in the reconciliation (see paragraph 104(d) of the Exposure Draft).</td>
<td>(a) costly to obtain the information;
(b) a more onerous disclosure requirement than the disclosures required for items in the statement of profit or loss; or
(c) contrary to management-defined performance measures communicating a management view because information about tax and non-controlling interest effects is not always used by management.</td>
<td>Changes to the proposals
C69. The IASB tentatively decided to revise the requirement specifying how to calculate the income tax effect to require an entity either to calculate:
(a) the tax effects of the underlying transaction(s) at the statutory tax rate(s) applicable to the transaction(s) in the relevant jurisdictions(s);
(b) the tax effects on the basis of a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
(c) the tax effects by another method that achieves a more appropriate allocation in the circumstances.
C70. The IASB also tentatively decided to:
(a) provide application guidance requiring the disclosure for each reconciling item if more than one method is used to calculate the tax effect; and
(b) revise the requirements in paragraph 108 of the Exposure Draft for disclosures relating to changes in management-defined performance measures (see paragraph A39) so that they apply to changes to the calculation of the tax effects of reconciling items.</td>
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<td>Disclosure of changes to management-defined performance measures
A40. If an entity changed the calculation of its management-defined performance measures, introduced a new management-defined performance measure or removed a previously disclosed management-defined performance measure the Exposure Draft proposed an entity would be required to:
(a) disclose sufficient explanation for users to understand the change, addition or removal and its effects;
(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 (see paragraph 108 of the Exposure Draft).</td>
<td>Disclosure of changes to management-defined performance measures
B54. Some respondents, particularly users, agreed with the proposed requirement to disclose changes to a management-defined performance measure, including an explanation of and the reasons for the change and a restatement of comparative information. A few respondents, mostly preparers, disagreed with the proposed requirement to restate information for the comparative period when a management-defined performance measure is changed, added or removed.</td>
<td>Disclosure of changes to management-defined performance measures
Confirmed proposals
C71. The IASB tentatively decided to confirm the proposal that if an entity changes the calculation of its management-defined performance measures, introduces a new management-defined performance measure or removes a previously disclosed management-defined performance measure from its financial statements, it would be required:
(a) to disclose sufficient explanation for users to understand the change, addition or removal and its effects; and
(b) to disclose the reasons for the change, addition or removal.
Changes to the proposals
C72. The IASB tentatively decided to:
(a) amend paragraph 108(c) of the Exposure Draft to say that an entity need not provide comparative information when the entity changes a management-defined performance measure or introduces a new one, if it is impracticable to do so; and</td>
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<tr><td></td><td></td><td>(b) add a requirement that if an entity does not provide comparative information about a new or changed management-defined performance measure because it is impracticable to do so the entity shall disclose that fact (see Appendix A of Agenda Paper 21B of this meeting).</td></tr>
<tr><td>Disclosure of management-defined performance measures in interim financial statements

A41. The Exposure Draft proposed a consequential amendment to paragraph 16A of IAS 34 Interim Financial Reporting to include the disclosure requirements for management-defined performance measures in paragraph 106 of the Exposure Draft.

A42. The IASB considered but rejected not requiring the disclosure of the tax effect and the effect on non-controlling interests in condensed financial statements (see paragraph BC222 of the Basis for Conclusions on the Exposure Draft).</td><td>Disclosure of management-defined performance measures in interim financial statements

B55. Only one stakeholder commented on requirements for management-defined performance measures in interim financial reports in their comment letters on the Exposure Draft. They said that entities should not always be required to provide all the proposed disclosures about management-defined performance measures in interim financial reports if they have not changed since the most recent annual financial statements. In their view, disclosing only the reconciliation to the most directly comparable subtotals or totals specified by IFRS Accounting Standards would provide sufficient information about management-defined performance measures in condensed financial statements.</td><td>Disclosure of management-defined performance measures in interim financial statements

Confirmed proposals

C73. The IASB tentatively decided to confirm the proposal to amend IAS 34 to require the disclosure of the management-defined performance measures set out in paragraph 106 of the Exposure Draft in interim financial reports.

Changes to the proposals

C74. The IASB tentatively decided to expand the proposed amendment to IAS 34 to include the requirements that apply to changes in an entity's management-defined performance measures in the list of 'other disclosures' required by paragraph 16A of IAS 34.</td></tr>
<tr><td>Disclosure of management-defined performance measures in the same note as operating segment information

A43. The Exposure Draft proposed that if one or more of an entity's management-defined performance measures are the same as part of the operating segment information disclosed by the entity in applying IFRS 8, the entity may disclose information about those management-defined performance measures in the same note as the operating segment information, provided the entity either:

(a) includes in that note all the information required to be disclosed for management-defined performance measures; or

(b) includes in a separate note all the information required for management-defined performance measures (see paragraph B83 of the Exposure Draft).

A44. The IASB considered but rejected requiring an entity to disclose the reasons for any differences between its management-defined</td><td>Disclosure of management-defined performance measures in the same note as operating segment information

B56. A few respondents asked how the reconciliation required by paragraph 28 of IFRS 8 would interact with the reconciliation required for management-defined performance measures, in particular when there is an overlap or duplication of information. A few of these respondents said that entities would need to disclose duplicate information if they chose not to present disclosures relating to management-defined performance measures within the note presenting segment information.</td><td>Disclosure of management-defined performance measures in the same note as operating segment information

C75. The IASB tentatively decided to confirm the proposal in paragraph B83 of the Exposure Draft, which states that, if one or more of an entity's management-defined performance measures are the same as part of the operating segment information disclosed by the entity in applying IFRS 8, the entity may disclose information about those management-defined performance measures in the same note as the operating segment information, provided the entity either:

(a) includes in that note all the information required to be disclosed for management-defined performance measures; or

(b) includes in a separate note all the information required for management-defined performance measures.</td></tr>
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Management-defined performance measures (Exposure Draft question 11)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
performance measures and its operating segment measures of performance (see paragraph BC179 of the Basis for Conclusions on the Exposure Draft).		
Use of columns A45. The Exposure Draft also proposed that an entity be prohibited from using columns to present management-defined performance measures in the statement(s) of financial performance (see paragraph 110 of the Exposure Draft).	**Use of columns** B57. A few respondents expressed their disagreement with the prohibition on using columns to present management-defined performance measures. A few respondents said that the IASB should include the criteria mentioned in paragraph BC165 of the Basis for Conclusions on the Exposure Draft with respect to presenting management-defined performance measures in the statement of profit or loss.	**Use of columns** *Changes to the proposals* C76. The IASB tentatively decided to: (a) add a requirement, based on the discussion in paragraphs BC31 and BC165 of the Basis for Conclusions on the Exposure Draft, for additional subtotals and line items presented in the statement(s) of financial performance to fit into the structure of the categories required in IFRS 18; and (b) withdraw the proposal to specifically prohibit the use of columns for presenting management-defined performance measures in the statement(s) of financial performance.

Operating profit or loss before depreciation, amortisation and specified impairments (Exposure Draft question 12)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Operating profit or loss before depreciation and amortisation A46. The Exposure Draft did not propose defining EBITDA. However, the IASB proposed to exempt from the disclosure requirements for management-defined 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. A47. Paragraphs BC172–BC173 of the Basis for Conclusions on the Exposure Draft explain why the IASB has not proposed requirements relating to EBITDA.	**Operating profit or loss before depreciation and amortisation** B58. Most respondents, including most users, agreed with the IASB's proposal not to define 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. B59. Some respondents, including some users, disagreed saying the IASB should define EBITDA because it is a widely used measure that would benefit from a consistent definition.	**Operating profit or loss before depreciation, amortisation and specified impairments** *Changes to the proposals* C77. 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; (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; (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.

Statement of cash flows (Exposure Draft question 13)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Starting point for indirect method A48. 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 in the statement of cash flows (see paragraph 18(b) of IAS 7).	**Starting point for indirect method** B60. 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* C78. The IASB tentatively decided to confirm 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 A49. The Exposure Draft proposed reducing the presentation alternatives currently permitted for classification of interest and dividends by IAS 7 (see paragraphs 33A and 34A–34D of IAS 7). A50. The Exposure Draft also proposed that an entity shall present cash flows in respect of its investments in integral associates and joint ventures separately from cash flows in respect of its investments in non-integral associates and joint ventures (see paragraph 38A of IAS 7). A51. 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.	**Classification of interest and dividend cash flows** B61. 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. B62. Some respondents requested a comprehensive review of IAS 7.	**Classification of interest and dividend cash flows** *Confirmed proposals* C79. The IASB tentatively decided to confirm proposals relating to the classification of interest and dividend cash flows for entities without a specified main business activity. Accordingly, interest and dividends paid would be classified as financing activities, and interest and dividends received would be classified as investing activities. C80. The IASB tentatively decided to confirm the proposals in the Exposure Draft to require an entity with a specified main business activity to classify some cash flows within a single category of the statement of cash flows (that is, as cash flows from either operating, investing or financing activities). These cash flows are: (a) dividends received (other than dividends received from associates and joint ventures accounted for using the equity method); (b) interest paid; and (c) interest received. *Changes to the proposals* C81. The IASB tentatively decided to withdraw the proposed paragraph 38A of IAS 7 in the Exposure Draft. As a result, an entity would be required to classify in a single category, dividends received from associates and joint ventures accounted for using the equity method, applying the requirements applicable to the entity for other dividends received.

Other topics (Exposure Draft question 14)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
Other Comprehensive Income A52. The Exposure Draft proposed that an entity should present comprehensive income in the following categories: (a) remeasurements permanently reported outside profit or loss; and (b) income and expenses to be included in profit or loss in the future when specific conditions are met (see paragraph 74 of the Exposure Draft). A53. The Exposure Draft also proposed that an entity shall present line items for: (a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method, presenting separately: (i) integral associates and joint ventures; (ii) non-integral associates and joint ventures; and (b) other items of other comprehensive income classified by their nature (see paragraph 75 of the Exposure Draft).	**Other Comprehensive Income** B63. Some respondents mentioned that the proposed changes would not improve how information about other comprehensive income is communicated. A few respondents suggested a fundamental review of the requirements on other comprehensive income.	**Other Comprehensive Income** *Proposals withdrawn* C82. The IASB tentatively decided to withdraw the proposal to relabel the two categories of comprehensive income as: (a) remeasurements permanently reported outside profit or loss; and (b) income and expenses to be included in profit or loss in the future when specific conditions are met. C83. The IASB also tentatively decided to withdraw the proposal to require entities to distinguish between the share of other comprehensive income of integral and non-integral associates and joint ventures (see paragraph C29).
Effective date, transition and other topics A54. The Exposure Draft proposed an implementation period of 18–24 months and a restrospective application in accordance with IAS 8 (see paragraph 117 and 119 of the Exposure Draft). A55. The Exposure Draft also proposed that an entity shall present each of the headings and subtotals required by paragraphs 60–64 of the Exposure Draft in condensed financial statements provided in interim financial reports, despite the requirements in paragraph 10 of IAS 34 (see paragraph 118 of the Exposure Draft) A56. Paragraphs BC181–BC184 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for the proposals.	**Effective date, transition and other topics** B64. Only one respondent suggested a prospective approach in application while other stakeholders did not ask the IASB to reconsider the proposed approach to application or the requirement to present the required headings and subtotals in the condensed financial statements provided in the interim financial reports. B65. There was mixed feedback on the proposed implementation period. Some respondents, particularly preparers mentioned that a minimum of two-year implementation period is necessary while some respondents, particularly users of financial statements mentioned that they would like to see entities apply the	**Effective date, transition and other topics** *Confirmed proposals* C84. The IASB tentatively decided to confirm the proposals in the Exposure Draft to: (a) require an entity to apply IFRS 18 retrospectively in accordance with IAS 8; and (b) to require an entity to present each of the required headings and subtotals in IFRS 18 in its condensed interim financial statements in the first year of applying the IFRS 18. This requirement would also apply to a first-time adopter of IFRS Accounting Standards. *Changes to the proposals* C85. The IASB tentatively decided to: (a) require an entity to apply IFRS 18 for annual periods beginning on or after 1 January 2027;

Other topics (Exposure Draft question 14)		
Summary of proposals	**Summary of feedback**	**IASB tentative decisions in response to the feedback**
	requirements of the new Standard to their financial statements as soon as possible. B66. Most of the comments that did not respond to a specific question related to additional work respondents would like the IASB to undertake, mostly as separate projects.	(b) to provide no transitional relief from retrospective application of IFRS 18 for any earlier periods than the annual period immediately preceding the initial period of application; (c) to require an entity in the first year of applying IFRS 18 to disclose a reconciliation between each line item in the statement of profit or loss presented by applying IAS 1 and each line item presented by applying IFRS 18. This disclosure would replace the disclosure required in paragraph 28(f) of IAS 8 and would be: (i) required for the comparative period immediately preceding the period in which IFRS 18 is first applied; (ii) permitted but not required for the reporting period in which IFRS 18 is first applied; (iii) permitted but not required for comparative periods presented other than the comparative period specified in (i); (d) to require an entity to disclose the reconciliation described in (c)(i) for line items in the statement of profit or loss presented in interim financial statements for interim periods in the first year of applying IFRS 18, for both the comparable current interim period and the comparable year-to-date period of the immediately preceding financial year.