

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **Primary Financial Statements Cover Note**

### **Objective**

#### **Draft comment letter**

- 1 The objectives of the session are to:
  - (a) consider the feedback received in response to EFRAG's draft comment letter on the IASB Exposure Draft ED/2019/7 *General Presentation and Disclosures* issued by the IASB in December 2019 (the 'ED'); and
  - (b) discuss and recommend to the EFRAG Board a final comment letter on the ED. In case more time is needed to discuss and approve the final comment letter..
- 2 On 15 October 2020, EFRAG already discussed questions 1 to 6 of the ED. The agenda paper 05-05 already reflects the EFRAG TEG proposed changes.
- 3 Since the discussion on the FCL will be continued in this session for Q7 to 14, the meeting documents are mainly identical to those of October 15, except for paper 05-05 (Q1 to Q6).

### **Background**

- 4 The IASB has undertaken this project in response to concerns from investors about the comparability and transparency of companies' performance reporting.
- 5 In December 2019, the IASB published the Exposure Draft [General Presentation and Disclosure](#) (the ED) where it includes proposals to improve how information is communicated in the financial statements, with a focus on the statement of profit or loss.
- 6 The ultimate objective is to replace IAS 1 *Presentation of Financial Statements* with a new Standard that would comprise new requirements on presentation and disclosures in the financial statements and requirements brought forward from IAS 1 with only limited changes to the wording. It also sets out proposed amendments to other IFRS Standards.
- 7 The IASB expects that the proposals in this ED will affect all entities that apply IFRS Standards, including financial institutions. However, the effect of these proposals will vary between entities depending on their current practice.
- 8 EFRAG's early and extensive involvement enabled us to publish our [Draft Comment Letter](#) (EFRAG DCL) in February 2020, only two months after the publication of the IASB's ED. The comment period deadline was 28 September 2020.

### **EFRAG's initial position**

- 9 In its Draft Comment Letter, EFRAG welcomes the ED and the IASB's efforts to improve the structure and content of the primary financial statements.
- 10 EFRAG supported the IASB's proposals to present an operating, investing and financing category in the statement of profit or loss to improve comparability and reduce diversity in practice. However, EFRAG had reservations over some of the proposals in the ED:
  - (a) the newly created categories in the statement of profit or loss are not aligned with the presentation of cash flows in the statement of cash flows, however, they have similar labelling;
  - (b) clear guidance is needed on the notion of 'entity's main business activity' to distinguish between categories in the statement of profit or loss; and
  - (c) the ED proposals should consider the interaction with existing regulatory frameworks on presentation of financial statements;
- 11 EFRAG also asked for views from constituents on the IASB's approach to consider as part of the financing category the income and expenses that arise from:
  - (a) cash and cash equivalents;
  - (b) time value of money on liabilities that do not arise from financing activities.
- 12 EFRAG considered that separate presentation of integral and non-integral associates and joint ventures will result in relevant information for users of financial statements and enhance comparability. EFRAG highlighted that such presentation will involve significant judgement and needed to be tested in practice.
- 13 EFRAG welcomed the IASB's efforts to provide guidance on management performance measures (MPMs) which are often used in practice and additional guidance on non-IFRS measures could bring more transparency and consistency on their use. However, EFRAG highlighted a number of challenges in regard to the ED proposals and asked for views of its constituents on a possible alternative narrower scope. EFRAG also suggested that the IASB further articulates the link between MPMs and IFRS 8 *Operating Segments*.
- 14 EFRAG welcomed the IASB's efforts to define unusual income and expenses and to require entities to disclose such items in the notes, however the definition of unusual items seems to be rather narrow, as it focuses on whether expenses/income will occur in the future.

### **EFRAG Outreach activities**

- 15 After the publication of its draft comment letter, EFRAG realised a programme of outreach events, field-testing and stakeholder meetings in partnership with other organisations, including with the IASB.
- 16 EFRAG TEG has received several updates on the feedback received in the outreach activities. A summary of the feedback received can be found in agenda paper 05-02.
- 17 More recently, EFRAG has issued its last summary report on the outreach event took place on 16 September 2020 (in close coordination with the DASB and the IASB). For more details, please click [here](#).

### **Comment letters received**

- 18 At the time of writing, EFRAG received 36 comment letters, which have been uploaded into EFRAG website. EFRAG comment letter analysis can be found in

agenda paper 02-03. The links to the letters can be found below. You can also find comment letters received on EFRAG's website.

**EFRAG Secretariat proposed changes to the letter**

- 19 Considering the input received from constituents, in agenda paper 05-04 the EFRAG Secretariat provides EFRAG TEG a number of suggestions to change the EFRAG Draft Comment Letter.
- 20 The final letter with track changes, can be found in agenda paper 02-05

**Questions for EFRAG TEG**

- 21 Does EFRAG TEG agrees with EFRAG Secretariat proposed changes to the EFRAG DCL?
- 22 Does EFRAG TEG recommends to the EFRAG Board a final comment letter on the ED?

**Agenda Papers**

- 23 In addition to this cover note, agenda papers for this session are:
  - (a) Agenda paper 02-02 – Overview of the feedback received from outreach events and field-tests; (this document was presented to EFRAG TEG in meeting 24 September. As an appendix to this document, the EFRAG Secretariat has included the first reactions of EFRAG TEG to this document – so only the appendix is new);
  - (b) Agenda paper 02-03 – Overview of the feedback received from comment letters;
  - (c) Agenda paper 02-04 – EFRAG Secretariat suggestions to change EFRAG DCL;
  - (d) Agenda paper 02-05 – EFRAG Comment Letter with track changes;
  - (e) Agenda paper 02-06 – EFRAG Comment Letter clean version; and
  - (f) Agenda paper 02-07 – EFRAG DCL on PFS - summary of feedback and comment letters Presentation - EFRAG TEG 20-10-15.

**Links to the comment letters received (comment letters are available on EFRAG's website)**

[CL 01 Soren Ploschke - EFRAG DCL PFS 2019.pdf](#)

[CL 02 - CNC - EFRAG DCL PFS 2019.pdf](#)

[CL 03 - AE - EFRAG DCL PFS 2019.pdf](#)

[CL 04 - Erste Group - EFRAG DCL PFS 2019.pdf](#)

[CL 05 - ESMA - EFRAG DCL PFS 2019.pdf](#)

[CL 06 - KBC - EFRAG DCL PFS 2019.pdf](#)

[CL 07 - DASC - EFRAG DCL PFS 2019.pdf](#)

[CL 08 - ESBG - EFRAG DCL PFS 2019.pdf](#)

CL 09 - SUEZ - EFRAG DCL PFS 2019.pdf  
CL 10 - Allianz Group - EFRAG DCL PFS 2019.pdf  
CL 11 - DASB - EFRAG DCL PFS 2019.pdf  
CL 12 - Aviva - EFRAG DCL PFS 2019.pdf  
CL 13 - EFFAS - EFRAG DCL PFS 2019.pdf  
CL 14 - ICAEW - EFRAG DCL PFS 2019.pdf  
CL 15 - SEAG - EFRAG DCL PFS 2019.pdf  
CL 16 - Volkswagen - EFRAG DCL PFS 2019.pdf  
CL 17 - Groupe Renault - EFRAG DCL PFS 2019.pdf  
CL 18 - ICAC - EFRAG DCL PFS 2019.pdf  
CL 19 - IEAF - EFRAG DCL PFS 2019.pdf  
CL 20 - AFME - EFRAG DCL PFS 2019.pdf  
CL 21 - Insurance Europe - EFRAG DCL PFS 2019.pdf  
CL 22 - NASB - EFRAG DCL PFS 2019.pdf  
CL 23 - SFRB - EFRAG DCL PFS 2019.pdf  
CL 24 - UK FRC - EFRAG DCL PFS 2019.pdf  
CL 25 - BusinessEurope - EFRAG DCL PFS 2019.pdf  
CL 26 - EFAMA - EFRAG DCL PFS 2019.pdf  
CL 27 - CRUF - EFRAG DCL PFS 2019.pdf  
CL 28 - GSK - EFRAG DCL PFS 2019.pdf  
CL 29 - ASCG - EFRAG DCL PFS 2019.pdf  
CL 30 - BASF - EFRAG DCL PFS 2019.pdf  
CL 31 ABAF-BVFA - EFRAG DCL PFS 2019.pdf  
CL 32 - AFRAC - EFRAG DCL PFS 2019.pdf  
CL 33 - ABI - EFRAG DCL PFS 2019.pdf  
CL 34 - OIC - EFRAG DCL PFS 2019.pdf  
CL 35 - Südzucker - EFRAG DCL PFS 2019.pdf

CL 36 - ANC - EFRAG DCL PFS 2010.pdf