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## Primary Financial Statements Cover Note

### Objective

- 1 The objective of this session is to seek the views of EFRAG FR TEG members on the latest tentative decisions taken by the IASB in May 2023, which have not been discussed by the EFRAG FR TEG and EFRAG CFSS on 4 July 2023.

### Structure of the session

- 2 For each of the topics listed below, a summary of the IASB's proposal in the Exposure Draft *General Presentation and Disclosures* ("the ED"), EFRAG's position in its final comment letter, the latest IASB's discussions and decisions, and the EFRAG Secretariat analysis is provided.
- 3 The topics to be discussed are:
  - (a) Subtotals and categories (agenda paper 05-02):
    - (i) Classification in the statement of profit or loss of income and expenses from investments in associates and joint ventures accounted for using the equity method and of the related cash flows (IASB [AP21A](#), May 2023);
  - (b) Management Performance Measures (agenda paper 05-02):
    - (i) Issues related to Management Performance Measures and IFRS 8 *Operating Segments* (IASB [AP21B](#), May 2023).

### Background

- 4 In December 2019, the IASB published the [Exposure Draft General Presentation and Disclosures](#) focused on improving how information is communicated in the financial statements, with a focus on information about performance in the statement of profit or loss. The IASB's comment period ended in September 2020. EFRAG sent its [comment letter](#) to the IASB on 2 November 2020.
- 5 In early 2021, the IASB discussed the feedback received and has since made numerous tentative decisions on key aspects of the proposals in response to the feedback received. Some of these tentative decisions result in changes to the proposals in the ED.
- 6 In September 2022, the IASB launched an outreach on a targeted selection of its tentative decisions through roundtable discussions on specific topics. In addition, EFRAG sought feedback on supplemental topics where the IASB's tentative decisions would change the proposals in the ED.
- 7 Also in September 2022, EFRAG FR TEG and EFRAG CFSS members discussed the targeted outreach activities planned by EFRAG and the IASB on a selection of tentative decisions that represented a change to the initial proposals included in the IASB's ED on this project.

- 8 From October to November 2022, EFRAG organised, jointly with the IASB and in coordination with the national standard setters, a series of roundtables. The summary reports of the roundtables on 24 October, 2 November, 4 November and 15 November have been published on [EFRAG Website](#).
- 9 Finally, the EFRAG Secretariat prepared a [summary report](#) with recommendations that reflects all the feedback received during the roundtables, working groups meetings and other ad-hoc meetings. In addition, the report includes a number of recommendations to the IASB based on the feedback received. The report was submitted to the IASB together with a letter.
- 10 In their [March 2023](#) meeting, EFRAG FR TEG, EFRAG CFSS and EFRAG FRB members received an update on the IASB’s discussions on its redeliberation plan (as detailed in the following paragraph “Latest developments”).

### Latest developments

- 11 In its [January 2023](#) meeting the IASB discussed the feedback received and made a number of adjustments to its redeliberation plan to address some of the concerns raised by stakeholders (already discussed by the [EFRAG FR TEG-CFSS](#) on 15 March 2023). Shortly afterwards, in its [January](#) and [March 2023](#) meetings, the IASB re-started the redeliberations and the key topics discussed can be found below (already discussed by the [EFRAG FR TEG](#) and [EFRAG User Panel](#) on 10-11 May 2023):

<p><b>Targeted outreaches and feedback</b> <i>IASB January 2023</i></p>	<p>The IASB discussed the feedback from the targeted outreach conducted between September and December 2022 and discussed how to address the comments received, including those that:</p> <ul style="list-style-type: none"> <li>• would be addressed in the IASB’s initial redeliberations plan;</li> <li>• should be added to the IASB’s redeliberations plan;</li> <li>• should be addressed in the drafting process; and</li> <li>• no further action was required.</li> </ul>
<p><b>Subtotals and categories</b> <i>IASB January and March 2023</i></p>	<p>The IASB discussed issues related to the categories in the statement of profit or loss, including:</p> <ul style="list-style-type: none"> <li>• the accounting policy choice for the classification of income and expenses arising from cash and cash equivalents for entities that provide financing to customers as a main business activity;</li> <li>• classification of interest expense on lease liabilities when subleasing is a main business activity;</li> <li>• classification of foreign exchange differences on other liabilities; and</li> <li>• classification of income and expenses from specific hybrid contracts with host liabilities that arise from transactions that do not involve only the raising of finance and are measured at amortised cost in their entirety.</li> </ul>

<p><b>Management Performance Measures</b></p> <p><i>IASB January and March 2023</i></p>	<p>On management performance measures, the IASB discussed:</p> <ul style="list-style-type: none"> <li>• whether it should develop further application guidance for the proposed rebuttable presumption in the definition of MPM;</li> <li>• the relationship between MPM and disclosure requirements according to IAS 8 and IAS 34;</li> <li>• whether a wider range of approaches to calculating the income tax effect would improve the balance between costs and benefits; and</li> <li>• whether the IASB should require specific disclosure requirements for the approach(es) an entity uses to calculate the income tax effect.</li> </ul>
<p><b>Disaggregation and other issues</b></p> <p><i>IASB January and March 2023</i></p>	<p>The IASB discussed:</p> <ul style="list-style-type: none"> <li>• disclosure of operating expenses by nature in the notes (revised approach);</li> <li>• the relationship between the general disaggregation requirements in the ED and the specific presentation and disclosure requirements in other IFRS Accounting Standards;</li> <li>• the implications of some of the IASB’s tentative decisions for the general requirement to disaggregate material information; and</li> <li>• possible further requirements and application guidance relating to the general disaggregation requirements.</li> </ul> <p>Furthermore, the IASB discussed:</p> <ul style="list-style-type: none"> <li>• the classification of interest received in the statement of cash flows for entities other than those with specified main business activities;</li> <li>• the classification of interest received, interest paid, and dividends received for entities with specified main business activities; and</li> <li>• the withdrawal of the proposal to relabel the two categories of the other comprehensive income.</li> </ul>

12 More recently, in its [May 2023](#) meeting, the IASB discussed and redeliberated the proposals in its ED relating to:

- (a) Classification in the statement of profit or loss of income and expenses from investments in associates and joint ventures accounted for using the equity method and of the related cash flows (agenda paper 05-02); and
- (b) Issues related to Management Performance Measures and IFRS 8 *Operating Segments* (agenda paper 05-02);

### EFRAG Secretariat analysis on the IASB's latest tentative decisions

- 13 The IASB is reaching the end of its redeliberation plan and expects to finalise its discussions on this project soon.
- 14 The EFRAG Secretariat highlights some of the topics raised in EFRAG Summary Report and Recommendations that have not been yet addressed:
  - (a) Clarifications on the definition of financing category, including the classification of hybrid instruments;
  - (b) Clarification on the classification of hybrid contracts (e.g., contracts that arise from transactions that do not involve only the raising of finance); and
  - (c) Clarification on the relationship between MPM and additional subtotals, especially for financial institutions (e.g., subtotals of subtotals presented in the statement of profit or loss).
- 15 The IASB stated that these topics will be addressed in the drafting process. However, the EFRAG Secretariat expresses some concerns about addressing issues in a drafting process as there is the risk that they may not be discussed in a public meeting.

### Next steps

- 16 In accordance with the IASB workplan, the IASB is expected to publish a new IFRS Standard (if the IASB decides to not re-expose) in the first half of 2024.
- 17 In its ED, the IASB proposed to require entities to apply the new IFRS Standard after a transition period of 18–24 months starting on the date of publication with retrospective application (if a new IFRS Standard in published in 2024, the IASB's initial proposal in the ED would lead to an effective date in the year of 2026).
- 18 The IASB also proposed that the Board proposes that, in the first year of application of the proposed Standard, an entity present the proposed headings and subtotals in condensed financial statements in interim financial report(s), for both the current and comparative periods.
- 19 The effective date is expected to be discussed at the end of the IASB's redeliberations and when it gives permission to the IASB's Staff to start balloting.
- 20 The EFRAG Secretariat will continue to monitor the IASB's discussions and provide updates to EFRAG FR TEG

#### Questions for EFRAG FR TEG

- 21 Does EFRAG FR TEG have any general comments on the above summary?
- 22 Do EFRAG FR TEG members have any comments on the IASB's tentative decisions listed in paragraph 12 above and further detailed, respectively, in paragraphs 7-14, 27-28 and 35-37 of the agenda paper 05-02?
- 23 Do EFRAG FR TEG members agree with the EFRAG Secretariat analysis on the topics listed in paragraph 12 above and further detailed, respectively, in paragraphs 15-21, 29 and 38-41 of the agenda paper 05-02?
- 24 Do EFRAG FR TEG members have any comments on EFRAG Secretariat analysis, including issues raised in EFRAG Summary Report and Recommendations that have not yet been addressed by the IASB as detailed in paragraphs 13 to 15 above?
- 25 Do EFRAG FR TEG members have any comments on next steps, including effective date, as detailed in paragraph 16 to 20 above?

**Agenda Papers**

- 26 In addition to this cover note, agenda paper 05-02 *Issues paper\_Update on the latest IASB decisions* has been provided for this session.