
IASB® meeting

Date	November 2023
Project	Primary Financial Statements
Topic	Sweep issues related to aggregation and disaggregation and other topics
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Objective of this paper

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*. During the pre-ballot, the staff have identified issues on which we would like the IASB's input on related to the role of the primary financial statements to provide a 'useful structured summary' of the entity's income, expenses, assets, liabilities, equity and cash flows.
2. We have also identified other minor sweep issues that we have addressed in drafting. Appendix A summarises the issues and approaches taken to address them in drafting. The issues discussed in Appendix A are:
 - (a) disclosure of changes to management-defined performance measures;
 - (b) totals or subtotals required to be disclosed by other IFRS Accounting Standards;
 - (c) timing of public communications;

- (d) application of the requirements for management-defined performance measures to specific measures;
- (e) use of the term ‘reasonable and supportable information’ in the rebuttable presumption for management-defined performance measures;
- (f) disclosure requirement for an aggregation of items for which information is not material;
- (g) consequential amendment to IFRS 8 *Operating Segments*; and
- (h) definition of IFRS Accounting Standards.

Summary of staff recommendations

3. We recommend that the IASB:
 - (a) clarify that an entity does not assess whether the classification requirements that determine the structure of a primary financial statement will result in a useful structured summary because application of those requirements is presumed to always result in a useful structured summary;
 - (b) clarify that an entity need not present separately a specific line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if the IFRS Accounting Standards contain a list of specific required line items or describes the line items as minimum requirements;
 - (c) remove the application guidance stating that in general it is unlikely that the presentation of the list of items set out in [draft] IFRS 18 related to the statement of profit or loss, if classified in the operating category would reduce how effective the statement is in providing a useful structured summary;
 - (d) clarify instead that because of the importance of the operating category it is likely that for the statement of profit or loss to give a useful structured summary of its income and expenses, an entity will need to present more line

items for operating expenses than it will for income and expenses classified in other categories; and

- (e) make consequential clarifications to the examples in the application guidance on aggregation of operating expenses based on similar characteristics and disaggregation of operating expenses based on dissimilar characteristics.

Structure of the paper

- 4. This paper is structured as follows:
 - (a) background (paragraphs 5–10);
 - (b) staff analysis, staff recommendations and questions for the IASB (paragraphs 11–36);
 - (c) other minor sweep issues (paragraph 37);
 - (d) Appendix A—Other minor sweep issues; and
 - (e) Appendix B—Useful structured summary and the materiality process.

Background

- 5. [Draft] IFRS 18 contains guidance on the roles of the primary financial statements and the notes. The role of the primary financial statements is to provide a **structured summary** of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, which is **useful** for:
 - (a) obtaining an understandable¹ overview of the entity's recognised income, expenses, assets, liabilities, equity and cash flows;
 - (b) making comparisons between entities, and between reporting periods for the same entity; and

¹ The IASB decided to include a reference to understandability in the description of the role of primary financial statements in April 2021 (see [Agenda Paper 21A](#) of the April 2021 IASB meeting)

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- (c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.
6. The role of the notes is to provide material financial information necessary:
- (a) to enable users of financial statements to understand the items included in the primary financial statements; and
 - (b) to supplement the primary financial statements with other financial information to achieve the objective of financial statements.
7. An important outcome of the IASB's discussions to date (see [Agenda Paper 21B](#) of the January 2023 IASB meeting) is the distinction the IASB tentatively made between the threshold for aggregation and disaggregation of amounts:
- (a) for disclosure in the notes to the financial statements—materiality; and
 - (b) for amounts to be presented in the primary financial statements—fulfilling the role of the primary financial statements in paragraph 5.
8. Based on the IASB's tentative decisions to date (see [Agenda Paper 21A](#) of the February 2022 IASB meeting) an entity is required to:
- (a) present the required totals and subtotals of 'operating profit or loss', 'profit before financing and income taxes'² and 'profit or loss' because they determine the structure of the statement of profit or loss;
 - (b) present line items listed in [draft] IFRS 18³ and other IFRS Accounting Standards when the resulting presentation does not detract from a primary financial statement providing an understandable overview—it is unlikely that the presentation of these line items in the operating category would reduce

² An entity that provides financing to customers as a main business activity that selects the accounting policy to classify all income and expenses from liabilities that arise from transactions that involve only the raising of finance in the operating category does not present this subtotal (see [Agenda Paper 21A](#) of the June 2023 IASB meeting and [Agenda Paper 21A](#) of the October 2023 IASB meeting).

³ The 'minimum line items' in IAS 1 *Presentation of Financial Statements* are carried forward to [draft] IFRS 18 with the term 'minimum' removed (see [Agenda Paper 21A](#) of the February 2022 IASB meeting).

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- how useful the statement is in providing an understandable overview of the entity's income and expenses;
- (c) disclose the line items in (b) in the notes if they are material and not presented in the primary financial statement because they detract from a primary financial statement providing an understandable overview; and
 - (d) present additional line items and subtotals if such presentations are necessary for the statement to provide an understandable overview of the entity's income, expenses, assets, liabilities and equity.
9. In drafting IFRS 18, we referred to 'useful structured summary' rather than 'understandable overview' used in the IASB's tentative decisions in paragraph 8 because 'understandable overview' is one aspect of the role of the primary financial statements and 'useful structured summary' encompasses all aspects of the role of the primary financial statements. Therefore, the requirements in paragraph 8(b) and 8(d) were included in the pre-ballot draft of IFRS 18 by requiring an entity:
- (a) not to present line items listed in [draft] IFRS 18 and other IFRS Accounting Standards if doing so reduces how effective the statement is in providing a useful structured summary—if these line items are classified in the operating category of the statement of profit or loss, their presentation is unlikely to reduce that effectiveness; and
 - (b) to present additional line items and subtotals if such presentations are necessary to provide a useful structured summary.⁴
10. Reviewers of the pre-ballot draft of IFRS 18 asked us to clarify:

⁴ [Draft] IFRS 18 requires that additional line items and subtotals are:

- (a) comprised of amounts recognised and measured in accordance with IFRS Accounting Standards;
- (b) compatible with the statement structure created by the classification requirements in IFRS Accounting Standards;
- (c) consistent from period to period; and
- (d) displayed no more prominently than the totals and subtotals required by IFRS Accounting Standards.

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- (a) the relationship between the concepts of useful structured summary and materiality, including whether useful structured summary should be applied in an overarching way similar to materiality; and
 - (b) how the concept of useful structured summary is to be applied to determine presentation in the primary financial statements, including whether there are different thresholds for presenting line items listed in [draft] IFRS 18 and other IFRS Accounting Standards and additional line items and additional subtotals.

Staff analysis, staff recommendations and questions for the IASB

- 11. In this section of the paper we discuss:
 - (a) useful structured summary and materiality (see paragraphs 12–15);
 - (b) useful structured summary and the requirements related to the structure of primary financial statements (see paragraphs 16–18);
 - (c) useful structured summary and characteristics for classification in the primary financial statements (see paragraphs 19–23);
 - (d) useful structured summary and presentation of line items and subtotals (see paragraphs 24–34); and
 - (e) staff recommendations and questions for the IASB (see paragraphs 35–36).

Useful structured summary and materiality

- 12. Paragraph 7 of IAS 1 (carried forward to [draft] IFRS 18), defines material:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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13. In practice, entities apply the concept of materiality through a process as illustrated in IFRS Practice Statement 2 *Making Materiality Judgements* which provides guidance on a four-step materiality process for making materiality judgements when preparing general purpose financial statements.⁵ Step 3 of the four-step materiality process is to organise the information within the draft financial statements in a way that communicates the information clearly and concisely to primary users.
 14. As a part of step 3 of the materiality process, an entity considers the different roles of the primary financial statements and the notes in deciding whether to present an item of information separately in the primary financial statements, to aggregate it with other information or to disclose the information in the notes (see paragraph 58 of IFRS Practice Statement 2).
 15. Useful structured summary encompasses the three roles of the primary financial statements (see paragraph 5). Therefore, we think it would be helpful to clarify in education materials that useful structured summary describes the roles of primary financial statements that an entity would apply in step 3 of the materiality process as illustrated in Appendix B to aggregate amounts to be presented in the primary financial statements. In the following sections we discuss how an entity would apply useful structured summary to determine those amounts to be presented.

Useful structured summary and requirements related to the structure of primary financial statements

16. IFRS Accounting Standards contain requirements that determine the structure of a primary financial statement. They include the requirements in:
 - (a) [draft] IFRS 18 to present required totals and subtotals and classify income and expenses in categories in the statement of financial performance;

⁵ The Practice Statement is non-mandatory guidance.

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- (b) [draft] IFRS 18 to present assets, liabilities and equity and to classify assets as current or non-current or in order of liquidity (see [Agenda Paper 21A](#) of the October 2023 IASB meeting);
 - (c) paragraph 10 of IAS 7 *Statement of Cash Flows* to present cash flows from operating activities, investing activities and financing activities and paragraph 45 of IAS 7 to present cash and cash equivalents;
 - (d) [draft] IFRS 18 to present total comprehensive income and reconciliations of components of equity in the statement of changes in equity;
 - (e) [draft] IFRS 18 to use specific characteristics to determine classification of amounts in primary financial statements discussed further in paragraphs 19–23;and
 - (f) [draft] IFRS 18 to attribute amounts to non-controlling interests and holders of claims against the parent classified as equity.
17. These requirements will result in presentations that fulfil the role of the primary financial statements because they determine the structure of a primary financial statement that is comparable between entities. Whilst it is possible for entities to identify a structure for a primary financial statement that also provides a useful structured summary, any alternative structure would not be comparable across entities.
18. As comparability is one of the three aspects of the role of primary financial statements and the structure defined in IFRS Accounting Standards provides a useful structured summary, we recommend that the IASB clarify that an entity does not assess whether requirements that determine the structure of a primary financial statement will result in a useful structured summary because application of those requirements is presumed to always result in a useful structured summary.

Useful structured summary and characteristics for classification in the primary financial statements

19. IFRS Accounting Standards contain characteristics to determine classification of amounts to be presented in a primary financial statement. An entity will use these characteristics to determine a presentation that results in the primary financial statements providing a useful structured summary of the entity's income, expenses, assets, liabilities, equity and cash flows.
20. [Draft] IFRS 18 requires an entity to aggregate information about individual transactions and other events into line items it presents in primary financial statements based on shared characteristics and disaggregate information about items on the basis of characteristics that are not shared.
21. [Draft] IFRS 18 contains requirements for classification and presentation of expense line items in the operating category using one or both characteristics of the nature of the expense or the function of the expense within the entity. Any individual line item shall comprise expenses aggregated on the basis of by nature of the expense (by nature) or by the function of the expense within the entity (by function). However, the same characteristic does not have to be used for all the line items in the operating category.
22. In the statement of financial position, [draft] IFRS 18 requires an entity to use:
 - (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 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 (see [Agenda Paper 21A](#) of the October 2023 IASB meeting).

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23. An entity would apply the requirements in paragraphs 20–22 to determine a presentation that results in the primary financial statements providing a useful structured summary of the entity’s income, expenses, assets, liabilities, equity and cash flows. If the outcome of applying those characteristics would result in more than one useful structured summary for a primary financial statement, the entity would exercise judgement to determine which useful structured summary provides the most useful structured summary. We do not think that the IASB needs to make any additional clarifications of these requirements because they are already reflected in the drafting of IFRS 18.

Useful structured summary and presentation of line items and subtotals

24. [Draft] IFRS 18 contains requirements for presentation of line items listed in IFRS 18 and other IFRS Accounting Standards and additional line items and additional subtotals. However, it uses different phrases to determine when to present these line items and subtotals (see paragraph 9) which resulted in comments from reviewers of the pre-ballot draft of IFRS 18 to ask us to clarify the thresholds for presentation of these line items and subtotals (see paragraph 10(b)). We think that the IASB should:
- (a) remove the complexity that different phrases introduce by simplifying the requirements;
 - (b) clarify that the revised requirements apply to line items included in IFRS Accounting Standards; and
 - (c) clarify the requirements for presentation of line items in the operating category of the statement of profit or loss.

Line items listed in [draft] IFRS 18 and other IFRS Accounting Standards

25. To achieve the objectives in (a) and (b) of paragraph 24, we recommend that the IASB clarify in [draft] IFRS 18 that some IFRS Accounting Standards require specific line items to be presented separately in the primary financial statements, for example the line items listed in [draft] IFRS 18 for the statement of profit or loss and the statement

of financial position. An entity need not present separately a line item in a primary financial statement *if doing so is not necessary* for the statement to provide a useful structured summary. This is the case even if the IFRS Accounting Standards contain a list of specific required line items or describes the line items as minimum requirements.

26. As a result of this recommendation, ‘if doing so is not necessary for the statement to provide a useful structured summary’ would replace ‘if doing so reduces how effective the statement is in providing a useful structured summary’ used in the pre-ballot draft (see paragraph 9(a)). The revised wording in paragraph 25 also responds to the feedback that the concept of a useful structured summary should be applied in an overarching way, similar to the application of materiality (see paragraph 10(a)). Consistent with the concept of materiality, the explanation in paragraph 25 also means that the requirements in [draft] IFRS 18 for useful structured summary will apply to all IFRS Accounting Standards which contain requirements for presentation of line items without the need for the IASB to amend the wording in those Standards.
27. The proposed changes do not change the requirement to disclose these line items in the notes when they are material and the entity determines that they should not be separately presented because doing so is not necessary for a primary financial statement to provide a useful structured summary (see paragraph 8(c)).

Additional line items and subtotals

28. For additional line items and subtotals we do not think that the IASB needs to revise the wording in the pre-ballot draft. As a result, an entity would be required to present additional line items and subtotals if such presentations are necessary to provide a useful structured summary. [Draft] IFRS 18 requires additional line items and subtotals presented because they are necessary to provide a useful structured summary to be:
- (a) comprised of amounts recognised and measured in accordance with IFRS Accounting Standards;

- (b) compatible with the statement structure created by the classification requirements in IFRS Accounting Standards;
- (c) consistent from period to period; and
- (d) displayed no more prominently than the totals and subtotals required by IFRS Accounting Standards.

Line items in the operating category of the statement of profit or loss

29. The pre-ballot draft of IFRS 18, stated that in general it is unlikely that the presentation of the list of items set out in [draft] IFRS 18 related to statement of profit or loss, if classified in the operating category would reduce how effective the statement is in providing a useful structured summary (see paragraph 9(a)). This requirement results in additional complexity in the requirements and would generally result in line items that are in the list and classified in the operating category always being presented, if they are material.
30. However, for a number of entities presenting these line items may not result in a useful structured summary of the entity's income and expenses as most of the items in the list are relevant to entities that provide financial services, such as banks and insurers. Therefore, this requirement is not likely to be an effective tool for all entities that would achieve disaggregation in the operating category that results in a useful structured summary. For example, it would compel a general corporate to present credit impairment losses even though it may not result in the statement of profit or loss providing a useful structured summary of the entity's income and expenses.
31. Therefore, we recommend that the IASB remove the statement 'that in general it is unlikely that the presentation of the list of items set out in [draft] IFRS 18 related to the statement of profit or loss, if classified in the operating category would reduce how effective the statement is in providing a useful structured summary' and replace it with application guidance that achieves the objective in paragraph 24(c) to clarify the requirements for presentation of line items in the operating category of the statement of profit or loss.

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32. We recommend that the IASB state in [draft] IFRS 18 that because of the importance of the operating category, it is likely that for the statement of profit or loss to fulfil the role of the primary financial statements, ie to give a useful structured summary of its income and expenses, an entity will need to present more line items for operating expenses than it will for income and expenses classified in other categories.
33. We recommend that this application guidance is accompanied by consequential clarifications to the examples in the application guidance in [draft] IFRS 18 on aggregation of operating expenses based on similar characteristics and disaggregation of operating expenses based on dissimilar characteristics. Changes are struck through and additions are underlined.

...For example, an entity might have various administrative activities (such as human resources, information technology, legal and accounting). To provide a useful structured summary of its operating expenses the entity might aggregate expenses relating to those activities on the basis of their shared characteristic—all are expenses for resources consumed in administrative activities. Accordingly, the entity might present them in a line item described as ‘administrative expenses’.

The entity might also have expenses for resources consumed in selling activities. These expenses have a dissimilar characteristic from the administrative expenses—selling expenses arise from resources consumed in selling activities and administrative expenses arise from resources consumed in administrative activities. These characteristics ~~might be sufficiently dissimilar to require~~ are sufficiently dissimilar that it is likely that disaggregation—presentation in separate line items for selling expenses and administrative expenses—is necessary to provide a useful structured summary of the entity’s expenses.

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34. The clarifications to the requirements in paragraphs 32–33 will strengthen the emphasis on the importance of disaggregation of the operating category in the statement of profit or loss.

Staff recommendations and questions for the IASB

35. As a result of our analysis in paragraphs 12–34, we recommend that the IASB:
- (a) clarify that an entity does not assess whether the classification requirements that determine the structure of a primary financial statement will result in a useful structured summary because application of those requirements is presumed to always result in a useful structured summary;
 - (b) clarify that an entity need not present separately a specific line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if the IFRS Accounting Standards contain a list of specific required line items or describes the line items as minimum requirements;
 - (c) remove the application guidance stating that in general it is unlikely that the presentation of the list of items set out in [draft] IFRS 18 related to the statement of profit or loss, if classified in the operating category would reduce how effective the statement is in providing a useful structured summary;
 - (d) clarify instead that because of the importance of the operating category it is likely that for the statement of profit or loss to give a useful structured summary of its income and expenses, an entity will need to present more line items for operating expenses than it will for income and expenses classified in other categories; and
 - (e) make consequential clarifications to the examples in the application guidance on aggregation of operating expenses based on similar characteristics and disaggregation of operating expenses based on dissimilar characteristics.

36. We think that these recommendations will respond to the requests from reviewers of the pre-ballot draft of IFRS 18 to clarify useful structured summary, remove unnecessary complexity in the requirements and preserve the IASB's objective of emphasising the importance of disaggregation of the operating category in the statement of profit or loss. We also think it would be helpful to explain in education materials how useful structured summary fits within the materiality process.

Question for the IASB

1. Does the IASB agree with the staff recommendation in paragraph 35?
2. Does the IASB have any comments on explaining in education materials how useful structured summary fits within the materiality process?

Other minor sweep issues

37. Appendix A summarises minor sweep issues and approaches taken to address them.

Question for the IASB

3. Does the IASB have any comments on the minor sweep issues in Appendix A of this paper?

Appendix A—Other minor sweep issues

A1. The following table outlines minor sweep issues and approaches taken in drafting to address them:

	Issue	How we addressed in drafting
Sweep issues relating to management-defined performance measures		
Disclosure of changes to management-defined performance measures	<p>In March 2023 (see Agenda Paper 21C), the IASB tentatively decided:</p> <p>(a) 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 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; and</p> <p>(b) to 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.</p>	<p>In drafting IFRS 18 we have added that in assessing whether it is impracticable to provide comparative information about a new or changed management-defined performance measure, an entity shall apply the requirements in paragraphs 50–53 of IAS 8 in this assessment despite the choice of a management-defined performance measure not being an accounting policy choice.</p>

	Issue	How we addressed in drafting
<p>Totals or subtotals required to be disclosed by other IFRS Accounting Standards</p>	<p>Totals and subtotals are sometimes required to be disclosed by other IFRS Accounting Standards. An example of such a subtotal is that required by paragraph B64(q)(ii) of IFRS 3 <i>Business Combinations</i>, which requires an acquirer to disclose, for each business combination that occurs during the reporting period, the profit or loss for the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.</p> <p>The pre-ballot draft of IFRS 18 included application guidance on measures that depict hypothetical transactions and events and included this profit or loss measure as an example of a proforma measure that is not a management-defined performance measure. However, this application guidance resulted in a number of questions and concerns from reviewers of the pre-ballot draft of IFRS 18.</p>	<p>In drafting IFRS 18, we will remove the application guidance related to hypothetical transactions and events and refine the drafting to clarify that a total or subtotal of income and expenses required to be presented or disclosed by another IFRS Accounting Standard is not a management-defined performance measure.</p> <p>As a result, totals and subtotals in IFRS Accounting Standards, such as the subtotal required by paragraph B64(q)(ii) of IFRS 3 and totals and subtotals that the IASB adds to IFRS Accounting Standards in the future, would not be a management-defined performance measure.</p>

<p>Timing of public communications</p>	<p>In most jurisdictions, entities issue public communications, such as press releases, before or on the same day the financial statements are authorised for issue. Measures included in these public communications are subject to the requirements for management-defined performance measures.</p> <p>Reviewers of the pre-ballot draft said that, in some jurisdictions, investor presentations that include performance measures are not made available until after the financial statements are authorised for issue.</p> <p>They asked the IASB to clarify that such measures would meet the definition of management-defined performance measures in the financial statements for the following period because:</p> <ul style="list-style-type: none"> (a) practical issues would arise in determining the completeness of management-defined performance measures if these measures are required to be included in financial statements that are authorised for issue prior to issuing the public communications containing the measures; and (b) an entity could avoid the disclosures for management-defined performance measures by always including them in public communications issued after the financial statements are authorised for issue. <p>Examples which may arise in practice include:</p> <ul style="list-style-type: none"> (a) measures which an entity routinely includes in public communications issued after the financial statements are authorised for issue; and (b) new measures that an entity includes in public communications issued after the financial statements are authorised for issue. 	<p>In drafting IFRS 18, we will clarify that when an entity routinely issues public communications containing performance measures after the financial statements are authorised for issue, an entity shall consider the measures it included in public communications related to the previous reporting period to identify management-defined performance measures for the current period, unless there is evidence that indicates a measure will not be included in the public communications to be issued relating to the current reporting period.</p> <p>As a result, if an entity routinely includes a measure in its public communications issued after the date the financial statements are authorised for issue, on transition to IFRS 18, it would consider the public communications issued for the previous period financial statements to identify which measures are management-defined performance measures in the period of initial application of IFRS 18.</p> <p>For example, when an entity includes EBITDA in its public communications in the year prior to initial application of IFRS 18 then the entity would apply the requirements for management-defined performance measures to EBITDA on transition to IFRS 18 unless there is evidence that indicates otherwise, such as when the entity communicates that it plans to use in future public communications ‘operating profit before depreciation, amortisation and impairments (OPDAI)’ specified in IFRS Accounting Standards instead of EBITDA.</p> <p>If there were no such evidence and the entity does not rebut the presumption that a measure included in public communications represents management’s view, then it would provide the management-defined performance measures disclosures for EBITDA in the financial statements on initial application of IFRS 18, including for the comparative period,</p>
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	Issue	How we addressed in drafting
	<p>Other examples may arise in practice. However, we do not think that the IASB needs to consider every possible scenario because public communications issued after the financial statements are authorised for issue do not occur frequently in most jurisdictions.</p>	<p>even though EBITDA has not yet been included in public communications before or on the date the financial statements are authorised for issue related to this reporting period.</p> <p>If an entity introduces a new measure in public communications issued after the date the financial statements are authorised for issue, it would apply the requirements for management-defined performance measures in the following period unless there is evidence that indicates otherwise. For example, if an entity included EBITDA at the request of an investor in its public communications issued after the financial statements for the previous period were authorised, it could consider rebutting the presumption that this measure represents management's view when determining which measures meet the definition of management-defined performance measures in the financial statements for the current period.</p>
<p>Application of the requirements for management-defined performance measures to specific measures</p>	<p>Reviewers of the pre-ballot draft of IFRS 18 asked for clarification on how an entity would apply the requirements for management-defined performance measures to specific measures—for example, a measure that includes only income and expenses classified in the investing and financing categories.</p> <p>As part of our analysis, we noted that similar application questions may arise for other measures. We also noted that in some instances an entity may consider rebutting the presumption that a measure included in public communications represents management's view.</p>	<p>We analysed the comments and considered various approaches to address them, including whether to add additional subtotals to the list of specified subtotals that are not management-defined performance measures.</p> <p>However, such an approach may have unintended consequences for application of the requirements and additional guidance may contribute to unnecessary complexity. Therefore, we have not made any drafting changes in response to this feedback and recommend the IASB monitor application of the management-defined performance measures disclosure requirements as part of their monitoring activities for implementation of IFRS 18.</p>

	Issue	How we addressed in drafting
<p>Use of the term 'reasonable and supportable information' in the rebuttable presumption for management-defined performance measures</p>	<p>In November 2021 (see Agenda Paper 21A) the IASB tentatively decided to establish in the requirements for management-defined performance measures a presumption that a subtotal of income and expenses included in an entity's public communications outside the financial statements represents management's view of an aspect of the entity's financial performance. In March 2023 (see Agenda Paper 21B) the IASB decided to provide further application guidance on 'reasonable and supportable information' that would support rebutting this presumption.</p> <p>During the March 2023 meeting several IASB members raised questions about the use of the term 'reasonable and supportable information' and whether it was being used consistently with other IFRS Accounting Standards.</p>	<p>The drafting in IFRS 18 has been aligned with the use of 'reasonable and supportable information' in paragraph B5.5.20 of IFRS 9 <i>Financial Instruments</i>. That paragraph explains when an entity can rebut the presumption that credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due—when it has reasonable and supportable information available that demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument. In the staff's view the purpose of 'reasonable and supportable information' in this paragraph is the same as its use in IFRS 18.</p> <p>IFRS 9 uses 'reasonable and supportable information' for other purposes in a different way. For example, paragraph B5.5.27 requires an entity to assess whether there has been a significant increase in credit risk since initial recognition on the basis of <i>all</i> reasonable and supportable information that is available without undue cost or effort. However, in the staff's view the purpose of 'reasonable and supportable information' in this case is different to its use in IFRS 18.</p>

	Issue	How we addressed in drafting
Sweep issues relating to aggregation and disaggregation		
Disclosure requirement for an aggregation of items for which information is not material	<p>In January 2023 (see Agenda Paper 21D), the IASB tentatively decided that for an aggregation comprising only items for which information is not material, an entity would be required to consider whether the aggregated amount is sufficiently large that users of financial statements might question whether it includes items for which information would be material. If so, further information about that amount is material and accordingly would be provided by the entity.</p> <p>Examples of material information for these amounts are:</p> <ul style="list-style-type: none"> (a) an explanation that no items for which information would be material are included in the amount; or (b) an explanation that the amount comprises several items for which information would not be material with an indication of the nature and amount of the largest item. <p>Several reviewers of the pre-ballot draft of IFRS 18 raised concerns about this disclosure.</p>	<p>To address the concerns raised, in drafting IFRS 18 we will clarify that material information is provided by the explanation that the aggregation does not contain material information. This will help to explain that the disclosure requirement does not require entities to disclose information that is not material.</p>

	Issue	How we addressed in drafting
Sweep issues relating to other topics		
Consequential amendment to IFRS 8 <i>Operating Segments</i>	<p>Paragraph 23(f) of IFRS 8 requires an entity to disclose, for each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker even if not included in that measure of segment profit or loss, material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 <i>Presentation of Financial Statements</i>. Paragraph 98 of IAS 1 includes circumstances that would give rise to separate disclosure of items of income and expense.</p> <p>The Exposure Draft proposed to delete paragraph 97 of IAS 1 and carry forward paragraph 98 without change as paragraph B15 of the Exposure Draft. In the redeliberations, the IASB added non-recurring income and expenses to the list as a result of the IASB's decision not to proceed with the proposals for unusual income and expenses in the Exposure Draft (see Agenda Paper 21A of the September 2022 IASB meeting)..</p> <p>The requirement in the pre-ballot draft of IFRS 18 that replaces paragraph 97 of IAS 1 requires an entity to disaggregate information whenever the resulting information is material. If an entity does not present such information in the primary financial statements, it shall disclose the information in the notes.</p> <p>Feedback on the pre-ballot draft suggests that it would be useful to refer, within IFRS 8, to the equivalent of paragraph 98 of IAS 1, as these paragraphs will no longer follow directly from one another in [draft] IFRS 18. Stakeholders have said that, in practice, paragraphs 97–98 of IAS 1 were read together.</p>	<p>In drafting the consequential amendment to paragraph 23(f) of IFRS 8, we will clarify that an entity shall disclose, for each material reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise provided to the chief operating decision maker even if not included in that measure of segment profit or loss, material items of income and expense disclosed in accordance with paragraph [X] of IFRS 18 (which replaces paragraph 97 of IAS 1), <u>considering in particular the items listed in paragraph [BY] of IFRS 18</u> (which carries forward paragraph 98 of IAS 1).</p>

	Issue	How we addressed in drafting
<p>Definition of IFRS Accounting Standards</p>	<p>Paragraph 7 of IAS 1 defines International Financial Reporting Standards (IFRSs) as Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:</p> <ul style="list-style-type: none"> • International Financial Reporting Standards; • International Accounting Standards; • IFRIC Interpretations; and • SIC Interpretations. <p>The Exposure Draft proposed to move this definition to Appendix A—Defined terms with minor drafting changes.</p> <p>Following the formation of the International Sustainability Standards Board (ISSB), IFRS Standards are defined in the IFRS Foundation Constitution as both IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.</p>	<p>Subject to limited outreach with national standard-setters, we will clarify in drafting IFRS 18 that the definition of <u>IFRS Accounting Standards</u> are accounting standards issued by the International Accounting Standards Board (IASB). They comprise:</p> <ul style="list-style-type: none"> • IFRS Accounting Standards; • International Accounting Standards; • IFRIC Interpretations; and • SIC Interpretations. <p>We will further clarify that IFRS Accounting Standards were previously known as International Financial Reporting Standards, IFRS, IFRSs and IFRS Standards.</p> <p>The definition of IFRS Accounting Standards will be included in Appendix A of IFRS 18. The definition will also be included in IAS 8. This is because the requirements relating to basis of preparation have been moved from IAS 1 to IAS 8.</p>

Appendix B—Useful structured summary and the materiality process

B1. This diagram illustrates how useful structured summary relates to the materiality process in IFRS Practice Statement 2 *Making Materiality Judgements*.

