IFRS

STAFF PAPER

May 2018

IASB® Meeting

Project	**Primary Financial Statements**
Paper topic	Cover note and results from NSS disaggregation survey

CONTACT(S)	Aida Vatrenjak	avatrenjak@ifrs.org	+44 (0)207246 6456
	Minhee Cho	mcho@ifrs.org	+44 (0)20 7246 6453
	Denise Durant	ddurant@ifrs.org	+44 (0)20 7246 6469

Purpose of the meeting

1. At this meeting, we will:
   (a) seek the Board's views on outstanding issues from the April 2018 Board meeting on management performance measures and adjusted earnings per share;
   (b) seek the Board's views on staff proposals to improve the level of aggregation and disaggregation of line items in the primary financial statements and in the notes; and
   (c) provide the Board with a summary of the results of a survey we have conducted on aggregation and disaggregation requirements of national standard-setters (see Appendix A to this cover paper).
2. This cover note includes the following:
   (a) list of papers that will be discussed during this meeting;
   (b) our planned next steps in this project;
   (c) a summary of findings from outreach with national standard-setters (NSS) about aggregation and disaggregation requirements (Appendix A); and
   (d) a summary of the Board's tentative decisions to date (Appendix B).

Papers for this meeting

3. Agenda papers for this meeting:

   (a) **Agenda Paper 21A** discusses additional staff proposals to improve the level of aggregation and disaggregation of line items in the primary financial statements and in the notes.

   (b) **Agenda Paper 21B** discusses criteria to help entities determine whether to analyse expenses by function or by nature in the statement(s) of financial performance; and discusses if the requirement in paragraph 104 of IAS 1 to disclose additional information about the nature of expenses when classifying expenses by function should be amended.

   (c) **Agenda Paper 21C** discusses outstanding issues from the April 2018 Board meeting on management performance measures and adjusted earnings per share.

Next steps

4. At future Board meetings, we plan to discuss:

   (a) applying project proposals to address more complex scenarios, for example, discussing entities that provide financial services;

   (b) addressing the feedback on Section 5 of the Discussion Paper *Disclosure Initiative—Principles of Disclosure*—Use of performance measures in the financial statements, including whether to define EBITDA, allow or require presentation of infrequently occurring items, and allow or require use of columns in presenting financial performance;

   (c) outstanding issues on subtotals in the statement(s) of financial performance —review and labelling of categories and subtotals;

   (d) identifying minimum line items to present on the face of the statement of performance;

   (e) discussing proposals to develop templates for financial statements, including the status and location of such templates;

(f) outstanding issue on other comprehensive income—presenting tax;

(g) moving the project from the research to the standard-setting agenda; and

(h) deciding which type of consultative document to publish to obtain feedback on the Board’s tentative decisions.

Appendix A: Summary of outreach with national standard-setters

Introduction

A1. This appendix summarises the results of outreach with national standard-setters (NSS), which we undertook to inform our work on aggregation and disaggregation.

A2. We considered the findings from the outreach when developing the recommendations in papers on disaggregation and aggregation for this Board meeting. We will also consider the findings when developing future staff proposals for additional minimum line items and templates.

A3. We consulted NSS using a questionnaire, which asked for information related to annual reporting only.

Why did we consult with NSS?

A4. In defining the scope of the Primary Financial Statements project, we performed initial research and outreach with investors and other stakeholders about the aggregation and disaggregation of line items in the statement(s) of financial performance. However, the feedback was general; for example, respondents simply asked for more disaggregated information. Such comments were at too high a level to help us identify potential improvements.

A5. We also reviewed academic and non-academic materials—articles and publications by regional financial reporting advisory groups, private institution's research and regulator output—for useful information related to the principles of aggregation and disaggregation and minimum line items. However, these reviews generally repeated what we have already heard from our previous outreach.

A6. At the September 2017 meeting, the Board asked the staff to develop suggested principles on aggregation and disaggregation, including considering quantitative thresholds to prevent 'over-aggregation'. The Board also supported development of guidance on the disaggregation of significant functional line items such as costs of sales as well as general and administrative, selling and distribution expenses.

A7. The staff thought that an understanding of local requirements and guidance developed by NSS and regulators about aggregation and disaggregation would help inform our work. For this reason, we decided to consult with NSS on these topics.

Which countries did we consult?

A8. We identified 23 target countries based on gross domestic product (GDP) and geographical region:

(a) the staff used GDP as the main selection criteria to identify accounting guidance and requirements that had been widely developed and used by many entities in practice. We selected 20 countries based on their GDP.

(b) next, we considered geographical region. The top 20 countries by GDP are concentrated in: the European Union (6); greater Europe (3); Asia (5); the Americas (4); Oceania (1); and the Middle East (1). To this list we added a country each from Oceania and the Middle East and two African countries, giving us a better geographical balance and bringing our sample to a total of 23 countries.

(c) we excluded the United States from our outreach because we had already received US input from a previous FASB–IASB joint project.

A9. We received responses from 19 countries: Australia, Brazil, Canada, China, France, Germany, Indonesia, Italy, Japan, Mexico, New Zealand, Nigeria, Saudi Arabia, South Africa, South Korea, Spain, Switzerland, Turkey and the United Kingdom.

What topics were covered by the questionnaire?

A10. The questionnaire asked NSS to identify any requirements or guidance in their local GAAP, regulations or law relating to aggregation or disaggregation; asking them to separately identify requirements or guidance that apply to entities that apply IFRS Standards and those that apply to entities that use local GAAP. We asked NSS to focus answers on the guidance relating to the statement(s) of financial performance because improving its content and structure is the main purpose of this project.

A11. The specific questions related to:

(a) general principles on aggregation and disaggregation, focusing on qualitative characteristics and other disaggregation guidance, for example, focusing on how to analyse significant functional line items into different natural components;

(b) quantitative thresholds for disaggregation or aggregation;

(c) guidance on minimum line items; and

(d) templates for the statement(s) of financial performance.

A12. There were two sets of questions, one for entities applying IFRS Standards and the other for entities that apply local GAAP.

Summary of findings on local guidance or requirements for entities applying IFRS Standards

A13. Seventeen of 19 responses came from jurisdictions that require or permit use of IFRS Standards. Eleven of those responses said there was no additional guidance or requirements relating to aggregation and disaggregation in the statement of financial performance for entities applying IFRS Standards in their jurisdiction.

A14. The remaining six jurisdictions reported additional requirements for the presentation of financial performance which include additional line items, templates and use of thresholds. We summarise these by jurisdictions as follows:

(a) the Saudi Organization for Certified Public Accountants (SOCPA) has added several requirements and disclosures while making transition to IFRS. For example, SOCPA requires disclosure of: 'revenue, presenting separately interest revenue calculated using the effective interest method; <u>and presenting other financing revenue and other revenue separately</u>' (the underlined items have been added by SOCPA). The separation of revenue types was introduced to reflect the current practice of Saudi companies, which is to distinguish between revenue from main operations and other revenue.

(b) the Korea Accounting Standard Board (KASB) requires the presentation of operating profit or loss on the face of the statement(s) of financial performance. Operating profit or loss is defined as revenue minus cost of sales and selling and administrative expenses. However, in cases when it is difficult to determine the cost of sales, or when the entity uses the nature of expense method, an entity is permitted to calculate the operating profit or loss by subtracting the operating expenses from operating income. The main items included in the calculation of operating profit or loss are presented on the face of the statement(s) of financial performance or disclosed in the notes.

(c) Brazil sets out a quantitative threshold for disaggregation and aggregation of line items in the financial statements as part of its general corporate law. That law requires that similar items be grouped in the financial statements and small balances be aggregated, provided that they are described and do not exceed 0.1 (one tenth) of the value of the respective group of accounts. This law also sets out line items and subtotals to be included in the statement(s) of financial performance, which include some line items and subtotals not required in IFRS Standards (for example gross profit). Furthermore, all Brazilian banks applying IFRS Standards must follow templates provided by the Central Bank.

(d) Capital Market Board of Turkey sets out mandatory line items and subtotals in the template for the statement(s) of financial performance for listed entities, which include line items and subtotals not required in IFRS Standards, such as research and development costs, gross profit and profit before financing. The banking regulator (the Banking Regulation and Supervision Agency (BRSA)) sets out mandatory templates for banks, which analyse expenses by nature and include subtotals such as net interest income. Furthermore, the banking regulator sets out a quantitative threshold for banks, requiring that if ‘other’ items (ie other operating income, other operating expense) in the statement(s) of financial performance amount to more than 10% of profit, they should be disaggregated further to present at least 20% of the ‘other’ line item separately. In addition, the Public Oversight Authority of Turkey issued a set of illustrative financial statements, including template and suggested line items for general financial statements.

(e) *The Autorite Des Normes Comptables* in France issued non-mandatory recommendations for entities which include definitions and names for the line items of the statement(s) of financial performance, including operating profit. The recommendations also include examples of further disaggregation for each line item, as well as two types of template for the statement(s) of financial performance (one showing an analysis of expenses by function and the other an analysis of expenses by nature).

(f) the Financial Services Agency in Japan issued an illustrative example of Consolidated Financial Statements as required by IFRS Standards.

National guidance or requirements for entities that do not apply IFRS Standards

A15. Fifteen out of 19 jurisdictions surveyed either provide templates for the statement of financial performance or require presentation of a list of 'minimum' line items, with 10 having both. Four of the 15 jurisdictions also use quantitative thresholds for the disaggregation of line items in the primary financial statements, with two of those jurisdictions (Japan and Turkey) having all three (ie templates, minimum line items and thresholds).

A16. We have analysed the findings on disaggregation guidance as follows:

- principles of aggregation and disaggregation (paragraph A17–A18);
- quantitative thresholds (paragraph A19-A20);
- minimum line items for the statement(s) of financial performance (paragraph A21–A25); and
- template(s) for the statement(s) of financial performance (paragraph A26–A29).

Principles of aggregation and disaggregation

A17. Aggregation and disaggregation principles developed by NSS are similar to the requirements for aggregation of line items in IAS 1 even though they can be worded in a slightly different way.

A18. The accounting guidance in some jurisdictions encourages entities to provide supplementary information (by natural component) for the functional line items in their statement(s) of financial performance. For example, article 39 of China's *ASBE 30 Presentation of Financial Statements* is similar to paragraph 104 of IAS 1; however, it has one additional line item—'raw materials used'.

Quantitative thresholds

A19. Four of the surveyed countries—Indonesia, Japan, Brazil and Turkey—have *mandatory* quantitative thresholds for the disaggregation and aggregation of line items in the statement(s) of financial performance. The thresholds applied to the line items in the statement(s) of financial performance are expressed in percentages of a reference item and range from 10% to 20%, with slightly different methods of calculation among countries.

A20. For reference, US SEC Regulation S-X also has a quantitative threshold for the separate presentation of revenue line items. The Security and Exchange Commission provides detailed revenue subcategory list and requires separate presentation only if a sub-category item exceeds 10% of 'total revenue'.

Minimum line items for the statement(s) of financial performance

A21. Whether jurisdictions have requirements or guidance on minimum line items is often closely related to whether they provide templates because templates effectively either require or suggest minimum line items.

A22. Twelve jurisdictions provided a list of minimum line items to be presented in the statement(s) of financial performance. Many listed line items which resemble totals or subtotals and minimum line items required in paragraphs 81A-81B, 82 and 82A of IAS 1 and line items required by other IFRS Standards.

A23. However, 11 of those 12 jurisdictions require minimum line items in addition to the line items required by IFRS Standards, which include line items:

(a) mentioned in IFRS Standards for illustrative purposes only, rather than specifically required, for example, raw materials and consumable used in paragraph 102 of IAS 1, gross profit and distribution costs mentioned in paragraph 103 of IAS 1; and

(b) not specified in IFRS Standards, for example non-operating income or expenses and extraordinary items.

A24. Some of these jurisdictions also define minimum line items, including subtotals. For example, Swiss GAAP provides a definition of non-operating result as expenses and income which arise from events or transactions that clearly differ from the usual business activities of the organisation.

A25. Also, a number of NSS have specified ‘operating profit’ or ‘profit from operating activities’ as subtotal in the statement(s) of financial performance or as one of the elements that make up the template for the statement of financial performance.

Templates for the statement(s) of financial performance

A26. Thirteen of the jurisdictions surveyed provide templates, with types provided as follows:

(a) General template (4 jurisdictions);

(b) General template and template for financial institutions (7 jurisdictions);

(c) General, financial institutions as well as templates for other industries (1 jurisdiction; and

(d) Financial institutions template only (1 jurisdiction).

A27. Furthermore, some European countries provide multiple templates for each industry or business type—for example, two templates for commercial and industrial sectors, two for banks and three for insurance companies.

A28. Templates are mandatory in 8 jurisdictions, recommended or illustrative in 2 jurisdictions and mandatory for financial institutions only in 3 jurisdictions.

A29. The templates either show presentation by function (7 jurisdictions, with two of those providing breakdown of expenses by nature), by nature (2 jurisdictions) or both (4 jurisdictions).

Appendix B: Summary of the Board's tentative decisions to date in the project

<table>
<tr><th>Topic</th><th>Staff condensed summary of Board's tentative decisions (focus on non-financial entities)</th></tr>
<tr><td></td><td>A full record of the Board's tentative decisions is available from the December 2016-April 2018 IASB updates.</td></tr>
<tr><td>General</td><td>The Board tentatively decided to focus on targeted improvements to the statement(s) of financial performance and to the statement of cash flows.

The Board will decide at a later stage of the project whether to issue a Discussion Paper or an Exposure Draft as the first due process output of the project.</td></tr>
<tr><td>Statement(s) of financial performance—project scope</td><td>The Board tentatively decided, to explore the following topics in this project:
a. requiring additional subtotal(s) in the statement(s) of financial performance;
b. removing some of the options for presentation of income and expenses in existing IFRS Standards (eg presentation of net interest cost on the net defined benefit liability);
c. providing guidance on use of performance measures, including separate presentation of non-recurring, unusual or infrequently occurring items; and
d. better ways to communicate information about other comprehensive income (OCI).

The Board tentatively decided to prioritise introducing into the statement(s) of financial performance subtotals that facilitate comparisons between entities, such as EBIT, over introducing a management-performance measure subtotal.</td></tr>
<tr><td>Statement(s) of financial performance—EBIT and finance income and expenses</td><td>The Board agreed (by consensus) to explore:
a. requiring the presentation of an EBIT subtotal in the statement(s) of financial performance; and
b. defining EBIT as profit before finance income/expenses and tax.

The Board tentatively decided that, if it introduces both an investing category and an EBIT (or profit before financing and income tax) subtotal, finance income or expenses should consist of the following separate line items in the statement(s) of financial performance:
a. 'interest income from cash and cash equivalents calculated using the effective interest method';
b. 'other income from cash, cash equivalents and financing activities';
c. 'expenses from financing activities';
d. 'other finance income'; and
e. 'other finance expenses'.

'Cash and cash equivalents' is used in the definition of 'finance income/expenses' as a proxy for cash and temporary investments of excess cash. The Board also noted that a separate line item for impairment of cash and cash equivalents may be needed, if material.

Other finance income/expenses comprises 'interest' income/expenses on liabilities that do not arise from financing activities (unwinding of a discount),</td></tr>
</table>

<table>
<tr><th>Topic</th><th>Staff condensed summary of Board’s tentative decisions (focus on non-financial entities)</th></tr>
<tr><td></td><td>The Board tentatively decided to clarify the description of ‘financing activities’ in IAS 7 Statement of Cash Flows by indicating that a financing activity involves:
a. the receipt or use of a resource from a provider of finance (or provision of credit).
b. the expectation that the resource will be returned to the provider of finance.
c. the expectation that the provider of finance will be appropriately compensated through the payment of a finance charge. The finance charge is dependent on both the amount of the credit and its duration.</td></tr>
<tr><td>Statement(s) of financial performance—investing category</td><td>The Board agreed (by concensus) to explore the introduction of an investing category into the statement(s) of financial performance.

The Board tentatively decided:
a. to relabel the ‘investing’ category as ‘income/expenses from investments’.
b. to define ‘income/expenses from investments’ using a principle-based approach as ‘income/expenses from assets that generate a return individually and largely independently of other resources held by the entity’.
c. to provide a list of some items that would typically be treated as ‘investing’ and a list of some items that would typically not be treated as ‘investing’.
d. not to label the subtotal before the ‘income/expenses from investments’ category as ‘operating profit’.

The Board tentatively decided that:
a. entities should be required to present the results of ‘integral’ associates and joint ventures separately from those of ‘non-integral’ associates and joint ventures.
b. the project’s first due-process document should:
i. use the Board’s proposed definition of ‘income/expenses from investments’ as the basis for the split between integral and non-integral investments in associates or joint ventures, and include a non-exhaustive list of indicators that could be used in making this distinction.
ii. propose the presentation in the statement(s) of financial performance of the share of profit or loss of integral associates or joint ventures as a line item above the ‘income/expenses from investments’ category and require a new subtotal above that line item.
iii. discuss all of the alternative approaches considered by the Board for presenting the share of the profit or loss of integral associates and joint ventures, both within and outside the ‘income/expenses from investments’ category, and the Board’s reasons for rejecting those approaches.</td></tr>
</table>

Topic	Staff condensed summary of Board's tentative decisions (focus on non-financial entities)
Statement(s) of financial performance—other comprehensive income (OCI)	The Board tentatively decided to rename the two categories in the OCI section of the statement(s) of financial performance as follows: a. 'remeasurements reported outside profit or loss' (currently 'OCI items that will not be reclassified subsequently to profit or loss'); and b. 'income and expenses to be included in profit or loss in the future' (currently 'OCI items that will be reclassified subsequently to profit or loss') but not to introduce a new subtotal between these two categories called 'income after remeasurements reported outside profit or loss'. The Board tentatively decided: a. the staff should explore whether there is demand to remove the following presentation options in IAS *1 Presentation of Financial Statements* for OCI: i. presenting items of OCI either net of related tax effects, or before related tax effects (paragraph 91 of IAS 1); and ii. presenting reclassification adjustments in the statement(s) of financial performance or in the notes (paragraph 94 of IAS 1). b. not to develop separate guidance or educational material on the presentation of OCI for entities, but to consider both profit or loss and OCI when developing proposals for better aggregation/disaggregation and additional minimum line items. c. not to develop educational material for investors in the form of case studies that illustrate why it is important for users of financial statements to consider items of OCI in their analysis of companies.
Management performance measure	The Board tentatively decided: a. all entities shall identify a measure (or measures) of profit or comprehensive income that, in the view of management, communicates to users the financial performance of the entity. This measure will: i. often be a subtotal or total required by paragraph 81A of IAS 1. ii. sometimes be identified by management as a measure that is not a subtotal or total required by paragraph 81A of IAS 1, but would complement those subtotals or totals. Such a measure is a management performance measure. b. the following requirements apply to management performance measures described in paragraph a(ii): i. a reconciliation would be provided in the notes between that measure and the most directly comparable subtotal or total required by paragraph 81A of IAS 1; ii. that there should be no specific constraints on management performance measures; iii. the measure would be labelled in a clear and understandable way so as not to mislead users; and iv. the following information is required to be disclosed: 1. a statement that the measure provides management's view of the entity's financial performance and is not necessarily comparable with measures provided by other entities; 2. a description of why the management performance measure provides management's view of performance, including an explanation of • how the management performance measure has been calculated and why; and • how the measure provides useful information about an entity's financial performance 3. sufficient explanation, if there is a change in how the management performance measure is calculated during the year, to help users understand the reasons for and effect of the change.

Topic	Staff condensed summary of Board's tentative decisions (focus on non-financial entities)
Management performance measure (continued)	c. that the reconciliation between the management performance measure and the most directly comparable subtotal or total required by paragraph 81A of IAS 1 should be provided separately from the operating segment information disclosed in accordance with IFRS 8 *Operating Segment*s. However, entities would not be prohibited from also including management performance measures within the operating segment information. Furthermore, the following information would be required to be disclosed: i. an explanation of how the management performance measure differs from the total of the measures of profit or loss for the reportable segments; and ii. if none of the management performance measures fits into the operating segment information, an explanation of why this is the case. For the purposes of these proposals, paragraph 81A of IAS 1 would include the existing subtotals in that paragraph and the proposed new subtotals developed as part of this project, for example, profit before investing, financing and tax. The Board asked the staff to clarify in drafting that management performance measures provide additional information that complements the subtotals and totals required by paragraph 81A of IAS 1, rather than provides a better view of financial performance. The above tentative decisions describe disclosure requirements for management performance measures in the notes only. Consequently, it does not affect the presentation of additional subtotals in the statement(s) of financial performance in accordance with paragraphs 85–85A of IAS 1. The Board tentatively decided to require the reconciliation described in paragraph b(i) to be disclosed in the notes rather than be provided below the statement(s) of financial performance.
Adjusted earnings per share (EPS)	The Board tentatively decided that if an entity identifies a management performance measure, it is required to: a. disclose in the notes adjusted EPS calculated consistently with that management performance measure. To calculate the numerator of adjusted EPS, an entity shall make the following adjustments, and no other, to the management performance measure: i. add or deduct all income or expenses between the most directly comparable subtotal or total required by paragraph 81A of IAS 1 (ie the subtotal or total used for the management performance measure reconciliation) and profit or loss attributable to ordinary equity holders of the parent entity (ie the numerator of EPS); and ii. if the management performance measure is a pre-tax and/or pre-non-controlling interests measure, make further adjustments for the effects of tax and/or non-controlling interests on the differences between the management performance measure and the most directly comparable subtotal or total required by paragraph 81A of IAS 1. b. disclose the effects of tax and non-controlling interests separately for each of the differences between the numerator of adjusted EPS and the numerator of EPS. The Board tentatively decided that an entity should be prohibited from presenting adjusted EPS in the statement(s) of financial performance. The Board tentatively decided that an entity would continue to be permitted to disclose other adjusted EPS. If an entity identifies more than one management performance measure, the above requirements would apply to all management performance measures. However, the Board asked the staff to bring proposals to a future meeting that consider ways to provide relief from disclosures about multiple adjusted EPS.

Topic	Staff condensed summary of Board's tentative decisions (focus on non-financial entities)
Statement of cash flows—project scope	The Board tentatively decided to explore the following topics in this project: a. elimination of options for the classification of the cash effects of interest and dividends in the statement of cash flows; b. alignment of the operating section across the statement of cash flows and the statement(s) of financial performance; and c. requiring a consistent starting point for the indirect reconciliation of cash flows.
Statement of cash flows—general	The Board tentatively decided to: a. remove from IAS 7 options for the classification of interest and dividends paid and of interest and dividends received and prescribe a single classification for each of these items. b. clarify that: i. cash flows arising from interest incurred on financing activities should be classified as financing cash flows. ii. cash flows arising from interest paid that is capitalised as part of the cost of an asset should be classified as financing cash flows. iii. cash flows arising from dividends paid should be classified as financing cash flows. c. amend the definition of 'investing activities' in IAS 7 to clarify that interest and dividends received should be classified as investing cash flows. The Board tentatively decided: a. to require a consistent subtotal as the starting point for the indirect reconciliation of cash flows from operating activities. This subtotal should be 'profit before investing, financing and income tax'. b. not to align the operating section of the statement of cash flows with a corresponding section in the statement(s) of financial performance. c. not to make other further improvements to the statement of cash flows, besides those mentioned above.
Statement of cash flows—associates and joint ventures	The Board tentatively decided to propose: a. separate presentation of (i) the investing cash flows that arise between an entity and its 'integral' associates and joint ventures and (ii) the investing cash flows that arise between an entity and its 'non-integral' associates and joint ventures. The split between 'integral' and 'non-integral' associates and joint ventures would be the same for the statement of cash flows as for the statement(s) of financial performance. b. the separate presentation of the investing cash flows of 'integral' and 'non-integral' associates and joint ventures should be within the 'investing activities' section of the statement of cash flows.
Other topics—project scope	The Board tentatively decided to explore the following topics: a. development of templates for the statement(s) of financial performance, the statement of cash flows and the statement of financial position for a small number of industries. b. development of a principle for aggregating and disaggregating items in the primary financial statements. The Board tentatively decided not to consider targeted improvements to the statement of financial position unless work on other areas of the primary financial statements identifies possible improvements to that statement.

Topic	Staff condensed summary of Board's tentative decisions (focus on non-financial entities)
	Additionally, the Board tentatively decided that segment reporting and the presentation of discontinued operations should not be part of the scope of the project.
Principles of aggregation and disaggregation	The Board tentatively decided to develop: a. principles for aggregation and disaggregation in the financial statements; b. definitions of the notions 'classification', 'aggregation' and 'disaggregation; and c. guidance on the steps involved in applying 'classification', 'aggregation' and 'disaggregation' when preparing financial statements.. The Board also tentatively decided to explore providing more guidance on aggregation characteristics. The Board tentatively decided to: a. describe the 'nature of expense' method and the 'function of expense' method used to analyse expenses required by paragraph 99 of IAS 1. b. continue to require an entity to provide an analysis of expenses using the methodology, either by-function or by-nature, that provides the most useful information to users. c. develop criteria that entities could follow to determine whether a by-function or by-nature methodology provides the most useful information to users. One of those criteria would be that a function of expense analysis would not be appropriate if an entity is unable to allocate natural components to the functions presented on a consistent and non-arbitrary basis. d. provide no requirement for entities that use the 'nature of expense' method to provide additional information using the 'function of expense' method. e. require an entity to: i. present its primary analysis of expenses in the statement(s) of financial performance; and ii. disclose in a single note any additional information required about expenses (ie an analysis by nature when an entity uses a 'function of expense' method).