

STAFF PAPER

June 2018

FASB | IASB® Meeting

Project	Primary Financial Statements		
Paper topic	Cover paper		
CONTACTS	Aida Vatrenjak	avatrenjak@ifrs.org	+44 (0) 20 7246 6956
	Lauren Mottley	lmottley@fasb.org	+1 203 956 3472
	Richard Cole	racole@fasb.org	+1 203-956-5266

This paper has been prepared for discussion at a public educational meeting of the US Financial Accounting Standards Board (the FASB) and the International Accounting Standards Board (the IASB). It does not represent the views of the boards or any individual member of either board. Comments on the application of IFRS® Standards or US GAAP do not purport to set out acceptable or unacceptable application of IFRS Standards or US GAAP. Technical decisions are made in public and reported in FASB Action Alert or in IASB *Update*.

Objective

- At this meeting, the boards will discuss:
 - the Financial Accounting Standards Board's Financial Performance Reporting project; and
 - the International Accounting Standards Board's research project Primary Financial Statements.
- The objective of this meeting is for the two boards to discuss their experience and feedback received about their respective projects, in particular considering:
 - the relationship between requiring further disaggregation and defining subtotals on the face of the statement(s) of financial performance;
 - the relationship between transparency and comparability; and
 - the application of the respective projects to financial entities.
- The boards are not being asked to make any decisions at this meeting.
- To facilitate the discussion, the IASB staff have included a summary of the scope of its project in Appendix 1; as well as illustrations of the IASB's tentative

decisions on the statement(s) of financial performance in Appendix 2 to this cover paper.

5. The area of overlap between the IASB's and the FASB's projects is noted in Appendix 1.

Summary of meeting papers

6. This cover paper accompanies the following agenda papers:
- (a) *Agenda Paper 21A—Project overview*: This paper provides a comprehensive overview of the IASB's Primary Financial Statements project including:
 - (i) objective and history of the project;
 - (ii) scope of the project;
 - (iii) IASB's tentative decisions on the project to date; and
 - (iv) next steps.
 - (b) *Agenda Paper 21B – Project summary*: This set of slides provides a summary of the IASB's Primary Financial Statements project with a focus on our work on improving disaggregation in the financial statements. The slides will form the basis for discussion at the meeting and include questions for the FASB.
 - (c) *Agenda Paper 21C—Disaggregation of Performance Information*: This paper provides an overview of the FASB's Financial Performance Reporting project including:
 - (i) Scope and background of the project;
 - (ii) Describing COGS and SG&A lines;
 - (iii) Describing natural components; and
 - (iv) Other terminology – departments and allocations.The paper includes questions for the IASB.

- (d) *Agenda Paper 21D—FASB Project summary:* This slide deck summarises AP21C and will form the basis for the FASB staff’s presentation.

Appendix 1: Illustration of the IASB’s scope of primary financial statements project

Statement(s) of financial performance	Statement of cash flows
Subtotals & categories facilitating comparisons between entities:	Eliminating classification options (interest/dividends)
<ul style="list-style-type: none"> • Finance income/expense • Income/expenses from investments • Presentation of associates/JVs 	Consistent starting point for the indirect method
Management performance measures	Cash flows related to associates/JVs
Better ways to communicate OCI	
Improving disaggregation in financial statements	
Principles of disaggregation in financial statements	
Disaggregation by nature and by function in the statement(s) of financial performance	
Minimum line items in primary financial statements	
Templates for primary financial statements	

= Area of overlap between IASB and FASB project

Appendix 2: Illustration of the IASB’s tentative decisions on the structure and content of the statement(s) of financial performance

Statement of Financial Performance (by function)	
Revenue	X
Cost of sales	X
Gross profit	X
SG&A expense	X
Profit from consolidated entities (or business profit)*	X
Share of profit of associates and joint ventures integral to operations	X
Profit before investments, financing and income tax*	X
Income/expenses from investments	
Share of profit of other associates and joint ventures	X
Change in fair value of investment property	X
Dividends received on equity investments	X
Interest income on long-term debt investments	X
Rental income	X
Profit before financing and income tax (or EBIT)*	X
Interest income from cash and cash equivalents calculated using the effective interest method	X
Other income from cash and cash equivalents and financing activities	X
Expenses from financing activities	X
Net interest cost on net defined benefit liability	X
Profit before tax	X
Income tax expense	X
Profit for the period from continuing operations	X
Loss from discontinued operations	X
Profit for the period	X