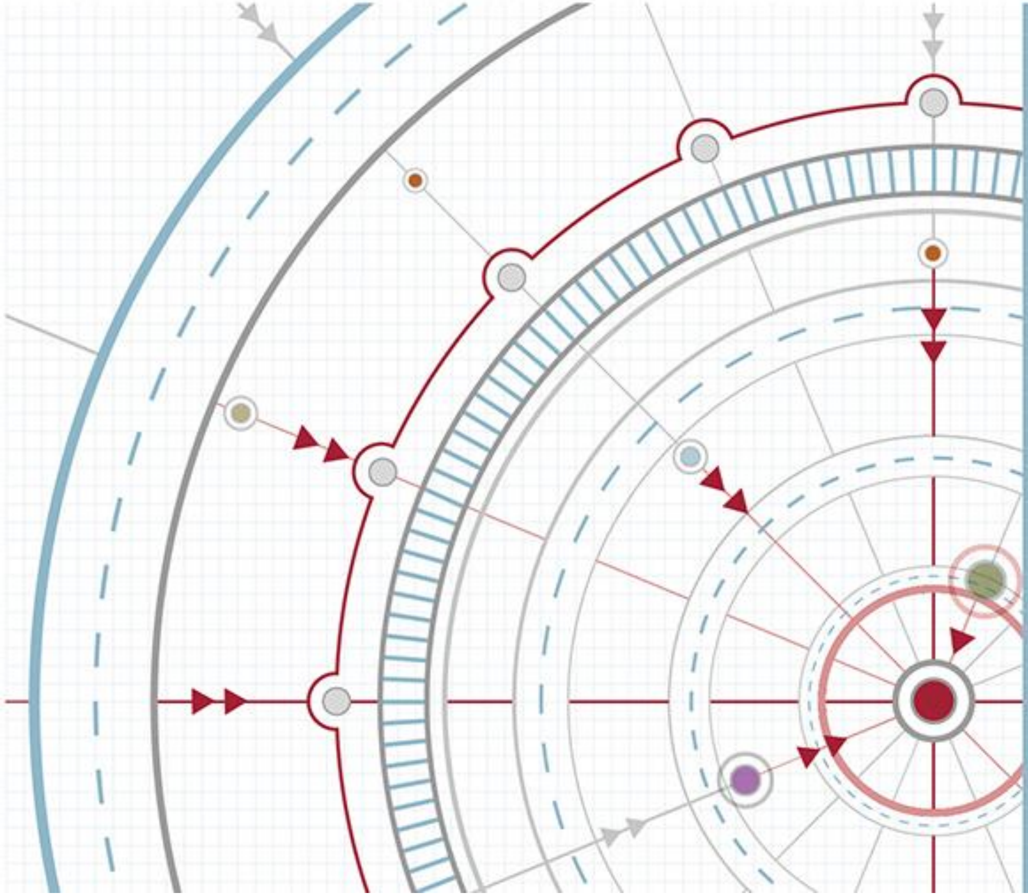
IFRS® Foundation



Emerging Economies Group
December 2019
Agenda paper 1

Primary Financial Statements

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or IFRS Foundation.

Objective of this session

Help you prepare for the forthcoming consultation by:

- providing an overview of the project
- discussing the questions in the consultation document
- discussing effects in your jurisdiction
- providing an opportunity for Q&A

Agenda

Session	Topics	Slides
Morning 9.10 AM – 12.30 PM	Project background and scope	4–10
	Defined subtotals in the statement of profit or loss	11–32
	Analysis of operating expenses by nature and by function	34–35
	Principles for aggregation and disaggregation	36–37
Afternoon 1.30 PM – 3.30 PM	Unusual income and expenses	38–39
	Management performance measures, incl. adjusted EPS	40–47
	Targeted improvements to the statement of cash flows	48–51
	Other proposals (OCI & illustrative examples)	52–55

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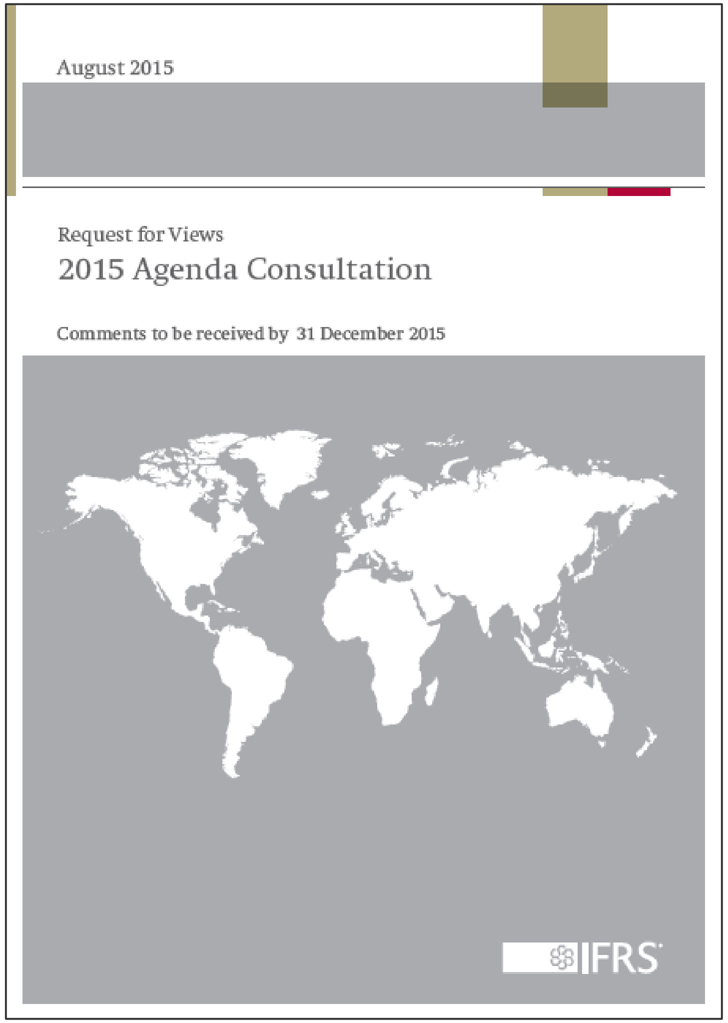
Project background and scope

2015 Agenda Consultation



“The main priority for the Board over the next period is to address performance reporting”
Corporate Reporting Users’ Forum, January 2016

“We regard this as a priority and urge the Board to place it on the near term standards-level agenda”
CFA Institute, February 2016

“This project stood out as one of the most important topics for investors”
Paper 21, IASB meeting, April 2016

Central theme of the Board's work

Better Communication in Financial Reporting

	Financial statements		Information outside the financial statements
Content	Primary Financial Statements	Disclosure Initiative	Management Commentary
Delivery	IFRS Taxonomy		

Project timeline

Project history	Upcoming consultation	After consultation
2015 Agenda Consultation identified project as a priority	Publish Exposure Draft at end of 2019	Board redeliberations from H2 2020 onwards
Board discussions to develop Exposure Draft (H2 2016–2019)	comment period until 30 June 2020 (expected)	Issue final Standard

Project objective and scope

objective

To improve how information is communicated in the financial statements, with a focus on information included in the statement of profit or loss

out of scope

- Fundamental revision of the statements of financial position, cash flows and changes in equity
- Guidance on content of OCI and timing of recycling
- Segment reporting
- Presentation of discontinued operations

Key proposals in the ED & expected benefits

Key proposals	User concerns	Expected benefits of proposals
❶ Introduce defined **subtotals and categories** in the statement of profit or loss	Structure and content of statements of profit or loss varies between different entities, making it difficult to compare entities' performance	Additional relevant information and a P&L structure that is more comparable between entities
❷ Introduce requirements to improve **aggregation** and **disaggregation**	Level of disaggregation does not always provide the information they need	Additional relevant information and material information not being obscured
❸ Introduce **Management Performance Measures (MPMs)** and accompanying disclosures in financial statements	Non-GAAP measures can provide useful information, but transparency and discipline need to be improved	Transparency & discipline in use of such measures Disclosures in a single location
❹ Introduce targeted improvements to the **statement of cash flows**	Classification and presentation options make it more difficult to compare entities	Improved comparability between entities

The Exposure Draft

New IFRS Standard	Proposed **new requirements** on the structure and content of financial statements **+**	Related requirements brought forward from **IAS 1** with limited wording changes
Amendments to other Standards	• IAS 7—statement of cash flows • IAS 33—EPS • IAS 34—interim reporting • IFRS 12—associates and JVs	Other requirements of **IAS 1**—moved to IAS 8 and IFRS 7

→ **Withdraw IAS 1**

➊ Subtotals in the statement of profit or loss

Operating profit—current practice

Many users use operating profit in their analysis; for assessing margins and for forecasting future cash flows

Many companies present operating profit (and variants) as a subtotal, however it is **calculated inconsistently** across companies.

Company X	Company Y
Revenue	Revenue
Net interest on defined benefit liabilities	Share of profit of associates and JVs
Income from investments in financial assets	
Operating profit	**Operating profit**
Share of profit of associates and JVs	Income from investments in financial assets
	Net interest on defined benefit liabilities
Profit	**Profit**

Introducing required and defined subtotals*

Revenue	16,500
Changes in inventories of finished goods and work in progress	(1,000)
Raw material and consumables used	(6,000)
Employee benefits expense	(4,000)
Amortisation expense	(800)
Depreciation expense	(1,200)
Impairment of property, plant and equipment	(500)
Operating profit	**3,000**
Share of profit of **integral** JVs and associates	500
Operating profit and share of profit or loss of integral associates and JVs	**3,500**
Changes in the fair value of financial assets	250
Dividend income	50
Share of profit of **non-integral** JVs and associates	100
Profit before financing and income tax	**3,900**
Interest income from cash and cash equivalents	100
Expenses from financing activities	(1000)
Unwinding of discount on pension liabilities and providing	(100)
Profit before tax	2,900

Operating

Integral associates and JVs

Investing

Financing

*Proposal for general corporates

Operating profit—proposed approach

Operating profit = profit from continuing operations before tax and before…

Investing	Financing	Share of profit of integral associates and joint ventures
(defined by the Board)	(defined by the Board)	

- Though defined as a default category, the Board expects operating profit to include income and expense from the entity's main business activities.
- Whether an item is 'unusual' does not affect whether it is included in operating profit.
- Associates and JVs are below operating profit, so financing or tax income and expenses from such entities are not included in operating profit and do not distort margin calculations.

Investing & financing

	Investing	Financing
Objective	Communicate returns from investments that are generated individually and largely independently of other resources held by an entity	Communicate income and expenses from assets and liabilities related to an entity's financing
Includes items such as:	• income and expenses from financial assets, other than cash and cash equivalents • the share of profit or loss of non-integral associates and joint ventures • income and expenses on investment property • incremental expenses (eg asset management fees)	• income and expenses from cash and cash equivalents • income and expenses on liabilities arising from financing activities • unwinding of discount on other liabilities (eg pensions and provisions)

Questions for discussion—operating profit

- Do you agree with the Board’s proposal to require all entities to present an operating profit or loss subtotal in the statement of profit or loss?
- Do you agree with the way the Board has defined the operating category?
- If not, what alternative approach would you suggest and why?

- Do entities in your jurisdiction typically present an operating profit subtotal?
- If so, is entities’ definition different from the Board’s proposed definition?
- Is operating profit defined by local regulations in your jurisdiction?
- Do you observe diversity in the calculation of operating profit in your jurisdiction?

Questions for discussion—investing & financing

- Do you agree with how the Board has defined the investing category?
- Do you agree with how the Board has defined the financing category?
- Do you agree with the proposal to require (most) entities to present a 'profit before financing and income tax' subtotal?
- If not, what alternative approach would you suggest and why?

- Do entities in your jurisdiction typically present a profit before financing and income tax subtotal?
- Would many entities in your jurisdiction have material income and expenses that meet the definition of 'income and expenses from investments'?

Presentation of associates and joint ventures

Preparer A

My associates and JVs are a part of my main business, so I want to include my share of their results in my key performance measures.

The share of associates' and joint ventures' profit is after financing and after tax so I want to analyse them separately.

User B

Proposals

- Separately present 'integral' and 'non-integral' associates and joint ventures in statements of financial performance and cash flows.
- Use definition of income/expenses from investments to classify as 'integral' or 'non-integral': generate returns largely independently of other resources.
- Definition supplemented with indicators for determining whether a joint venture or associate is 'integral' or 'non-integral' (see next slide).

Proposed indicators

A significant interdependency between an entity and an associate or joint venture would indicate that the associate or joint venture is integral to the main business activities of the entity.

Examples of a significant interdependency between an associate or joint venture include, but are not limited to:

- having integrated lines of business with the associate or joint venture;
- sharing a name or brand with the associate or joint venture so that externally it may appear as one business in relation to the activities of the associate or joint venture (although the reporting entity may have other, separate businesses); and
- having a supplier or customer relationship with the associate or joint venture that the entity would have difficulty replacing without significant business disruption.

Introducing required and defined subtotals*

Revenue	16,500
Changes in inventories of finished goods and work in progress	(1,000)
Raw material and consumables used	(6,000)
Employee benefits expense	(4,000)
Amortisation expense	(800)
Depreciation expense	(1,200)
Impairment of property, plant and equipment	(500)
Operating profit	**3,000**
Share of profit of **integral** JVs and associates	500
Operating profit and share of profit or loss of integral associates and JVs	**3,500**
Changes in the fair value of financial assets	250
Dividend income	50
Share of profit of **non-integral** JVs and associates	100
Profit before financing and income tax	**3,900**
Interest income from cash and cash equivalents	100
Expenses from financing activities	(1000)
Unwinding of discount on pension liabilities and provisions	(100)
Profit before tax	2,900

Integral associates and JVs

Non-integral associates and JVs

*Proposal for general corporates

Approaches considered for associates and JVs

The Board considered, but rejected presenting:

income and expenses from **all** associates and joint ventures in the **investing** category

income and expenses from **integral** associates and joint ventures in the **operating** category

The Board rejected this approach because income & expenses from integral associates and joint ventures do not meet the definition of income & expenses from investments.

The Board rejected this approach because users analyse such income & expenses separately from an entity's operating results—this is because income and expenses from integral associates and joint ventures:

- include investing, financing and tax amounts
- are not included in revenue, so including such income & expenses in operating profit or loss would disrupt margin analysis
- are not controlled by the entity

Questions for discussion—associates & JVs

- Do you agree with the Board's proposed distinction between integral and non-integral associates and joint ventures?
- Do you think the proposed set of indicators would provide sufficient guidance for entities to identify integral ands non-integral associates and joint ventures?
- Do you agree with the proposed presentation of income and expenses from integral and non-integral associates and joint ventures in the statement of profit or loss?
- If not, do you prefer any of the alternative approaches on the previous slide?

- Do many entities in your jurisdiction have investments in associates or joint ventures?
- What role do associates and joint ventures typically play in entities' business activities in your jurisdiction? Would you expect entities in your jurisdiction to classify their associates an joint ventures mostly as integral or as non-integral?

EBITDA

The Board is proposing not to define EBITDA

This is because the Board could not identify a single underpinning concept—there is no consensus among users about what EBITDA represents, other than it being a useful starting point for various analyses. Its calculation is diverse in practice.

The Board is proposing to define 'operating profit before depreciation and amortisation' as a measure that entities can provide in the financial statements without having to provide the MPM disclosures.

The Board decided not to label this measure 'EBITDA' because its content does not match what the acronym 'EBITDA' stands for.

Questions for discussion—EBITDA

- Do you agree with the Board’s proposed approach not to define EBITDA?
- If not, what alternative approach would you suggest and why?

- Do many entities in your jurisdiction include EBITDA in their financial statements?
- If so, do many entities present EBITDA in the statement of profit or loss?
- How do entities and users in your jurisdiction typically calculate EBITDA?
  - Does EBITDA include the share of profit or loss of associates and JVs?
  - Is EBITDA adjusted for impairment?

FX gains or losses—P&L classification

Application of Board's definitions*:

Exchange differences related to financing activities (eg on debt denominated in a foreign currency)	Financing category
Exchange differences on cash and cash equivalents	Financing category
Exchange differences on investments (eg on investments in bonds denominated in a foreign currency)	Investing category
All other exchange differences	Operating category

*Described here for non-financial entities—see paragraph 13 of June 2019 AP21A for financial entities.

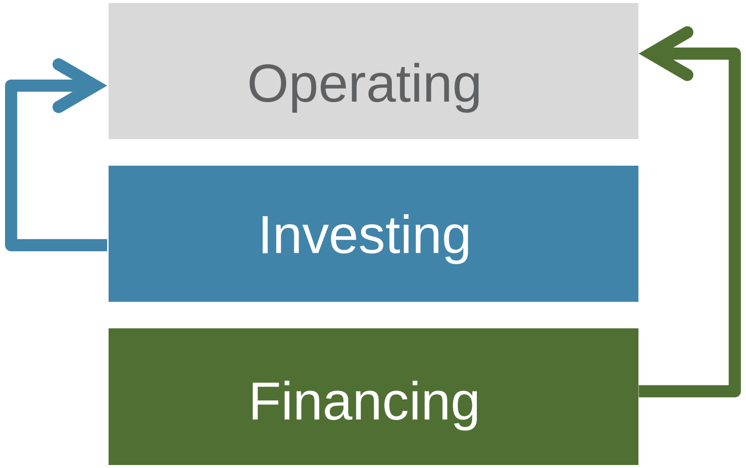
Derivatives & risk management—P&L classification

		Derivatives	Non-derivative financial instruments
Used for risk management	Designated as a hedging instrument	Include in the category affected by the risk the entity intends to manage, except when it would involve grossing up gains and losses—then include in the investing category	
	Not designated as a hedging instrument	Classify as above except when it would involve undue cost or effort—then include in the investing category	Apply Board’s definitions for categories
Not used for risk management		Include in the investing category	

How would the Board's proposals work for banks and other financial entities?

Companies with particular business activities would be required to include some income and expenses in operating profit or loss that would otherwise be captured by the investing or financing categories:

companies shall include **income/expenses from investments made in the course of their main business activities (or as a main business activity)** in operating profit



companies that **provide financing to customers as a main business activity** shall include (some) income/expenses from financing activities and from cash and cash equivalents in operating profit

This is to ensure operating profit is a relevant subtotal for all entities that includes the income and expenses from entities' main business activities.

Example—Bank

For example for a bank whose main business activities include investing, providing financing to customers and other services:

Operating profit includes:

- Interest expense
- Income and expenses from investments made in the course of the entity's main business activity

No profit before financing and tax subtotal is presented

Interest income*	X
Interest expense	(X)
Net interest income	X
Fee and commission income	X
Fee and commission expense	(X)
Net fee and commission income	X
Net trading income	X
Net investment income*	X
Credit impairment losses	(X)
Employee benefit expenses	(X)
Operating profit	X
Share of profit of integral associates and JVs	X
Operating profit and share of profit of integral associates and JVs	X
Share of profit of non-integral associates and joint ventures	X
Income from investments outside main business activities	X
Unwinding of discount on pension liabilities	(X)
Profit before tax	X

*Interest revenue calculated using the effective interest method would be presented separately.

Example—Investment property company

Extract from statement(s) of financial performance	
Gross rental income	X
Property operating expenses	(X)
Net rental income	X
Administrative expenses	(X)
Changes in fair value of investment properties	X
Gain on disposal of investment properties	X
Operating profit	X
Share of profit of integral associates and joint ventures	X
Operating profit and share of profit of integral associates and JVs	X
Share of profit of non-integral associates and joint ventures	X
Dividends from investments in equity instruments at FVOCI	X
Profit before financing and income tax	X
Interest income from cash and cash equivalents	X
Expenses from financing activities	(X)
Unwinding of discount	(X)
Profit before tax	X

Income (expenses) from **investments** that are made in the course of the entity's **main business activity** are included in operating profit. Income (expenses) from other investments are presented below operating profit.

Expenses from financing activities are presented below operating profit

Example—Insurer

Extract from statement(s) of financial performance	
Insurance revenue	X
Insurance service expenses	(X)
Insurance service result	X
Investment income*	X
Impairment of investments	(X)
Insurance finance expenses	(X)
Net financial result	X
Operating profit	X
Share of profit of integral associates and joint ventures	X
Operating profit and share of profit of integral associates and JVs	X
Share of profit of non-integral associates and joint ventures	X
Profit before (non-customer) financing and income tax	X
Expenses from financing activities (interest on financial debt)	(X)
Profit before tax	X

Income (expenses) from **investments** that are made in the course of the entity's **main business activity** are included in operating profit

Income from cash and cash equivalents is included in operating profit as investment income.

Insurance finance expenses (income) is included in operating profit, whereas **interest on financial debt** is below operating profit.

*Includes income from cash and cash equivalents. Interest revenue calculated using the effective interest method would be presented as a separate line item (IAS 1.82(a)(i))

Example—Entity with captive finance subsidiary

Extract from statement(s) of financial performance	
Revenue from sale of goods	X
Cost of goods sold	(X)
Gross profit from manufacturing and sale of goods	X
Interest income from customer financing	X
Expenses from financing activities related to customer financing business	(X)
Gross profit from customer financing business	X
Selling, general and admin expenses (SG&A)	(X)
Operating profit	X
Share of profit of integral associates and joint ventures	X
Operating profit and share of profit or loss of integral associates and joint ventures	X
Share of profit of non-integral associates and joint ventures	X
Income from investments	X
Profit before financing of manufacturing business and income tax	X
Interest income from cash and cash equivalents related to manufacturing business	X
Expenses from financing activities related to manufacturing business	(X)
Unwinding of discount	(X)
Profit before tax	X

An entity that manufactures and sells goods and has a customer financing business (eg car manufacturers)

In this example, the entity has chosen to **split expenses from financing activities and income from cash and cash equivalents** between its different business activities, instead of presenting all in operating profit.

Questions for discussion—financial entities

- Do you agree with the Board’s proposed approach to operating profit for financial entities?
- If not, what alternative approach would you suggest and why?

- Do banks in your jurisdiction typically present an operating profit subtotal?
  If so, how is it defined?
- Are there many conglomerates in your jurisdiction that combine investing or the provision of financing with another main business activity?

❷ Proposals to improve aggregation and disaggregation

Analysis of operating expenses

Statement of profit or loss	Notes
Present analysis by nature or by function, whichever provides the most useful information	Disclose analysis by nature, if statement of profit or loss presents analysis by function
• Not a free choice—the Board proposes to provide a set of factors for entities to consider when making this assessment • Would remove option to present analysis of expenses in the notes only	• Analysis of total operating expenses—no requirement to analyse each functional line item by nature.

Questions for discussion—operating expenses

- Do you agree with the Board’s proposed approach to the analysis of operating expenses?
- If not, what alternative approach would you suggest and why?

- Do most entities in your jurisdiction present their analysis of expenses in the statement of profit or loss by function or by nature?
- When entities present an analysis by function in the statement of profit or loss in your jurisdiction, do they typically disclose a full analysis by nature in the notes or only provide selected amounts by nature?
- Do you think it would be costly and/or complex for entities in your jurisdiction to provide an analysis of expenses by nature, if they already do not do so?

Aggregation & disaggregation principles

Guidance on process

identify assets, liabilities, equity, income and expenses that arise from individual transactions or other events → classify into groups based on shared characteristics, resulting in line items in the primary financial statements that share at least one characteristic → separate based on further characteristics, resulting in the separate disclosure of material items in the notes

Guidance on aggregations of dissimilar items

- The Board recognised that a company may need to aggregate immaterial items with dissimilar characteristics to avoid obscuring relevant information.
- The Board proposes that companies should use a descriptive label or, if that is not possible, provide information in the notes about the composition of such aggregated items.

Questions for discussion—(dis)aggregation principles

- Do you agree with the Board's proposed principles and general requirements on aggregation and disaggregation?
- If not, what alternative approach would you suggest and why?

- Is the level of disaggregation in financial statements generally appropriate in your jurisdiction?
- Do entities typically present large 'other' items without additional explanation about their composition?

Unusual income and expenses

Definition

Unusual income and expenses are income and expenses with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.

Income and expenses from the recurring remeasurement of items measured at a current value would not be expected to be classified as unusual

Disclosures

Amount & narrative description	Disaggregated by: • line items presented in statement of profit or loss; and • line items disclosed in analysis of operating expenses by nature, if the entity analyses expenses by function in the statement of profit or loss

Questions for discussion—unusual items

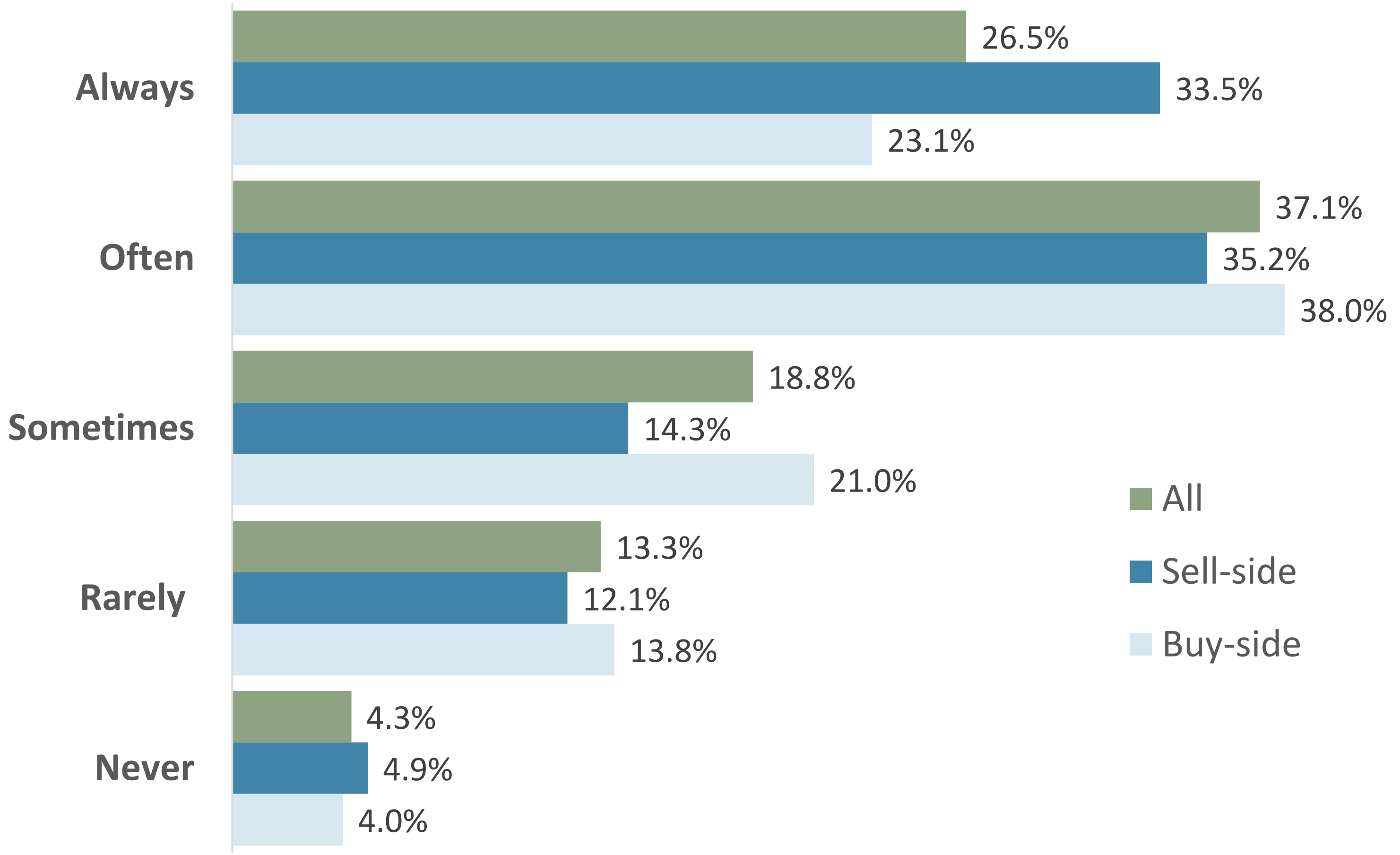
- Do you agree with the Board’s proposed approach to defining and requiring the disclosure of unusual income and expenses?
- If not, what alternative approach would you suggest and why?

- Do many entities in your jurisdiction currently disclose unusual income and expenses? If so, do they do so inside or outside the financial statements?
- Is there any regulatory guidance on the presentation of unusual items in your jurisdiction?
- Do entities in your jurisdiction consistently identify unusual items over time?
- Do you have any concerns about applying the proposed definition of unusual items in your jurisdiction?

❸ Management performance measures

Non-GAAP performance measures

To what extent do investors use these metrics?



"Our survey results show that most investors expect and support the idea of standard setter providing guidance around non-GAAP financial measures presented within the income statement." **CFA Institute**

Source: Investor Uses, Expectations, and Concerns on non-GAAP Financial Measures, CFA Institute, 2016

Management performance measures (MPMs)

Disclosure in the notes of subtotals of income and expenses that:

Are used in public communications with users of financial statements, **outside financial statements**

Complement totals or subtotals included in IFRS Standards

Communicate **management's view** of an aspect of an entity's financial performance

Accompanied by disclosures in a **single note** to **enhance transparency**

Which measures can be MPMs?

Performance measures

Non-financial performance measures

For example:
- Number of subscribers
- Customer satisfaction score
- Store surface

Financial performance measures

IFRS-specified

For example:
- Profit or loss
- Operating profit
- Basic EPS

MPMs

For example:
- Adjusted profit or loss
- Adjusted operating profit

Other measures

For example:
- Free cash flow
- Return on capital employed
- Net debt
- Adjusted EPS

MPMs—proposed disclosures in the notes

A description of **why the MPM provides management's view of performance**, including explanation of:

- **how** the MPM has been **calculated**; and
- **how** the measure provides **useful information** about an entity's financial performance.

A **reconciliation** of the MPM(s) to the **most directly comparable subtotal or total specified by IFRS Standards**

A statement that the MPM provides **management's view** of an aspect of the entity's financial performance and is **not necessarily comparable** with measures with a similar description provided by other entities

The **effect** of **tax and non-controlling interests** separately for each of the differences between the MPM and the most directly comparable subtotal or total specified by IFRS Standards.

If there is a **change** in how the MPM is calculated, explanation should be provided to help users understand the reasons for and effect of the change

MPM reconciliation

The MPM is disclosed in a **separate reconciliation** in the **notes**:

			Tax	NCI
Adjusted operating profit (MPM)	4,400		Tax	NCI
Restructuring expenses for the closure of Factory A	(1,000)		200	50
Impairment of asset B	(400)		80	-
Operating profit (IFRS-specified)	3,000			

Most directly comparable subtotal/total specified by IFRS Standards—can be:

- any of the subtotals required by para. 81A of IAS 1;
- any of the three subtotals proposed in this project;
- profit before tax, profit from continuing operations or measures similar to gross profit; or
- operating profit before depreciation and amortisation

Tax effect is based on a **reasonable pro rata allocation** of the current and deferred tax of the entity in the tax jurisdiction concerned; or a more appropriate allocation.

Adjusted earnings per share

Numerator of adjusted EPS can only be:

A subtotal specified by IFRS Standards

or

A management performance measure

attributable to holders of equity claims of the parent

Ensures that users receive the same information about adjusted earnings per share as they receive for management performance measures.

Questions for discussion—MPMs

- Do you agree with the Board’s proposed approach to defining and requiring the disclosure of management performance measures?
- Do you agree with the Board’s proposed approach for adjusted EPS?
- If not, what alternative approach would you suggest and why?

- Do many entities in your jurisdiction currently use management-defined performance measures (also called ‘Non-GAAP or Alternative Performance Measures)? If so, do they do so inside or outside the financial statements?
- Are there any concerns around transparency and discipline of such measures in your jurisdiction?
- Is there any regulatory guidance on the use of such measures in your jurisdiction? If so, is it similar to the Board’s proposals?

❹ Targeted improvements to the statement of cash flows

Statement of cash flows

Proposals

- Single starting point for the indirect reconciliation: **Operating profit**
- Removal of classification options for interest and dividends

Cash flow item	IAS 7 classification	Proposal for non-financial entities	Proposal for financial entities
Interest paid	Operating or financing	Financing	Operating or financing*
Dividends paid	Operating or financing	Financing	Financing
Interest received	Operating or investing	Investing	Operating, investing or financing*
Dividends received	Operating or investing	Investing	Operating or investing* (investing for equity-accounted investments)

* Depends on classification of related income/expenses in P&L

Statement of cash flows – illustration
(indirect method)

Operating profit	X
Adjustments for:	
Depreciation	X
[…]	
Income taxes paid	(X)
Net cash from operating activities	X
Acquisition of integral joint venture X	(X)
Acquisition of non-integral associate Y	(X)
Dividends received from integral associate A	X
Dividends received from non-integral associate B	X
Purchase of property, plant and equipment	(X)
[…]	
Net cash used in investing activities	(X)
Dividends paid	(X)
[…]	
Net cash used in financing activities	(X)
Net increase in cash and cash equivalents	X

Consistent starting point for indirect method for operating cash flows

Separate presentation of cash flows from integral and non-integral associates and joint ventures within investing cash flows

Elimination of classification options for interest and dividends

Questions for discussion—cash flows

- Do you agree with the Board's proposal to require operating profit or loss as the starting point for the reconciliation of operating cash flows under the indirect method?
- Do you agree with the Board's proposed approach for classification of interest and dividend cash flows?
- If not, what alternative approach would you suggest and why?

- Have you observed diversity in the starting point used for the indirect method in your jurisdiction?
- Have you observed diversity in the classification of interest and dividends in your jurisdiction?

❺ Other proposals

Presentation of OCI

Extract from the statement(s) of financial performance—OCI section

Profit for the year	33,600
Other comprehensive income:	
~~Items that may be reclassified subsequently to profit or loss~~ Income and expenses that may be included in profit or loss in the future:	
Exchange differences on translating foreign operations	5,200
Losses on cash flow hedges	(1,200)
Income tax relating to items ~~that may be reclassified~~ to be included in profit or loss in the future	(1,000)
	3,000
~~Items that will not be reclassified to~~ Remeasurements permanently reported outside profit or loss:	
Gains on investments in equity instruments other than associates and JVs	3,500
Gains on remeasurements of defined benefit pension plans	3,200
Net of tax share of other comprehensive income of integral associates and joint ventures	(2,800)
Income tax relating to components of other comprehensive income that ~~will not be reclassified~~ are reported outside profit or loss	(1,675)
	2,225
Other comprehensive income for the year, net of tax	5,225
Total comprehensive income for the year	38,825

Proposed new labels for OCI categories

Illustrative examples accompanying proposals (non-mandatory)

Extracts of financial statements for a **manufacturing entity** including:

- Statement(s) of profit or loss by function
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Note providing analysis of operating expenses by nature
- Note providing additional information about ‘other’ items presented in the primary financial statements
- Note about unusual income and expenses
- Note about MPMs
- Note on OCI components and tax effects

Additional examples of the **statement of profit or loss for different types of entities**, illustrating the proposals for subtotals and categories:

- Property investment company
- Bank
- Insurer
- Manufacturer that provides financing to customers

Questions for discussion—OCI & examples

- Do you agree with the Board's proposed approach to relabelling the categories in other comprehensive income?
- Do you think the Board's proposed selection of illustrative examples to illustrate the project proposals is appropriate?

Recap—proposals in the ED & expected benefits

Key proposals	User concerns	Expected benefits of proposals
❶ Introduce defined **subtotals and categories** in the statement of profit or loss	Structure and content of statements of profit or loss varies between different entities, making it difficult to compare entities' performance	Additional relevant information and a P&L structure that is more comparable between entities
❷ Introduce requirements to improve **aggregation** and **disaggregation**	Level of disaggregation does not always provide the information they need	Additional relevant information and material information not being obscured
❸ Introduce **Management Performance Measures (MPMs)** and accompanying disclosures in financial statements	Non-GAAP measures can provide useful information, but transparency and discipline need to be improved	Transparency & discipline in use of such measures Disclosures in a single location
❹ Introduce targeted improvements to the **statement of cash flows**	Classification and presentation options make it more difficult to compare entities	Improved comparability between entities

Questions for discussion—Translations

Is there any wording in the project proposals that would be difficult to translate into the official language(s) in your jurisdiction?

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