

IASB[®] meeting

Project	Primary Financial Statements	
Paper topic	Feedback summary—Other topics	
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This Agenda Paper was initially prepared for the Board's December 2020 meeting as Agenda Paper 21J. However, it was not discussed at that meeting. This Agenda Paper is identical to Agenda Paper 21J for the December 2020 Board meeting.

Objective

1. This paper analyses feedback from comment letters and outreach on the proposals not specifically discussed in questions set out in the Exposure Draft *General Presentation and Disclosures*. During the fieldwork, we did not ask participants to consider these topics nor did we look at academic literature on these topics.

Key messages

2. Most of the comments not responding to specific question related to additional work respondents would like the Board to undertake, mostly as separate projects. Respondents also provided feedback on proposals relating to other comprehensive income and interim financial reporting as well as comments on the proposed implementation period.
3. Respondents also made a number of drafting suggestions which are not discussed in this paper. The staff will take drafting comments into account when preparing papers for redeliberations and in drafting of the final IFRS Standard.

Structure of the paper

4. This paper is structured as follows:
 - (a) other comprehensive income (paragraphs 5–7);
 - (b) interim reporting (paragraphs 8–9);
 - (c) earnings per share (paragraphs 10–13);
 - (d) effects analysis (paragraphs 14–15);
 - (e) illustrative examples (paragraph 16);
 - (f) additional projects or extension of project scope (paragraph 17);
 - (g) implementation period (paragraphs 18–19); and
 - (h) other comments (paragraph 20).

Other comprehensive income

5. The Board proposed to create more descriptive labels for the two categories of other comprehensive income:
 - (a) remeasurements permanently reported outside profit or loss; and
 - (b) income and expenses to be included in profit or loss in the future when specific conditions are met.
6. Some respondents commented on this proposal. Of those that commented on the proposal, many suggested a broader project on other comprehensive income rather than providing specific feedback on the proposals for relabelling. Some of those respondents suggested this work should be done as a separate project so as not to add further complexity to this project.
7. In addition:
 - (a) a few supported the proposed change in labelling, in addition to suggesting broader work, as a part of a separate project;

- (b) a few did not support the proposed change in labelling, suggesting the proposal would not amount to an improvement in how information is communicated in the financial statements; and
- (c) a few suggested more education is needed, because items included in other comprehensive income are not understood, and therefore not used, by users of financial statements.

Interim reporting

8. The Board proposed that condensed interim financial reports, prepared in accordance with IAS 34 *Interim Financial Reporting*, should include information about management performance measures, including the effects of income tax and non-controlling interests on reconciling items between the management performance measures and an IFRS subtotal. The Board also proposed to align the description of unusual items in IAS 34 with the proposed definition of unusual items.
9. A few respondents commented on proposals relating to interim financial reports. In particular:
 - (a) some respondents explicitly supported the proposal to require information about management performance measures in interim financial reports, although a few, mostly standard-setters, expressed concern about the cost of providing the full disclosures proposed for annual financial statements, in particular for the effects of tax and non-controlling interests;
 - (b) some respondents suggested requiring the same structure for the primary financial statements in interim financial reports as in the annual financial statements, for comparability purposes and as an aid to the use of electronic reporting;
 - (c) some respondents expressed concerns that the proposal in the Exposure Draft to move the paragraphs on going concern to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would have the unintended consequences because, unlike in IAS 1 *Presentation of Financial Statements*,

there is no explicit statement that those paragraphs, when in IAS 8, would apply to condensed interim financial reports; and

- (d) a few respondents, mostly users of financial statements, asked for an analysis of operating expenses by nature or function to be required in interim financial reports.

Earnings per share

10. The Board proposed amending IAS 33 *Earnings per Share* to restrict the numerator used to calculate adjusted earnings per share to subtotals specified by IFRS Standards, or a management performance measure that is attributable to holders of equity claims of a parent.
11. A few respondents commented on this proposal, most agreeing with the proposal because it would introduce discipline into the earnings per share measures provided. A few disagreed on the basis that it would not be possible, for example, to include a revenue per share measure in the financial statements, or to present adjusted earnings per share measures in the statement of profit or loss.
12. One accounting firm, while agreeing with the proposed amendments, said there were similar issues around interaction with non-GAAP measures as with management performance measures, in that management performance measures could not include some non-GAAP measures (see paper December 2020 AP 21H—*Feedback summary—Management performance measures* for discussion of feedback on MPM proposals).
13. One preparer representative group suggested that adjusted earnings per share measures should be allowed to be presented in the statement of profit or loss, if the Board also permitted columns and the adjusted measure correspond to amounts presented in columns.

Effects analysis

14. The Exposure Draft discussed expected effects of the proposals, including:

- (a) entities affected;
 - (b) the likely effects on the quality of financial reporting;
 - (c) the likely effects on how information is reported in the financial statements;
and
 - (d) the likely costs of the proposals.
15. A few respondents made explicit comments on the effects analysis (detailed comments about the effects of specific proposals are included in papers for individual topics). In particular:
- (a) most of these respondents said the costs of the proposals would be greater than what was expected by the Board. In some cases, they thought costs could exceed the benefits, for example relating to proposal for analysis of operating expenses by nature, and proposals to allocate foreign exchange differences to categories in the statement of profit or loss.
 - (b) some of these respondents said the proposals would require complex systems changes, and hence an extended implementation period would be needed.
 - (c) a few of these respondents said there might be conflicts between local regulations and the proposals that would require an extended implementation period to resolve.

Illustrative examples

16. Some respondents commented on the illustrative examples included in the Exposure Draft package. In particular:
- (a) many of these respondents asked for more illustrative examples, on a wide range of situations and aspects of the proposals;
 - (b) a few of these respondents said the illustrative example of management performance measures gave only a boilerplate explanation of how the measure provides useful information about the entity's performance, and hence did not comply with the proposed requirements;

- (c) a few of these respondents said the illustrative examples would be regarded as mandatory templates by auditors and regulators, and should not be included in the final standard; and
- (d) a few of these respondents disagreed with specific aspects of the illustrative examples.

Additional projects or extension of project scope

17. Some respondents requested that the Board do further work on other topics. Most of them asked that the work be done as separate projects, to avoid delaying the proposals in this project. Topics included:
- (a) the cash flow statement;
 - (b) segment reporting;
 - (c) interim reporting;
 - (d) equity accounting;
 - (e) the statement of financial position, including definitions of debt and trade payables;
 - (f) discontinued operations;
 - (g) other comprehensive income;
 - (h) going concern disclosures; and
 - (i) disclosures relating to liquidity risks.

Implementation period

18. Some respondents commented that the proposals would require complex systems changes and hence the implementation period would need to be at least 24 months, with a few saying it would need to be at least 36 months.
19. Some insurers asked that the implementation date be the same as IFRS 17 *Insurance Contracts*, to avoid two sets of changes in presentation. A few said this could be

achieved by allowing early adoption of the new IFRS Standard on presentation and disclosure.

Other comments

20. A few respondents made other comments, including:
- (a) comments on paragraphs from IAS 1 proposed to be carried over, including:
 - i. reinstating some paragraphs proposed to be deleted (for example on prohibition of extraordinary items and different materiality for the primary financial statements and the notes); and
 - ii. drafting suggestions on paragraphs proposed to be carried over;
 - (b) importance of interaction needed with other projects, including the Management Commentary Practice Statement in relation to proposals for MPMs, and Goodwill and Impairment in relation to proposals for separate presentation of goodwill in the statement of financial position; and
 - (c) requests for an exception from the new Standard for some entities, for example non-publicly accountable entities, and investment funds;
 - (d) requests to consider and to the extent possible align proposals with US GAAP.

Question for the Board

Does the Board have any comments or questions on the feedback discussed in this paper? Specifically:

- a) Is there any feedback or fieldwork evidence that is unclear?
- b) Are there any points, or fieldwork evidence, you think the Board did not consider in developing the Exposure Draft but should consider in the re-deliberations?
- c) Are there any points, or fieldwork evidence, you would like staff to research further for the re-deliberations?