IFRS

STAFF PAPER

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IASB® meeting

Project	**Primary Financial Statements**
Paper topic	Analysis of operating expenses—disclosure in the notes

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Objective

1. This paper, together with Agenda Paper 21B *Analysis of operating expenses—presentation in the statement of profit or loss*, initiates the Board's redeliberations on the analysis of expenses classified in the operating category in the statement of profit or loss. As discussed in the January 2021 Agenda Paper 21A *Plan for redeliberations*, the staff plan on a staged approach to the Board's redeliberations on this topic.

2. Agenda Paper 21B discusses key aspects of the proposals on the analysis of operating expenses presented in the statement of profit or loss. This paper discusses the related proposal to require an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose, in a single note, an analysis of its total operating expenses by nature. Both papers ask the Board to decide on the general direction of its redeliberations on this topic.

3. Future papers will discuss the issues discussed in this paper and Agenda Paper 21B in more detail, following further development of the agreed approach to those issues (including potentially undertaking targeted outreach).

Summary of staff recommendations

4. The staff recommends that the Board explores providing a partial cost relief from the proposed requirement for an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose an analysis of its total

operating expenses by nature. More specifically, the staff recommends exploring a partial cost relief that:

(a) would exempt entities from disclosing information about operating expenses by nature if, and to the extent that, such disclosure would involve undue cost or effort; but

(b) would not apply to:

 (i) depreciation, amortisation or employee benefits expenses; or

 (ii) any other operating expenses by nature that are subject to specific disclosure requirements in IFRS Standards.

5. If the Board agrees to explore a partial cost relief, the staff also recommends the Board reconsider its previous decision not to require an analysis of each functional line item by nature. Any reconsideration would focus on how such a requirement could work in conjunction with a partial cost relief.

Structure of the paper

6. This paper is structured as follows:

(a) proposal in the Exposure Draft (paragraphs 7–12);

(b) summary of feedback received (paragraphs 13–22); and

(c) staff analysis and questions for the Board (paragraphs 23–53).

Proposal in the Exposure Draft

7. The Board proposed to require an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose, in a single note, an analysis of its total operating expenses by nature.

8. In the Basis for Conclusions that accompanied the Exposure Draft, the Board explains its proposal would strengthen the existing requirements of IAS 1 *Presentation of Financial Statements*. Paragraph 104 of IAS 1 requires an entity that classifies

expenses by function to “disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense”.

9. The Board noted that both the nature of expense and the function of expense methods of analysis can provide useful information. For example, information that aggregates expenses by function facilitates the calculation of some performance metrics and margins. However, the Board had received feedback from users of financial statements that analysing expenses using the function of expense method can lead to a loss of useful information. Functional line items combine expenses with different natures that respond differently to changes in the economic environment, making it difficult for users to forecast future operating expenses. Information about the nature of operating expenses also enables direct comparisons with information provided in the statement of cash flows.

10. The Board considered requiring entities to disclose an analysis of each functional line item by nature. Requiring this analysis would provide users of financial statements with information to help them better forecast an entity’s functional line items. However, feedback from preparers of financial statements suggested that this approach would be significantly more complex and costly to apply than an analysis of *total* operating expenses using the nature of expense method. Hence the Board decided to propose that limited requirement in the Exposure Draft.

11. The Board also noted feedback from some preparers of financial statements that even the proposed requirement may be costly for entities to implement, particularly for those that operate multiple purchase systems making it difficult to track information about the nature of the total costs incurred. Such entities may not always retain information about the nature of the costs capitalised and, therefore, may find it difficult to disclose an analysis of expenses by nature. Other preparers, however, either provide this analysis today or could provide it with limited costs. The strong support for this proposal from users of financial statements led the Board to conclude that the benefits of having information about operating expenses by nature would be likely to exceed the costs. The Board noted that it intended to seek further feedback on the likely costs and benefits of the proposal during consultation on the Exposure Draft.

12. The Board also considered requiring an entity that presents its primary analysis of expenses using the nature of expense method to disclose in the notes an analysis of expenses using the function of expense method. However, it rejected such a requirement because there was no evidence of demand from users of financial statements for this disclosure.

Summary of feedback received

Agreement

13. Many respondents, mainly users, standard-setters and accountancy bodies, agreed with the proposed requirement for an entity to disclose an analysis of expenses by nature in the notes if it presents an analysis of expenses by function in the statement of profit or loss. These stakeholders generally said that the proposed approach appears to strike a reasonable balance between user needs, complexity and practicality. These respondents said the analysis of operating expenses by nature:
    (a) would provide comprehensive information and help users make forecasts and calculate EBITDA;
    (b) would help users reconcile the statement of cash flows with the statement of profit or loss; and
    (c) is less judgmental than analysis by function, and therefore enhances comparability both from period to period for a reporting entity and in a single period across entities.
14. A few respondents, mostly users, said that the analysis of expenses by nature should be required not only in the annual financial statements, but also in the interim financial statements.[1]

[1] Disclosure requirements in interim financial statements will be discussed in a future paper.

Concerns

15. Many respondents, mainly preparers and their representative bodies, disagreed with the Board's proposed requirements. They said:

    (a) the cost of providing such information will be higher than the benefits. Entities that currently present operating expenses by functions do so because this is how they run their business and monitor performance internally. These companies would have to maintain two statements of profit or loss and maintain dual systems of reporting of operating expenses—by functions for internal reporting and performance monitoring, and by nature for external reporting. They said that if the analysis of expenses by nature is prepared solely to meet an external disclosure requirement, the ability of management to answer questions about those expenses or trends is likely to be limited.

    (b) some entities may not be able to analyse operating expenses by more than one method in their reporting systems. Therefore, these entities would need to incur additional costs to track operating expenses using the other method of presentation outside of their current systems.

    (c) both methods of presentation provide relevant information, but the Board's proposals seem to favour by nature analysis of operating expenses.

    (d) they are unclear about why an entity should be required to disclose in a single note total operating expenses by nature if, applying paragraph 68 of the Exposure Draft, the entity has already determined that the presentation by function provides the most useful information. They think that the requirement is unnecessary.

    (e) IFRS 17 provides presentation guidance and takes precedent for insurance contracts by effectively requiring presentation of operating expenses by functions. Insurers said that they have not heard from users of their financial statements that the analysis of total operating expenses by nature would be needed and questioned the usefulness of information provided by such analysis.

16. A few respondents who agreed with the proposals also acknowledged that the proposed requirements could result in additional costs for preparers presenting

operating expenses by functions, because they may not have adequate reporting systems in place.

Alternative suggestions

17. To address cost concerns, some respondents suggested that the Board should further extend its cost and benefit analysis by, for example, investigating which information about operating expenses by nature is fundamental for users of financial statements and whether the costs of providing such information would outweigh the benefits for users. Some respondents, including some users in discussions during outreach, suggested that, to alleviate the costs of application, the Board should consider extending the scope of current requirements in IAS 1 by requiring disclosure of specified expenses by nature, in addition to those expenses by nature specifically required by IAS 1 (depreciation, amortisation and employee benefits expense), instead of requiring a complete analysis of operating expenses by nature.

18. A few users (comprising a global professional body and investor representative groups), as well as a regional standard-setter, said they would like the requirements to go further, and that entities should be required to present an analysis of expenses by nature, for each function, rather than for total operating expenses. They sometimes refer to this as matrix approach. To alleviate the cost, some of these users said a partial matrix may be sufficient to meet user needs. These users said that a partial matrix approach would provide a partial analysis of expenses by function by disclosing quantitative information about key expenses by nature included in each function (such as employee benefits, depreciation and amortisation).

19. A few respondents, including a user professional body, suggested that the Board should also consider requiring entities to disclose in the notes operating expenses by function, if in the statement of profit or loss they present the analysis of operating expenses by nature. Some of these respondents said that they do not consider one of the two methods to be superior to the other, because each of them provides relevant information—presentation of operating expenses by nature helps forecast future performance, while presentation by function helps evaluate past performance and compare gross profit.

Fieldwork findings

20. Most participants that presented an analysis of expenses using the function of expense method were either unable to disclose an analysis of operating expenses using the nature of expense method or required significant estimates to disclose expenses using the nature of expense method using their existing systems (23 participants out of 29 participants that presented all or most operating expenses by function). These participants said that their existing systems were unable to provide a full analysis of expenses by nature because the nature of operating expenses:

    (a) generally is not tracked by the system—for example, one participant said that particular types of operating expenses by nature are tracked because of specific disclosure requirements in IFRS Standards but the remainder are not tracked;

    (b) is tracked where incurred (typically at a subsidiary level) but cannot be easily aggregated at a consolidated level because of consolidation by function; or

    (c) is changed or lost as a result of intercompany transactions, for example, when the output of one group entity is the input of another group entity.

21. The extent of systems challenges for participants presenting the analysis of expenses using the function of expense method varied by participant depending on the structure and level of integration of existing systems and the complexity of operations. Many of these participants said that employee costs, depreciation and amortisation are easily obtained from existing systems. However, most of these participants said that disclosing the analysis of operating expenses by nature to the level of accuracy expected to be required for audit would require significant changes to existing systems and processes that would be costly and time consuming.

22. A few participants that presented the analysis of expenses by function said that they were able to provide the analysis of expenses by nature because they are already required to prepare subsidiary accounts using the nature of expense method by local regulations.

Staff analysis

Should the Board confirm the proposal to require an entity that presents an analysis of operating expenses by function to disclose an analysis of total operating expenses by nature?

23. As noted in paragraph 13, there was strong support from users of financial statements for the proposal in the Exposure Draft. Almost all user comment letters (except a few that did not express a view) agreed with the proposed disclosure of an analysis by nature in the notes if the analysis in the statement of profit or loss were by function, as did the feedback in many outreach meetings. Proceeding with the proposal would also achieve the Board's objective of strengthening the existing requirement of IAS 1 and resolve diversity in practice about how that requirement is interpreted and applied. For example, in practice, some entities provide a complete analysis of total expenses by nature, while some others provide only a partial analysis.

24. Furthermore, the proposal in the Exposure Draft is consistent with the broader aggregation and disaggregation requirements, which include:

    (a) a general requirement to provide information (in the primary financial statements or the notes) about the nature and amount of each class[2] of assets, liabilities, income or expense, equity or cash flow;

    (b) the principle that when providing that information, individual financial statement items (that is, individual assets, liabilities, expenses, etc) are classified and aggregated on the basis of shared characteristics; and

    (c) the principle that a single dissimilar (non-shared) characteristic between items would be sufficient to require an entity to disaggregate information about those items if that information is material.

25. As discussed in paragraph 16 of September 2021 Agenda Paper 21D *Principles of aggregation and disaggregation and their application in the primary financial statements and the notes*, when disclosing information in the notes about the nature

[2] In September 2021, the Board agreed to consider whether the term 'class' is the best term to use for this requirement.

and amount of each class of assets, liabilities, income or expense, equity or cash flows, the information disclosed could include quantitative information that is:

(a) an aggregation of some items that are included in a single line item in the primary financial statements; or

(b) an aggregation of items from more than one line item in the primary financial statements.

26. As noted in paragraph 9 of this paper, functional line items combine expenses with different natures that respond differently to changes in the economic environment. Therefore, applying the broader aggregation and disaggregation requirements, an entity that uses the function of expense method in its statement of profit or loss might need to disclose additional information in the notes about operating expenses by nature. Whether an entity would need to provide such information when applying the broader aggregation and disaggregation requirements would depend on whether the information is material. However, the strong support from users of financial statements for the proposal in the Exposure Draft to specifically require disclosure of an analysis of total operating expenses by nature indicates it is likely that the information often would be material. Therefore, in effect, the proposal in the Exposure Draft specifically requires the disclosure of information that might be required in any event, to meet the broader aggregation and disaggregation requirements.

27. In contrast, if an entity uses the nature of expense method to analyse and present operating expenses in its statement of profit or loss, we expect that it would be less likely that additional information about operating expenses by function would be material, partly because allocation of expenses to functions would often be arbitrary if an entity does not report on this basis. As noted in paragraph 12, the Board rejected requiring the disclosure of such information when developing the Exposure Draft because there was no evidence of demand from users of financial statements for this disclosure. Feedback from users largely confirms that conclusion, given that only a few respondents suggested that the Board consider requiring this information (see paragraph 19).

28. We think this lack of demand is explained by how information about expenses by nature is used, which is to help forecast future operating expenses and reconcile to the statement of cash flows. In other words, when considered in combination with the proposed requirement to present operating expenses in the statement of profit or loss using the method that provides the most useful information, it seems that:

(a) for those entities that use the nature of expense method to present operating expenses in the statement of profit or loss, users would have information that is the most useful for assessing the entity's financial performance for the period *and* is also useful specifically for forecasting future operating expenses and reconciling to the statement of cash flows; whereas

(b) for those entities that use the function of expense method to present operating expenses in the statement of profit or loss, users would have information that is the most useful for assessing the entity's financial performance for the period *but* would require additional information about operating expenses by nature specifically for forecasting future operating expenses and reconciling to the statement of cash flows.

29. Considering this in relation to general aggregation and disaggregation requirements:

(a) the requirement to disclose an analysis of operating expenses by nature, when an entity reports expenses by function, is a specific requirement that might duplicate the general aggregation and disaggregation requirements. However, those general aggregation and disaggregation requirements were never intended to replace all specific disclosure requirements relating to classes of items. Given the feedback that such an analysis will often provide material information, a specific requirement might be helpful.

(b) the lack of a specific requirement to disclose an analysis of operating expenses by function, when an entity reports expenses by nature, does not mean that the general aggregation and disaggregation requirements do not apply. Hence, if such an analysis provided material information, it would be required. However, given the feedback indicates that such an analysis will often not provide material information, a specific requirement might not be helpful.

30. The staff will bring a more detailed analysis of the interaction between the general aggregation and disaggregation requirements and specific disclosure requirements to a future Board meeting.

31. The discussion in paragraphs 23–29 suggests that the Board should proceed with the proposal in the Exposure Draft to require an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose an analysis of total operating expenses by nature, particularly given the strong support from users for that proposal. However, as noted in paragraphs 15–16, some respondents raised significant concerns about the costs of that proposal, particularly for those entities that would need to make significant changes to their accounting systems. Similarly, as noted in paragraphs 20–21, most fieldwork participants that presented operating expenses by function in the statement of profit or loss experienced difficulties with applying the proposed disclosure requirement, including some that were unable to disclose expenses by nature using their existing systems.

32. In conclusion, while the feedback received confirms the benefits of the proposal to users of the financial statements, it also indicates that for some entities, there are questions about whether the costs of proposal would outweigh those benefits. The staff therefore considered whether the Board should explore providing some form of cost relief.

33. The remainder of this paper discusses:

(a) types of cost relief (paragraphs 34–40);

(b) scope of a cost relief (paragraphs 41–45);

(c) what information should be disclosed, subject to a cost relief (paragraphs 46–48); and

(d) staff recommendations and next steps (paragraphs 49–54).

Types of cost relief

34. There are different ways in which cost relief could be provided. For example, the Board could provide a temporary exemption from the proposed requirement to disclose an analysis of total operating expenses by nature, to allow a longer-than-usual

implementation period. A temporary exemption might provide some cost relief for entities that need to make significant changes to their accounting systems, as they could incorporate the disclosure requirement into the next major update of their accounting systems, which they might need to undertake for other reasons. However, if significant costs would be incurred to build the disclosure requirement into the new systems, a temporary exemption could simply defer those costs, not avoid them. Also, the Board would need to decide for how long the temporary exemption should be available.

35. Alternatively, the Board could provide an 'undue cost or effort' exemption, whereby entities would not be required to disclose information about particular operating expenses by nature if doing so would involve undue cost or effort.

36. The staff acknowledges that whether or not an entity qualifies for an undue cost or effort exemption could be subjective, and hence could be difficult to audit and enforce. For example, the Board previously proposed an undue cost or effort exemption from retrospective application of voluntary changes in accounting policies and retrospective restatement for fundamental errors in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Based on comments received on the Exposure Draft, the Board decided that an exemption based on management's assessment of undue cost or effort is too subjective to be applied consistently by different entities (see paragraphs BC23–BC24 of the Basis for Conclusions to IAS 8).

37. However, an undue cost or effort exemption is sometimes used in IFRS Standards to provide an exemption from more specific requirements. For example:

    (a) the Exposure Draft proposed that the requirements for classifying gains and losses on hedging instruments should also apply to derivatives used to manage risk but not designated as hedging instruments, except when doing so would involve undue cost or effort. In its July 2021 meeting, the Board confirmed this proposal and extended use of the undue cost or effort relief to the classification of foreign exchange gains and losses.

    (b) the approach in IFRS 9 *Financial Instruments* to applying the expected credit loss model, which requires entities to consider all reasonable and supportable information that is available without undue cost or effort.

(c) the approach in IFRS 17 *Insurance Contracts* to determine the probability-weighted average of the full range of possible outcomes, considering all reasonable and supportable information available without undue cost or effort.

Could the Board provide application guidance on when undue cost or effort applies?

38. IFRS 9 and IFRS 17 specify that information available for financial reporting purposes (paragraph B5.5.49 of IFRS 9) or from an entity's own information systems (paragraph B37 of IFRS 17) is considered to be available without undue cost or effort.

39. The Board could consider providing application guidance to help entities assess whether disclosing information about operating expenses by nature would involve undue cost or effort, such as guidance to explain that:

(a) undue cost or effort does not mean no (or very little) cost or effort—for example, if the necessary information is readily available from an entity's information systems, the fact that the entity might still incur some costs to disclose that information (such as audit costs) does not mean that the disclosure involves undue cost or effort.

(b) the fact that an entity might need to make some changes to its information systems does not, in itself, mean that the disclosure involves undue cost or effort, because it would depend on the extent of, and the costs associated with, those changes—for example, for a group preparing consolidated financial statements, if the information is available at the subsidiary level, in some cases it might not require extensive or costly systems changes to gather and consolidate that information at the group level.

(c) whether the disclosure involves undue cost or effort could change over time—for example, the information might not be available from an entity's existing information systems, but during or following a subsequent upgrade of its information systems, it might not be costly to build the disclosure requirement into its new information systems.

40. If the Board decides to explore providing an undue cost or effort relief for the disclosure of operating expenses by nature, we would explore whether such additional application guidance would help entities apply the relief.

Scope of a cost relief

41. If the Board were to provide a cost relief from the proposed disclosure requirement, it would be necessary to consider the scope of that cost relief, such as whether that cost relief should apply to all, or only some, operating expenses.

42. In the staff view, any cost relief should not apply to depreciation, amortisation or employee benefit expenses, for the following reasons:

    (a) although there is diversity in practice about how the existing requirement in IAS 1 is interpreted and applied, the Standard specifically requires the disclosure of additional information about depreciation, amortisation and employee benefits expense. Hence, allowing a cost relief for those expenses could result in an unnecessary loss of information.

    (b) feedback indicates that depreciation, amortisation and employee benefit expenses are of particular interest to users of financial statements (for example, see paragraphs 13(a), 17 and 18).

    (c) most entities should have information available about depreciation, amortisation and employee benefits expense from their internal reporting systems, including to comply with the specific disclosure requirements in IFRS Standards, such as IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. (IAS 19 *Employee Benefits* contains disclosure requirements about post-employment benefits only—it does not contain disclosure requirements for short-term, long-term or termination benefits. Instead, the Standard notes that IAS 1 requires disclosure of employee benefits expense.[3])

43. Also, the staff thinks that any cost relief is unnecessary for, and should not apply to, any other operating expenses by nature that are subject to specific disclosure

[3] See paragraphs 25, 158 and 171 of IAS 19.

requirements in IFRS Standards, such as the requirements in IAS 36 *Impairment of Assets* to disclose information about impairment losses recognised during the period.

44. The combination of the proposals in paragraphs 42–43 would result in the disclosure of information about at least some operating expenses by nature, even if an entity used the cost relief from disclosing information about some or all of the remainder of its operating expenses by nature. Also, the information disclosed would at least cover those operating expenses by nature that the Board has determined, when setting specific disclosure requirements, are of particular interest to users and that the benefits of disclosure of information about those expenses outweigh the costs. However, similar to the suggestions of some respondents, including some users in discussions during outreach (as noted in paragraph 17), the Board could consider whether the combination of the proposals in paragraphs 42–43 would capture those operating expenses by nature that are of the most interest to users and, if not, which operating expenses by nature would not be captured, including undertaking some targeted outreach (discussed further in paragraph 52).

45. For those operating expenses for which a cost relief could apply, the staff thinks that entities should assess whether it qualifies for that cost relief for *each* such expense by nature, rather than *all* such expenses. For example, if an entity determines that disclosing information about energy costs would not involve undue cost or effort but disclosing information about raw materials consumed would involve undue cost or effort, then the cost relief should apply only to information about raw materials consumed, not energy costs. This approach would help to ensure that a cost relief is used only when necessary.

Should there be changes to what information should be disclosed, subject to a cost relief?

46. As noted in paragraph 10, when the Board developed the proposal in the Exposure Draft, it considered requiring entities to disclose an analysis of each functional line item by nature—sometimes referred to as a full matrix approach. Requiring this analysis would provide users of financial statements with information to help them better forecast an entity's functional line items. However, feedback from preparers of financial statements suggested that this approach would be significantly more

complex and costly to apply than the Board's proposed approach. Therefore, the Board decided to limit the proposed requirement to an analysis of total operating expenses using the nature of expense method.

47. If the Board were to explore providing a cost relief that applied to some, but not all, operating expenses—a partial cost relief—it could reconsider whether to require an analysis of each functional line item by nature, subject to that partial cost relief. As noted in paragraph 18, some of those users who supported a full matrix approach suggested that, to alleviate the cost of that approach, a partial matrix approach may be sufficient to meet user needs. However, requiring a partial matrix approach could be viewed as a significant change from the proposal in the Exposure Draft. Therefore, it would be important to consider the costs and benefits of such an approach, including the potential for unintended consequences.

48. If the Board wishes to explore a partial matrix approach, questions about how this approach would work include:

    (a) if an entity is able to disclose, without undue cost or effort, the amount included in some, but not all, functional line items for a specific operating expense by nature (such as freight costs), should the entity disclose that partial analysis—perhaps with a 'health warning' to note that the analysis of that specific operating expense is incomplete—or should it disclose information about a specific operating expense by nature only if the entity is able to provide a complete analysis of the allocation of that operating expense to functional line items?

    (b) if the cost relief does not apply to some operating expenses (such as employee benefits expense), should the entity be required to disclose:

        (i) both the total amount included in the statement of profit or loss for that particular expense *and* an analysis of the allocation of that expense to functional line items, with no cost relief from either requirement; *or*

        (ii) the total amount included in the statement of profit or loss for that particular expense, with no cost relief from that specific requirement, plus an analysis of the allocation of that expense to functional line items if, and to the extent that, the entity is able to provide that analysis without undue cost or effort?

(c) should a partial matrix approach apply to some key functional line items only, such as cost of sales, rather than all functional line items?

Staff recommendations and next steps

49. Based on the analysis in paragraphs 23–48, the staff recommends that the Board explores providing a partial cost relief from the proposal to require an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose an analysis of its total operating expenses by nature. More specifically, the staff recommends exploring providing a partial cost relief that:

(a) would exempt entities from disclosing information about operating expenses by nature based on an assessment of whether, for each such operating expense by nature, that disclosure would involve undue cost or effort; but

(b) would not apply to:

(i) depreciation, amortisation or employee benefits expenses; or

(ii) any other operating expenses by nature that are subject to specific disclosure requirements in IFRS Standards.

50. If the Board agrees to explore a partial cost relief, the staff, on balance, also recommends the Board reconsider its previous decision not to require an analysis of each functional line item. Any reconsideration would focus on how such a requirement could work in conjunction with a partial cost relief. The staff think there is a merit in exploring a requirement for an analysis of expenses of each functional line item as it may result in users receiving additional information which would be useful for assessing performance, and therefore help meet the project objective. However, whether such an outcome occurs depends on whether, and the extent to which, a cost relief is used—it may be that, because of the cost relief, entities would provide little additional information. Developing such a requirement can also have an effect on project timeliness. It may therefore be that, following the exploration, the staff do not recommend the Board set such a specific requirement.

51. If the Board agrees with the staff recommendation in paragraphs 49 and 50, the staff plans to undertake some targeted outreach to obtain further feedback from users and preparers about:

    (a) application guidance that can help entities apply an undue cost or effort relief (as discussed in paragraph 40);

    (b) the scope of any partial cost relief (as discussed in paragraph 47).

    (c) any information users may need about whether and how any cost relief is used.

    (d) the costs and benefits of partial matrix approach, including the potential for unintended consequences (as discussed in paragraphs 46–48).

52. That outreach would be undertaken in conjunction with the planned outreach on the presentation of operating expenses in the statement of profit or loss, as discussed in paragraph 56 of Agenda Paper 21B.

53. After that work is completed, the staff will bring to the Board a full set of recommendations on this topic.[4]

Questions for the Board

Q1. Does the Board agree to explore providing a partial cost relief that:

(a) would exempt entities from disclosing information about operating expenses by nature based on an assessment of whether, for each such operating expense by nature, that disclosure would involve undue cost or effort; but

(b) would not apply to:

(i) depreciation, amortisation or employee benefits expenses; or

(ii) any other operating expenses by nature that are subject to specific disclosure requirements in IFRS Standards. (continues on next page)

[4] In the future, the staff also need to respond to the Board's tentative decision in September 2021 to continue the discussion of a possible cost relief for the general disaggregation requirement after it has considered cost relief for specific disclosures. The general disaggregation requirement is a requirement for an entity to disclose the amount of a class of assets, liabilities, equity, income, expenses or cash flows if that information is material. The staff will analyse the interaction of that requirement with specific disclosure requirements, including possible specific or general cost reliefs.

Q2. Does the Board agree to reconsider its previous decision not to require an analysis of each functional line item by nature, focusing on how such a requirement would work in conjunction with a partial cost relief? If so, do Board members have any comments on the issues set out in paragraph 48?