



## STAFF PAPER

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## IASB® meeting

Project	Primary Financial Statements	
Paper topic	Use of columns to present management performance measures, and general requirements for additional line items and subtotals	
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

## Objective

1. This paper addresses feedback on the proposal to prohibit the use of columns to present management performance measures in the statement(s) of financial performance. The paper also considers related feedback on the requirements for presentation of additional line items, headings and subtotals which were carried over essentially unchanged from IAS 1 *Presentation of Financial Statements*.
2. In relation to management performance measures, we plan to discuss in future papers:
  - (a) whether specific guidance is needed on the timing of public communications (following up on the related discussion in [Agenda Paper 21A](#) of the September 2021 IASB meeting);
  - (b) requirements relating to changes to management performance measures, including whether a change represents a change in accounting policy; and
  - (c) how management performance measures work with other requirements, including:

- (i) income and expenses of limited recurrence (unusual income and expenses);
- (ii) segment reporting;
- (iii) subtotals in the statement(s) of financial performance; and
- (iv) earnings per share measures.

### **Summary of staff recommendations in this paper**

3. The staff recommend the IASB:
- (a) add a requirement based on the discussion in paragraphs BC31 and BC165 of the Basis for Conclusions for additional subtotals and line items that are presented in the statement(s) of financial performance in accordance with paragraph 42 of the Exposure Draft to fit into the structure of the proposed categories.
  - (b) withdraw the proposal to specifically prohibit columns to present management performance measures in the statement(s) of financial performance.

### **Structure of the paper**

4. This paper is structured as follows:
- (a) background (paragraphs 5–24):
    - (i) proposals in the Exposure Draft (paragraphs 5–14);
    - (ii) summary of related tentative IASB decisions and discussions from its redeliberations to date (paragraphs 15–16); and
    - (iii) feedback on the Exposure Draft (paragraphs 17–24).
  - (b) staff analysis and recommendations (paragraphs 25–46);
    - (i) interaction between the requirement to present additional line items, headings and subtotals and the structure of proposed categories (paragraphs 26–31); and
    - (ii) use of columns to present management performance measures (paragraphs 32–46).

- (c) Appendix - Examples of management performance measures using columns.

***Proposals in the Exposure Draft***

*Totals and subtotals presented in the statement of profit or loss*

5. Paragraph 60 of the Exposures Draft states that:

[IAS 1.81A partial] Subject to paragraph 64, an entity shall present the following totals or subtotals in the statement of profit or loss:

- (a) operating profit or loss;
- (b) operating profit or loss and income and expenses from integral associates and joint ventures;
- (c) profit or loss before financing and income tax; and
- (d) profit or loss.

6. Paragraph 42 of the Exposure Draft was brought forward essentially unchanged from paragraphs 55 and 85 of IAS 1. It sets out requirements for what line items, headings, and subtotals should be presented in the statements of financial position and financial performance. It states:

This [draft] Standard requires minimum line items and subtotals to be presented in the statement(s) of financial performance and the statement of financial position. An entity shall present additional line items (including by disaggregating required minimum line items), headings and subtotals in the statement(s) of financial performance and the statement of financial position when such presentations are relevant to an understanding of the entity's financial performance or financial position.

7. Paragraph 43 of the Exposure Draft was brought forward essentially unchanged from paragraphs 55A and 85A of IAS 1. It sets out requirements for presenting additional subtotals in the statement(s) of financial performance and the statement of financial position. It states:

When an entity presents additional subtotals in accordance with paragraph 42, those subtotals shall:

- (a) comprise line items made up of amounts recognised and measured in accordance with IFRS Accounting Standards;
- (b) be presented and labelled in a manner that faithfully represents the line items that constitute the subtotal, making the subtotal clear and understandable;
- (c) be consistent from period to period; and
- (d) not be displayed with more prominence than the subtotals and totals required by IFRS Standards.

8. Paragraph BC31 explains that the IASB proposes to retain the requirement for entities to present additional subtotals when relevant to understanding the entity’s financial performance. The IASB noted that any additional subtotals can be presented only if they fit in the proposed structure of the statement(s) of financial performance. The IASB proposes to remove the requirement that any additional subtotals need to reconcile with the required subtotals because the proposed structure and content of the statement(s) of financial performance make this requirement redundant.

*Categories included in the statement of profit or loss*

9. Paragraph 45 of the Exposure Draft states that:

An entity shall classify income and expenses included in profit or loss into the following categories:

- (a) operating;
- (b) investing;
- (c) financing;
- (d) integral associates and joint ventures;
- (e) income tax; and
- (f) discontinued operations.

*Management performance measures*

10. The Exposure Draft states that:

- (a) a subtotal included in the statement(s) of financial performance applying paragraph 42 may be a management performance measure (see paragraph 109 of the Exposure Draft); and
  - (b) an entity shall not use columns to present management performance measures in the statement(s) of financial performance (see paragraph 110 of the Exposure Draft).
11. Paragraph BC164 of the Basis for Conclusions of the Exposure Draft explains that to address the concerns of some stakeholders that management performance measures could be misleading and should not be given prominence, the IASB considered prohibiting entities from presenting management performance measures in the statement(s) of financial performance. However, paragraphs the IASB proposes to move from IAS 1 to the draft IFRS [X] a requirement for entities to present line items, headings and subtotals in the statement(s) of financial performance that are not required by IFRS Accounting Standards if that information is relevant to an understanding of the entity's financial performance. Prohibiting an entity from presenting management performance measures in the statement(s) of financial performance may prevent them from complying with this requirement. Therefore, the IASB did not propose prohibiting an entity from presenting management performance measures in the statement(s) of financial performance.
12. Paragraph BC165 of the Basis for Conclusions of the Exposure Draft explains that the IASB expects that few management performance measures would meet the requirements for presentation as a subtotal in the statement(s) of financial performance. To meet the requirements, such subtotals must:
- (a) fit into the structure of the proposed categories;
  - (b) not disrupt the presentation of an analysis of expenses in the operating category using either the function of expense or nature of expense method; and
  - (c) comprise amounts recognised and measured applying IFRS Accounting Standards.
13. Paragraph BC166 of the Basis for Conclusions of the Exposure Draft explains that the IASB is proposing to prohibit the use of columns to present management performance

measures as it further restricts the circumstances in which such measures may be presented in the statement(s) of financial performance, which helps address the concerns of some stakeholders that doing so would give them undue prominence. Additionally, the Basis further states this restriction is consistent with the IASB’s objective of improving the comparability of information provided in the statement(s) of financial performance.

***Aggregation and disaggregation***

14. Paragraph BC27 explains that the IASB considered introducing mandatory templates that would require specified line items. However, it rejected this approach because it would not be possible to develop templates applicable to all types of entities or business activities or to all methods of reporting. Additionally, mandatory templates may conflict with local laws and regulations in some jurisdictions. The IASB has, however, developed a set of draft non-mandatory illustrative examples to help stakeholders understand the proposals and illustrate how they could be applied.

***Summary of related tentative IASB decisions and discussions from its redeliberations to date***

15. In October 2021 (see [Agenda Paper 21B](#) of that meeting) the IASB tentatively decided to withdraw the proposed prohibition on a mixed presentation of operating expenses in the statement of profit or loss and instead to provide application guidance and disclosure requirements in order to improve comparability and help ensure the presentation of operating expenses provides a faithful representation of the expenses.
16. At its February 2022 meeting (see [Agenda Paper 21A](#) of that meeting) and at its March 2022 meeting (see [Agenda Paper 21B](#) of that meeting), the IASB tentatively decided to:
  - (a) require all presentation requirements to apply only when the resulting presentation does not detract from the primary financial statements providing an understandable overview;
  - (b) revise the requirement for the presentation of line items in the primary financial statements set out in paragraph 42 of the Exposure Draft by

removing the term ‘relevant’ and instead including a reference to an ‘understandable overview’ of an entity’s income and expenses or assets, liabilities and equity; and

- (c) confirm the requirement for an entity to disclose information about management performance measures in a single note to the financial statements.

***Feedback on the Exposure Draft***

- 17. The Exposure Draft did not have a specific question relating to the proposal of prohibiting entities from using columns to present management performance measures in the statement(s) of financial performance. However, a few respondents commented on the proposal and expressed their disagreement with the prohibition.
- 18. A few respondents, mainly preparers, said that presenting management performance measures in the statement of financial performance using columns provides useful information to users of financial statements. They said that by using columns to present management performance measures, entities can present each affected line item in a clear and understandable manner which, in their view, is consistent with the objective of transparency.
- 19. A few respondents, mainly preparers in the investing and real estate industries, said that it is industry practice to present information about capital returns and revenue returns, which may be categorised as management performance measures, in a columnar format in the statement of financial performance. These respondents were concerned that prohibiting entities from using columns will prevent the long-standing industry practice and impede the understandability of the statement of financial performance. They also said that the proposed prohibition on columns to present management performance measures is inconsistent with the requirement to include additional subtotals that are relevant to understanding an entity’s financial performance.
- 20. A few respondents, including audit firms and a standard setting body, suggested that it would be helpful to include in the requirements in the [draft] IFRS Accounting Standard the criteria mentioned in paragraph BC165 of the Basis for Conclusions with

respect to presenting management performance measures in the statement(s) of financial performance.

21. One accounting body said that entities should be allowed to present management performance measures using columns, however the IASB should introduce a requirement that line items shall fit in the general structure of the statement(s) of financial performance, as mentioned in BC31 and BC165(a) of the Basis for Conclusions.
22. A few respondents asked whether columns can be used to present 'unusual items' in the statement of financial performance.
23. A few accounting firms said that breaking out adjustments to subtotals specified in IFRS Accounting Standards within a box in the statement of profit or loss was a common practice. These respondents said that a box presentation could permit the presentation of management performance measures that did not follow the structure of the statement of profit or loss in a similar way to columns and therefore should also be specifically prohibited.
24. A few respondents, including some users, suggested management performance measures should be permitted as an addendum to the statement of profit or loss presented in a similar manner to earnings per share.

### ***Staff analysis and recommendations***

25. The staff analysis is structured as follows:
  - (a) interaction between the requirement to present additional line items, headings and subtotals and the structure of proposed categories (paragraphs 26–31); and
  - (b) use of columns to present management performance measures (paragraphs 32–46).

***Interaction between the requirement to present additional line items, headings and subtotals and the structure of proposed categories***

26. In order to enhance comparability across entities by reducing diversity in reporting practices, the Exposure Draft introduces proposed categories—operating, investing and financing (see paragraph 9) and the proposal to present required subtotals (see paragraph 5).
27. The staff think that it’s important to first consider how the requirement of presenting additional line items, headings and subtotals interacts with the proposed categories, because such an analysis could affect the analysis of stakeholders’ comments on the proposal to prohibit columns to present management performance measures.
28. While the Exposure Draft proposes to retain the requirement in IAS 1 for entities to present additional subtotals in the statement(s) of financial performance, the IASB noted in paragraphs BC31 (see paragraph 8) and BC165 (see paragraph 12) of the Basis for Conclusions that these subtotals can only be presented if they fit into the structure of proposed categories.
29. The staff agree with stakeholders’ comments that the observations in the Basis for Conclusions should be included as requirements in the [draft] IFRS Accounting Standard (see paragraph 20)—we think that requiring subtotals to fit into the structure of proposed categories is important to help ensure that the comparability introduced by the proposals in the Exposure Draft is maintained. Otherwise, for example, an entity could present a subtotal in the operating category using an additional column including items from investing and/or financing categories (see example in Appendix).
30. Accordingly, the staff recommend that the IASB add a requirement, based on the discussions in paragraphs BC31 and BC165(a) of the Basis for Conclusions of the Exposure Draft, for additional subtotals and line items that are presented in the statement of financial performance to fit into the structure of the proposed categories.
31. The staff acknowledge that paragraph BC165 of the Basis for Conclusions also states that management performance measures, presented in the statement(s) of financial performance, shall not disrupt the presentation of an analysis of expenses using either

the function or nature of expense method. However, the IASB has tentatively decided to withdraw the proposed prohibition on a mixed presentation of operating expenses in the statement of profit or loss (see paragraph 15), making any reference to such disruption redundant.

### Question for the IASB

Q1 Does the IASB agree with the staff recommendation in paragraph 30?

### ***Use of columns to present management performance measures***

32. This section of the paper is structured as follows:
- (a) objective of the proposal (paragraphs 33–34);
  - (b) do additional subtotals result in undue prominence and reduced comparability? (paragraphs 35–37);
  - (c) implications of the proposal to prohibit the use of columns to present management performance measures (paragraphs 38–39);
  - (d) is prohibiting the use of columns to present management performance measures really needed (paragraphs 40–41);
  - (e) implications of digital access of financial information (paragraphs 42–45); and
  - (f) staff recommendation (paragraph 46).

#### ***Objective of the proposal***

33. During the development of the Exposure Draft some stakeholders were concerned that including management performance measures in the financial statements will give them undue prominence. To address these concerns, the IASB considered prohibiting entities from presenting management performance measures in the statement(s) of financial performance. However the IASB decided against that approach, acknowledging that entities would be required to present additional subtotals in

accordance with paragraph 42 of the Exposure Draft that may also be management performance measures (see paragraph 11).

34. Instead, to restrict the circumstances in which management performance measures could be presented on the statement(s) of financial performance, the IASB proposed prohibiting entities from using columns to present such measures (see paragraph 13). The IASB said that the proposal would help in:

- (a) addressing stakeholders' concerns on undue prominence of management performance measures; and
- (b) enhancing the comparability of information provided in the statement(s) of financial performance.

*Do additional subtotals result in undue prominence and reduced comparability?*

35. The staff think that stakeholders' concern on undue prominence do not apply to management performance measures that can be presented in the statement(s) of financial performance applying paragraph 42 of the Exposure Draft. Such subtotals, cannot result in *undue* prominence or reduced comparability because they are necessary to give an 'understandable overview' of an entity's income and expenses (see paragraph 16(b)).
36. The staff acknowledge that columns can be used to provide information that would not be possible to provide in rows, within proposed structure of the statement of financial performance. For example, entities could disaggregate income and expenses with limited recurrence and provide information about operating profit adjusted for those items.<sup>1</sup> Such a presentation could reduce overall comparability because entities could choose what information to provide in columns. It would however not affect the comparability of the categories and subtotals the IASB proposed to require and specify, so the comparability objective the IASB had in mind would still be achieved.

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<sup>1</sup> Such a presentation would be permitted assuming the IASB proceeds with the definition of items with limited recurrence so that the presentation would comply with the proposed requirement in paragraph 43 of the Exposure Draft that additional subtotals be comprised of amounts recognised in accordance with IFRS Accounting Standards.

37. Also, this possible loss of overall comparability between entities applies to the general use of columns and is not particularly attributable to the presentation of management performance measures. Since the IASB does not preclude entities from presenting other information using an additional column, prohibiting columns from presenting management performance measures may seem inconsistent.

*Implications of the proposal to prohibit the use of columns to present management performance measures*

38. The proposal to prohibit columns for management performance measures generated questions from respondents such as whether columns can still be used to present information other than management performance measures (see paragraph 22), whether other forms of presentation such as ‘boxes’ are permitted (see paragraph 23) and whether management performance measures can be presented using an addendum similar to an ‘earnings per share’ presentation (see paragraph 24).
39. Consequently, the staff think that being specific about a format of presentation for management performance measures may result in the IASB having to add specific guidance on wider use of columns, use of boxes and other supplementary information presented in the primary financial statements.

*Is prohibiting the use of columns to present management performance measures needed?*

40. Based on the proposals in the Exposure Draft and staff recommendations (see paragraph 30) in this paper, an entity would:
- (a) present additional subtotals, which may be management performance measures, in the statement(s) of financial performance when these are necessary to provide an understandable overview of an entity’s income and expenses (applying paragraph 42 of the Exposure Draft as tentatively revised by the IASB), if such measures;
    - (i) fit into the structure of proposed categories (see staff recommendation in paragraph 30); and

- (ii) comprise line items made up of amounts recognised and measured in accordance with IFRS Accounting Standards (applying paragraph 43 of the Exposure Draft); and
  - (b) disclose information about any management performance measures in a single note to the financial statements (applying paragraph 106 of the Exposure Draft).
41. The staff think that these proposals in the Exposure Draft and staff recommendation are sufficient in achieving the objective of providing necessary discipline around the presentation of management performance measures in the statement(s) of financial performance to address users' concerns about undue prominence and comparability.

*Implications of digital access to financial information*

42. The staff considered the implications of presenting an additional column in the statement(s) of financial performance for those accessing information digitally. From discussions with the digital reporting team, the staff understand that information presented in additional columns in the primary financial statements would be tagged in a way that a user of digital information is expected to search and find the information in the same way whether the column was presented in the primary financial statement or a note.
43. Specifically, information in columns is expected to be tagged using the 'dimensional modelling' approach where the base data tagged is the line item to which the column relates, for example operating profit, to which a dimension is added representing information provided in each of columns (for example operating profit for each dataset in column). The information would be tagged in the same way if disclosed in the notes, whether in columns or in another layout.
44. However, if an investor wanted to search for what information is reported in primary financial statements and what in the notes, rather than, for example, information about operating profit, this information would be available from the tagged data. This is because the location in which the information is reported is provided alongside all tagged information whether it appears in the primary financial statements, in a column in the primary financial statements or in the notes.

45. Because we expect that investors would generally access information digitally by searching for individual data points (for example operating profit and associated information) and not by searching for information presented in primary financial statements or the notes, we do not think the specific requirements relating to the presentation of management performance measures in a column in the statement(s) of financial performance would have effect on how information is used digitally.

*Staff recommendation*

46. The staff recommend the IASB withdraw the proposal to specifically prohibit columns to present management performance measures in the statement(s) of financial performance, based on the analysis that:
- (a) using an additional column to present management performance measures in the statement(s) of financial performance would not result in undue prominence (see paragraph 35);
  - (b) the main objective of comparability would be achieved with categories and subtotals, regardless of the use of columns (see paragraph 36);
  - (c) prohibiting columns for management performance measures would require the IASB to consider additional specific requirements, for example on wider use of columns, use of boxes and other supplementary information (see paragraphs 38–39);
  - (d) general requirements relating to additional subtotals, combined with the staff recommendation in paragraph 30 provide sufficient discipline on presenting management performance measures (see paragraphs 40–41); and
  - (e) whether information in the statement of financial performance is presented in columns or columns are included in disclosures in the note would generally have no effect on how the information is used in digital reporting (see paragraphs 42–45).

**Question for the IASB**

Q2 Does the IASB agree with the staff recommendation to withdraw the proposal to specifically prohibit columns to present management performance measures in the statement(s) of financial performance?

## Appendix - Examples of management performance measures using columns

A1. In the following example the entity provides two management performance measures:

- (a) adjusted operating profit—reclassifying the interest on the unwinding of the discount of its decommissioning liability from financing to operating; and
- (b) net interest expense— reclassifying interest on cash and equivalents from the investing category to the financing category.

### Statement of financial performance—with columns that adjust categories

	<b>20X2<sup>1</sup></b>	<b>Interest on cash</b>	<b>Unwinding of discount</b>	<b>MPM</b>
Revenue	3,470			3,470
Cost of Sales	(2,370)		(100)	(2,470)
<b>Gross profit</b>	<b>1,100</b>		<b>(100)</b>	<b>1,000</b>
General and admin	(700)			(700)
<b>Operating profit</b>	<b>400</b>		<b>(100)</b>	<b>300</b>
Income and expenses from associates and joint ventures	60			60
Income and expenses from investments, including cash and cash equivalents	80	(50)		30
<b>Profit before financing and income tax</b>	<b>540</b>	<b>(50)</b>	<b>(100)</b>	<b>390</b>
Income and expenses from financing/Net interest expense	(150)	50		(100)
Unwinding of discount on decommissioning liability	(100)		100	-
<b>Profit before tax</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>290</b>
Income tax	(90)			(90)
<b>Profit for the year</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>

<sup>1</sup> Comparative information for the preceding reporting period is not presented in this example.

- A2. In the following example the entity uses columns to separately present the income and expenses arising from two distinct operations. In this example, the separate operating profits of each of the operation represent management’s view of an aspect of the performance which they communicate separately in public. Although no other adjustments are made to the subtotals specified by IFRS Accounting Standards the subtotals of each meet the definition of management performance measures.

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Statement of financial performance—columns that do not adjust categories

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	20X2 <sup>1</sup>	Operation A	Operation B
Revenue	3,470	2,600	870
Cost of Sales	(2,370)	(1,775)	(595)
<b>Gross profit</b>	<b>1,100</b>	<b>825</b>	<b>275</b>
General and admin	(700)	(525)	(175)
<b>Operating profit</b>	<b>400</b>	<b>300</b>	<b>100</b>
Income and expenses from associates and joint ventures	60	10	50
Income and expenses from investments, including cash and cash equivalents	80	20	60
<b>Profit before financing and income tax</b>	<b>540</b>	<b>330</b>	<b>210</b>
Income and expenses from financing	(150)	(90)	(60)
Unwinding of discount on decommissioning liability	(100)		(100)
<b>Profit before tax</b>	<b>290</b>	<b>240</b>	<b>50</b>
Income tax	(90)	(70)	(20)
<b>Profit for the year</b>	<b>200</b>	<b>170</b>	<b>30</b>

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<sup>1</sup> Comparative information for the preceding reporting period is not presented in this example.