

Primary Financial Statements

Capital Markets Advisory Committee

Agenda Paper 2

March 2022

Purpose of this session

- The purpose of this session is to obtain feedback from CMAC members to help the IASB's future discussions on:
 1. the requirements relating to the disclosure of operating expenses by nature in the notes for entities that report operating expenses by function in the statement of profit or loss (slides 5–17); and
 2. defining unusual income and expenses (slides 18–30)

Before the session

- Please review the slides in advance of the meeting, in particular the sections on:
 1. disclosure of operating expenses by nature (slides 5–17); and
 2. unusual income and expenses (slides 18–30)
- During the 90 minute session, we will focus the discussion on the questions on:
 1. slide 17 for disclosure of operating expenses by nature (45 minutes); and
 2. slide 30 for unusual income and expenses (45 minutes)
- As background information we have provided slides to give CMAC members:
 1. an overview of the project status and next steps (slides 31–33); and
 2. an appendix containing an overview of the proposals in the Exposure Draft (ED) and the redeliberations to date (slides 34–44)

Agenda

Disclosure of operating expenses by nature (slides 5–17)

Unusual income and expenses (slides 18–30)

Project status and next steps (slides 31–33)

Appendix (slides 34–44)



Primary Financial Statements

Disclosure of operating expenses by nature

Purpose of this session

- In this session, we will discuss the:
 - proposal in the ED which requires that an entity reporting expenses by function in the statement of profit or loss shall also disclose in the notes total operating expenses by nature (slide 10);
 - feedback received on the proposal (slides 11–12);
 - current status of redeliberations of the IASB on the proposal (slide 13); and
 - possible alternatives to the proposal (slides 14–16).
- CMAC members will then be asked questions with regards to this topic (slide 17)
- Slides 7–9 are intended to facilitate an understanding of the topic discussed in slides 10–16 by:
 - giving a recap of the requirements in IAS 1 *Presentation of Financial Statements* with regards to the different presentation methods in the statement of profit or loss (unchanged in the ED); and
 - providing two examples on the difference between cost and expense

Recap of IAS 1—‘nature of expense’ and ‘function of expense’ method in the statement of profit or loss

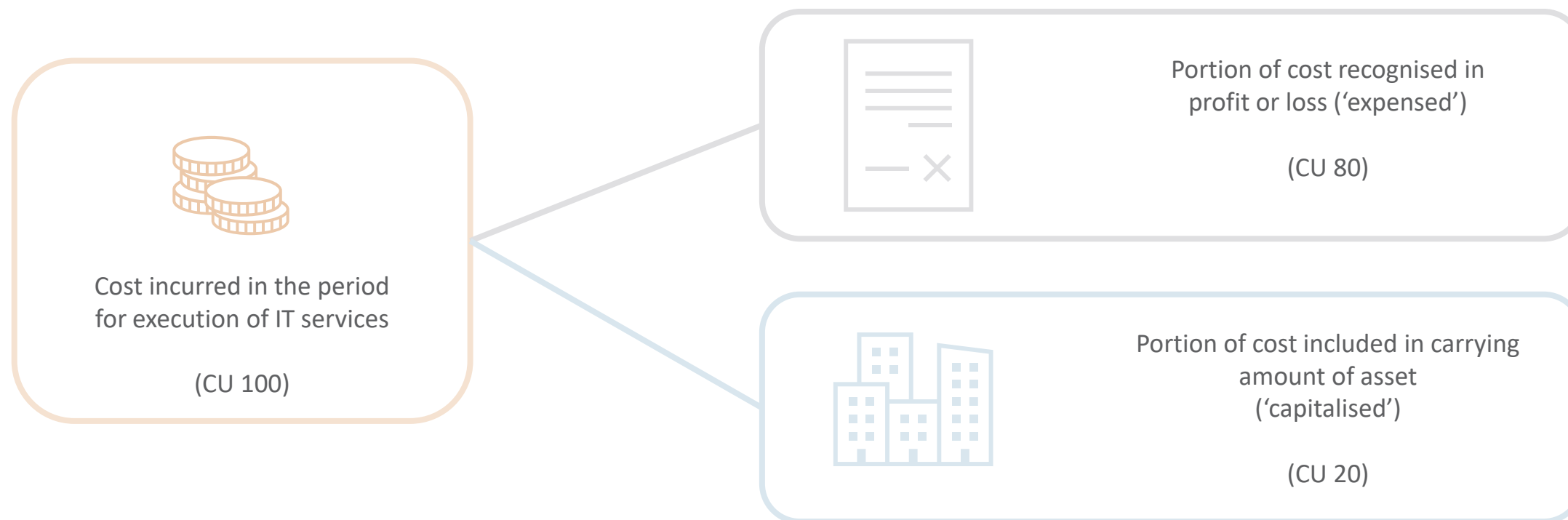
| Statement of profit or loss (<u>function</u> of expense method) | 20X2 | 20X1 |
|--|-------------|------|
| Revenue | 3000 | ... |
| Cost of sales | (600) | ... |
| Gross profit | 2400 | ... |
| Other income | 300 | ... |
| Distribution costs | (100) | ... |
| Administrative expenses | (300) | ... |
| Other expenses | (500) | ... |
| Profit before tax | 1800 | ... |

| Statement of profit or loss (<u>nature</u> of expense method) | 20X2 | 20X1 |
|--|-------------|------|
| Revenue | 3000 | ... |
| Changes in inventories of finished goods and work in progress | 300 | ... |
| Raw materials and consumables used | (700) | ... |
| Employee benefit expense | (300) | ... |
| Depreciation and amortisation expense | (300) | ... |
| Other expenses | (200) | ... |
| Total expenses | (1500) | ... |
| Profit before tax | 1800 | ... |

1) In the statement of profit or loss expenses are reported using either the ‘nature of expense’ or the ‘function of expense’ method. Expenses by nature are the inputs consumed to accomplish an entity’s activities (e.g., depreciation, employee benefits). When an entity presents expenses by function it allocates and combines expenses that are different in nature according to the activity to which the item relates (e.g., cost of sales). For simplicity purposes, entities using the ‘nature of expense’ method report cost rather than expense. Cost may differ from expense in a reporting period when not all cost is recognised as an expense in the statement of profit or loss in that period – that is, when some cost is included in the carrying amount of an asset (‘capitalised’ rather than ‘expensed’) (see examples on slides 8–9)

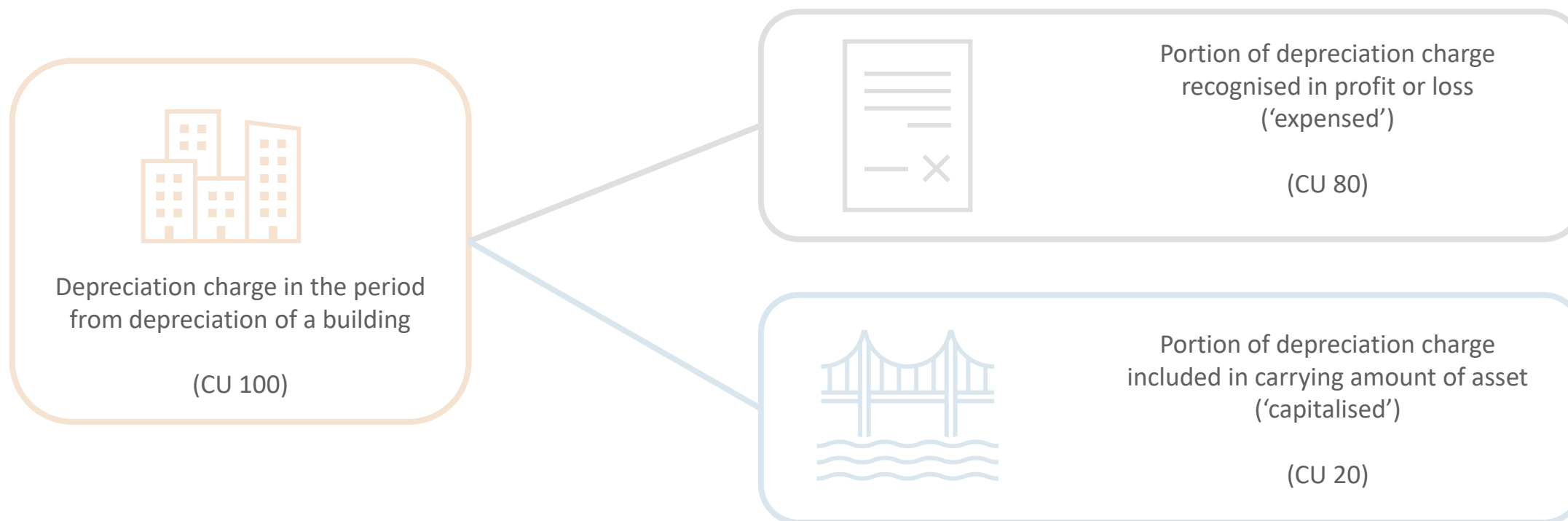
2) To arrive at the same outcome as entities using the ‘function of expense’ method, entities using the ‘nature of expense’ method report a balancing item in the statement of profit or loss (e.g., ‘changes in inventories of finished goods and work in progress’)

Recap—Cost versus expense (example 1)



Recap—Cost versus expense (example 2)

- Cost not only refers to cost incurred as a result of an outflow of cash or a cash equivalent (or recognition of a liability). For example, depreciation of an item or property, plant and equipment could also lead to cost (depreciation charge) when depreciated amounts are capitalised to an asset



* The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset (paragraph 48 of IAS 16 *Property, Plant and Equipment*)

Proposal—Entities reporting by function shall disclose total operating expenses by nature in the notes

| Statement of profit or loss | 20X2 | 20X1 |
|-------------------------------------|-------------|------|
| Revenue | 3000 | ... |
| Cost of goods sold | (600) | ... |
| Gross profit | 2400 | ... |
| Selling expenses | (500) | ... |
| General and administrative expenses | (100) | ... |
| Research and development expenses | (300) | ... |
| Other income | 300 | ... |
| Operating profit or loss | 1800 | ... |

| Disclosure in a single note | 20X2 | 20X1 |
|---|---------------|------|
| Changes in inventories of finished goods and work in progress | 300 | ... |
| Materials | (700) | ... |
| Depreciation, Amortisation (bundled for simplification) | (300) | ... |
| Employee benefits | (300) | ... |
| Impairment | (200) | ... |
| Other | (300) | ... |
| Operating expenses total | (1500) | ... |

- 1) Likely that disclosing cost rather than expense would be a more operational approach for entities in complying with the specific disclosure requirement in the ED (as applied by entities reporting expenses by nature in the statement of profit or loss for simplicity purposes; see slide 7)

Summary of feedback received on proposal

- Comment letter respondents have expressed mixed views on the proposal:
 - many respondents, mainly preparers, said that the costs of the proposal would be too high (as it would require changes to systems and reporting processes)
 - many respondents, mainly users, said that the proposal would provide users with useful information
 - feedback from a few respondents (mainly preparers and users) indicated that limited disaggregation of (some) functions into expenses by nature (a partial matrix) would be less costly for preparers and more useful for users than disclosing only totals of expenses by nature (see slide 12 for more detail)
- Feedback from fieldwork participants and the Global Preparers Forum (GPF) amplifies concerns with regards to costs of the proposal:
 - most fieldwork participants that report expenses by function were either unable, or required significant estimates, to disclose expenses by nature using existing systems (23 out of 29 entities)
 - feedback from November 2021 GPF meeting indicates that the proposal is too costly for preparers as it would require changes to systems and reporting processes

Feedback relevant to a partial matrix approach

- IASB did not ask for feedback on partial matrix approach
- However, as mentioned on slide 11, a few comment letter respondents indicated that limited disaggregation of (some) functions into expenses by nature (a partial matrix) would be less costly for preparers and more useful for users than disclosing only totals of expenses by nature, in particular:
 - preparers suggested an allocation of depreciation, amortisation and employee benefit expense to functions
 - users highlighted that:
 - employee costs should be shown by function as they are often the largest expense for services and technology companies;
 - depreciation and amortisation expenses should be shown by function, as users need to remove depreciation and amortisation from R&D in order to capitalise R&D themselves; and
 - a rough approximation of expenses by function may already be of significant value to users

Current status of redeliberations on proposal

- IASB has tentatively decided to require a narrative disclosure of the composition of functions (see IASB tentative decision in October 2021 [Agenda Paper 21B](#))
- The IASB has asked the staff to develop a better understanding of whether a 'partial matrix' could achieve a better cost-benefit balance than the proposal in the ED (October 2021 [Agenda Paper 21C](#))
- So far, there was no structured outreach on the topic, feedback from the November 2021 GPF meeting and discussion with preparers suggests that a partial matrix could be equally or more costly than the proposal (e.g., that disaggregation of cost of sales would be very challenging for entities using standard costing systems*)
- Further outreach with preparers necessary to determine whether a partial matrix would be a feasible solution to the cost concerns expressed with regards to the proposal in the ED

* Standard costing is a technique for measuring the cost of inventories that may be used for convenience if the results approximate cost. Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in light of current conditions.

What is a partial matrix?

- Prior to finalising the ED, the IASB considered to require that entities disclose a full matrix (that is: a disaggregation of functions into expenses by nature based on materiality). However, the IASB concluded that a full matrix would be significantly more complex and costly to apply than the proposal in the ED (that is, to require that entities disclose an analysis of total operating expenses by nature) (see paragraph BC112 of the Basis for Conclusions to the Exposure Draft)
- A full matrix:
 - would give entity-specific material information; but
 - would not solve the cost problem for entities
- A partial matrix, on the other hand, is likely to result in some material information not being disclosed as it would require that either:
 - all functions be disaggregated into specified expenses by nature; or
 - specified functions be disaggregated into expenses by nature

Partial matrix 1—IASB specifies which expenses by nature to be disaggregated by function

| Statement of profit or loss | 20X2 | 20X1 |
|-------------------------------------|-------------|------|
| Revenue | 3000 | ... |
| Cost of goods sold | (600) | ... |
| Gross profit | 2400 | ... |
| Selling expenses | (500) | ... |
| General and administrative expenses | (100) | ... |
| Research and development expenses | (300) | ... |
| Other income | 300 | ... |
| Operating profit or loss | 1800 | ... |

| Disclosure in a single note | 20X2 | 20X1 |
|---|------------|------|
| 1) Depreciation, Amortisation (bundled for simplification) | 400 | ... |
| Cost of goods sold | 250 | ... |
| Selling expenses | 50 | ... |
| General and administrative expenses | 50 | ... |
| Research and development expenses | 25 | ... |
| Delta | 25 | ... |
| 2) Employee benefits | 400 | ... |
| Cost of goods sold | 150 | ... |
| Selling expenses | 100 | ... |
| General and administrative expenses | 50 | ... |
| Research and development expenses | 50 | ... |
| Delta | 50 | ... |

- 1) Material information perhaps not disclosed as entities would only disclose quantitative information on specific expenses by nature
- 2) Totals* of specified expenses by nature determinable

* Totals mentioned in paragraph 104 of IAS 1 *Presentation of Financial Statements* would be given regardless of which version of a partial matrix would be required (depreciation, amortisation and employee benefits)

Partial matrix 2—IASB specifies the functions to be disaggregated by nature

| Statement of profit or loss | 20X2 | 20X1 |
|-------------------------------------|-------------|------|
| Revenue | 3000 | ... |
| Cost of goods sold | (600) | ... |
| Gross profit | 2400 | ... |
| Selling expenses | (500) | ... |
| General and administrative expenses | (100) | ... |
| Research and development expenses | (300) | ... |
| Other income | 300 | ... |
| Operating profit or loss | 1800 | ... |

1) Material information perhaps not disclosed as entities would only disclose quantitative information on specific functions (however: users would be provided with a narrative disclosure of the composition of functions; see IASB tentative decision in October 2021 [Agenda Paper 21B](#))

2) Totals* of some expenses by nature perhaps not determinable if a portion of the total expense is included in a function for which disaggregation is not required

| Disclosure in a single note | 20X2 | 20X1 |
|---|------------|------|
| Cost of goods sold | 600 | ... |
| Depreciation, Amortisation (bundled for simplification) | 250 | ... |
| Employee benefits | 150 | ... |
| Materials | 150 | ... |
| Impairment | 25 | ... |
| Other | 25 | ... |
| Selling expenses | 500 | ... |
| Depreciation, Amortisation (bundled for simplification) | 100 | ... |
| Employee benefits | 150 | ... |
| Materials | 200 | ... |
| Other | 50 | ... |

* Totals mentioned in paragraph 104 of IAS 1 *Presentation of Financial Statements* would be given regardless of which version of a partial matrix would be required (depreciation, amortisation and employee benefits)

Questions for CMAC members

- 1) Considering how you use information, which of the two approaches would provide you with more benefits:
 - a) receiving information on totals of expenses by nature without information on how expenses are allocated to functions (proposal in the ED; slide 10); or
 - b) receiving limited information on expenses by nature but having information on how those expenses have been allocated to (some) functions (a partial matrix approach; slides 15–16)?

- 2) If you think a matrix approach is more beneficial, which version of a partial matrix is more preferable and why:
 - a) partial matrix 1 (slide 15): IASB specifies which expenses by nature to be disaggregated by function (e.g., how much employee benefits is included in cost of sales); or
 - b) partial matrix 2 (slide 16): IASB specifies the functions to be disaggregated by nature (e.g., what expenses by nature are included in cost of sales)?



Primary Financial Statements

Unusual income and expenses

Purpose of this session

- The Exposure Draft proposed requiring an entity to disclose information about unusual income and expenses
 - The objective was to enable users to identify income and expenses which may not persist and to analyse them separately when predicting an entity's future cash flows.
- We will cover
 - an overview of what was proposed in the ED (slide 20)
 - feedback we heard on the proposals (slides 21–22)
 - discussions by the IASB in response to feedback (slide 23)
 - questions for CMAC members on whether the definition should:
 - a) be focused on either (slide 23) :
 - A. ensuring all 'unusual' items are identified; or
 - B. preventing recurring items being portrayed as 'unusual'?
 - b) exclude items that have occurred in the past (slides 25–26)?
 - c) include items that arise over a few reporting periods (slides 27–28)?

What is proposed in the ED—unusual income and expenses

Definition



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 normally be classified as unusual.

Disclosures

Amount & narrative description

Amount 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

Overview of feedback on whether to define unusual items

- Most respondents commented on whether to define unusual items
- Many respondents, including almost all users, agreed the Board should define unusual items
 - users want to identify recurring or normalised earnings but currently have to rely on voluntary disclosures by an entity to do so
 - definition would provide discipline and reduce opportunistic classification of items as unusual
- Some respondents, including a few users, did not agree
 - any definition would be too restrictive, better to rely on strengthened principles of disaggregation
 - any definition would be too subjective, better to rely on requirements for management performance measures (MPMs)

Overview of feedback on proposed definition

- Some, including many users, agreed with the proposed definition
 - identifies income and expenses that are not recurring
 - helps users predict cash flows
 - provides discipline and prevents opportunistic classification of items as unusual
- Most, mainly preparers, but also some users, did not agree with the proposed definition. Concerns over
 - the scope of the items captured in the proposed definition, for example
 - comparison with the past as well as the future
 - items that are expected to arise in more than one reporting period
 - the subjectivity inherent in the proposed definition
 - more guidance needed

IASB redeliberations to date—December 2021 meeting

- Tentatively decided to explore how to proceed with a definition of unusual items
 - acknowledged that a ‘perfect’ answer may not be possible
- Identified two main questions to address first
 - Topic 1: whether an item must be ‘unusual’ compared to income and expenses in the past to meet the definition
 - Topic 2: how to deal with items that arise in a few reporting periods, not just a single reporting period
- Observed
 - requirements sit within the context of a general requirement to disclose disaggregated amounts when material
 - objective could be:
 - A. to ensure all ‘unusual’ items are identified; or
 - B. to prevent recurring items being portrayed as ‘unusual’

Context

- General requirement to disclose income and expenses disaggregated based on dissimilar characteristics *whenever the resulting information is material*
 - dissimilar characteristic could be persistence
- Requirement to disclose reconciliation between management performance measures and closest IFRS-specified subtotal
 - reconciliation will often include unusual items
 - MPMs chosen by entity (some entities may have no MPMs)
- Specific disclosure requirements for unusual items
 - disclosed in a single note
 - narrative description of transactions or other events that gave rise to an item and why similar items are not expected to arise in future
 - line item in statement of financial performance in which unusual item is included
 - how unusual item is included in the analysis of operating expenses by nature in the notes, when operating expenses are presented by function in the statement of profit or loss

Topic 1: should the definition capture items that have occurred in the past?

- Definition proposed in the Exposure Draft required only that similar income and expenses are not expected to arise in the future
 - includes items even if similar income or expenses occurred in the past
- Some respondents said definition should only capture items of income and expenses that have also not occurred in the past
 - reduces subjectivity in the definition
 - better captures ‘unusual’ items by excluding income and expenses that occurred in the past
 - excludes income and expenses arising in the final year when an ongoing activity ends

Topic 1: should the definition capture items that have occurred in the past?

- Objective A: to ensure all ‘unusual’ items are identified
 - retain approach in ED of only comparing with expected future income and expenses
 - ensures any income or expenses that are not expected to recur will be captured
- Objective B: to prevent recurring items being portrayed as ‘unusual’
 - require comparison also with past income and expenses
 - prevents income and expenses that occurred (perhaps frequently) in the past being described as unusual

Topic 2: items that arise in a few reporting periods

- Definition in the Exposure Draft excluded items that are expected to continue into the next annual reporting period
- Some respondents said that the definition should include income or expenses that might occur for a few annual periods, but then not recur
 - arbitrary whether income or expenses straddle an annual reporting date
 - amend the definition *slightly* to allow for that; or
 - include in the definition items that are expected to continue for a few annual reporting periods and then cease
 - for example expenses for a discrete restructuring that arise for 3 years then cease

Topic 2: items that arise in a few reporting periods

- Objective A: to ensure all ‘unusual’ items are identified
 - allow definition to include items that arise over a few periods
 - how many periods is ‘a few’?
 - just two, to avoid excluding items that straddle a reporting date?
 - more, to capture items that might last a few years before ceasing?
 - adds to subjectivity of definition
- Objective B: to prevent recurring items being portrayed as ‘unusual’
 - retain approach in the Exposure Draft

Example

Fact pattern: expenses relating to a one-off restructuring exercise are expected to arise over years 1-3. No other restructuring has occurred for many years, nor is another expected for many years.

| | <i>Year 1</i> | <i>Year 2</i> | <i>Year 3</i> |
|---|--|--|---|
| Proposals in ED | Not unusual (expected to recur) | Not unusual (expected to recur) | Unusual (not expected to recur) |
| Amendment for Topic 1 (require comparison with past) but not Topic 2 (expenses arising over a few periods) | Not unusual (expected to recur) | Not unusual (happened in past and expected to recur) | Not unusual (happened in past) |
| Amendment for Topic 2 (expenses arising over a few periods) but not Topic 1 (comparison with past) | Unusual (expected to recur for only a few periods) | Unusual (expected to recur for only a few periods) | Unusual (not expected to recur) |
| Amendment for both Topic 1 (require comparison with past) and Topic 2 (expenses arising over a few periods) | Unusual (expected to recur for only a few periods) | Unusual (expected to recur or has occurred for only a few periods) | Unusual (not expected to recur and has occurred in the past for only a few periods) |

Questions for CMAC members

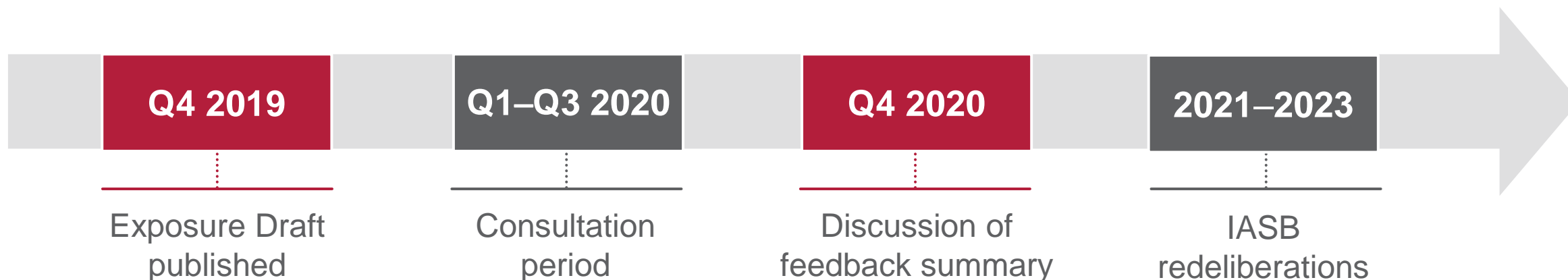
1. The IASB intended the proposed disclosure of unusual income and expenses to:
 - a) enable users to identify income and expenses which may not persist; and
 - b) analyse such income and expenses separately when predicting an entity's cash flows.Is that how you would use the information? Would you also make use of the information in other ways?
2. Considering your use of information about unusual income and expenses:
 - a) how important is having the information in a single note, rather than potentially included in various notes related to the different items in question?
 - b) how important is the use of the label 'unusual' for the defined items?
3. Considering your use of information about unusual income and expenses, should the definition:
 - a) be focused on either:
 - A. ensuring all 'unusual' items are identified; or
 - B. preventing recurring items being portrayed as 'unusual'?
 - b) exclude items that have occurred in the past (slides 25–26)?
 - c) include items that arise over a few reporting periods (slides 27–28)?



Primary Financial Statements

Project status and next steps

Primary Financial Statements



Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Main proposals

- 1 Require additional **defined subtotals** in statement of profit or loss
- 2 Strengthen requirements for **disaggregating information**
- 3 Require disclosures about **management performance measures**

What's next?

- Future discussions with the IASB
 - The staff will incorporate the feedback from CMAC members and other stakeholders on the analysis of operating expenses by nature and unusual income and expenses in our discussions with the IASB planned for Q2 2022.
 - During 2022, the staff also plan to discuss with the IASB other aspects of the proposals, including the remaining issues related to management performance measures and the proposals for entities with specified main business activities.
 - Once redeliberations are complete, the staff will discuss with the IASB whether re-exposure of any proposals is required.
- Ultimate objective of the project
 - The final IFRS Accounting Standard will replace IAS 1 *Presentation of Financial Statements*.



Appendix

Overview of the proposals in the Exposure Draft and redeliberations to date

Briefing on the project's status

- The following slides highlight key aspects of the 3 main proposals and the status of the project:
 1. Slides 36–37: Overview of proposed structure of the statement of profit or loss
 2. Slides 38–39: Overview of proposals to strengthen the disaggregation requirements, including unusual income and expenses
 3. Slide 40: Overview of proposals on disclosure of management performance measures
 4. Slides 41–42: Overview of the IASB's key considerations for the redeliberations and project status
 5. Slides 43–44: Overview of the key aspects confirmed and main changes to the proposals tentatively agreed by the IASB in the redeliberations

Subtotals in the statement of profit or loss

Revenue

Other income

Changes in inventories of finished goods and work in progress

Raw materials used

Employee benefits

Depreciation

Amortisation

Professional fees and other expenses

Operating profit

Share of profit or loss of integral associates and joint ventures

Operating profit and income and expenses from integral associates and joint ventures

Share of profit or loss of non-integral associates and joint ventures

Dividend income

Profit before financing and income tax

Expenses from financing activities

Unwinding of discount on pension liabilities and provisions

Profit before tax

Income tax

Profit for the year

Operating

Integral associates
and joint ventures

Investing

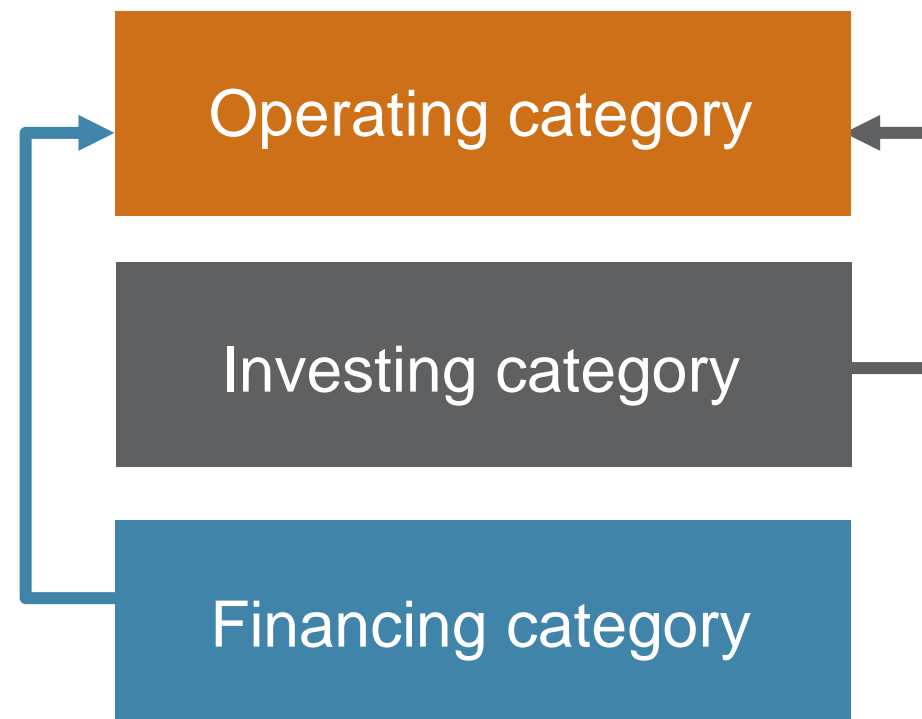
Financing

Application to financial entities

Operating profit is intended to include income and expenses from companies' main business activities.



The Board proposes requirements for some companies, such as banks, to classify income and expenses in the operating category that would otherwise be classified in the investing or financing categories.



Disaggregation

Roles of the primary financial statements and the notes

- Roles of the primary financial statements and the notes clearly described
- Use the description to determine whether information should be included in the primary financial statements or in the notes

Principle for aggregation and disaggregation

- Principles for aggregation and disaggregation of information
- Guidance to apply the principles

Required line items

- New required line items, including goodwill and separate line items for integral and non-integral associates and joint ventures

Analysis of operating expenses

- Use method for analysis of operating expenses (by nature or by function) that provides the **most useful information** (not a free choice)
- Disclose analysis of **total** operating expenses by **nature** in the notes if analysis by function is presented in the statement of profit or loss

Unusual income and expenses

Definition



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 normally be classified as unusual.

Disclosures

Amount &
narrative
description

Amount 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

Management performance measures (MPMs)

Definition



Subtotals of income and expenses that:

- are used in public communications outside financial statements
- complement totals or subtotals specified by IFRS Accounting Standards
- communicate management's view of an aspect of an entity's financial performance

Other financial performance measures such as free cash flow, or non-financial performance measures such as number of subscribers, would not be included.

Disclosures

Amount & narrative description

Including:

- reconciliation between the MPM and the most directly comparable total or subtotal specified by IFRS Accounting Standards; and
- income tax effects and effects on non-controlling interests (NCI)

Key factors considered in redeliberations planning



Project objective and focus

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



Linkages between topics

Decisions on one topic may affect approach on another topic



Timeliness

Deliver high quality IFRS Accounting Standard in a timely manner



Efficiency

Use staff and IASB time efficiently

Project status

| Topic | Proposals redeliberated | Remaining to be discussed |
|---------------------------------|---|---|
| Subtotals | Required subtotals; Classification in categories, general model; associates and joint ventures | Classification by entities with specified main business activities; tidy up of investing and financing categories |
| Management performance measures | Scope and definition; Disclosure of reconciliation | Disclosure of effects of tax and NCI Single note, columns, cross-referencing, relationship with segments and other |
| Disaggregation and other | Roles of primary financial statements and notes; General principles Direction for unusual income and expenses; Presentation of operating expenses; Direction for disclosure of operating expenses Statement of cash flows | Definition of unusual income and expenses, related disclosures; Disclosure of operating expenses; Proposals relating to 'other' and other leftover bits |

Key aspects of proposals confirmed

Subtotals and categories

- Operating profit and profit before financing are required subtotals
- Classification of income and expenses from assets that generate returns individually and largely independently of other resources held by an entity in investing category

Disaggregation

- Confirm the roles of primary financial statements, the notes and the principle of disaggregation with refinements
- Nature and function as the primary characteristics for presentation of operating expenses

MPMs

- Disclosure requirement for MPMs and its reconciliation with the narrow scope of MPMs to income and expenses subtotals only
- MPMs defined as the management's view of performance and entity needs to disclose why it communicates management's view of performance

Main changes to what was proposed in the ED

Subtotals and categories

- No longer proposing to require split between integral and non-integral associates and joint ventures
- Share of profit or loss from associates and joint ventures classified in investing category, and separate subtotal no longer proposed
- Cash and cash equivalents classified in investing category
- Except for cash and cash equivalents, financing category includes same items but definitions changed to make application easier

Disaggregation

- Entities allowed to provide mixed analysis of operating expenses, so that for example impairment of non financial assets can be presented separately from functions such as cost of sales

MPMs

- MPM definition tightened to facilitate application, including rebuttable presumption that subtotals outside financial statements are MPMs

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