
IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date	October 2023
Project	Primary Financial Statements
Topic	Due Process ‘lifecycle’ Review
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This document is prepared for discussion of a public meeting of the IFRS Foundation Trustees’ Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation’s objectives as set out in the IFRS Foundation *Constitution*.

Purpose

1. The purposes of this paper are to:
 - (a) summarise the due process steps completed for the IASB’s Primary Financial Statements project; and
 - (b) seek the confirmation of the Due Process Oversight Committee (DPOC) that all necessary steps have been followed and that its review of due process on this project is now complete, subject to any due process matters arising during [the balloting process](#).
2. At its July 2023 meeting the IASB determined that all mandatory due process steps have been completed in the development of the new IFRS Accounting Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*, and that it has completed sufficient consultation and analysis to proceed to the balloting phase to finalise the Standard.
3. This due process ‘lifecycle’ review forms part of the DPOC’s oversight of the development of an IFRS Standard as outlined in paragraph 2.12 of the [IFRS Foundation Due Process Handbook](#) (*Due Process Handbook*). We are seeking the

DPOC’s confirmation that all mandatory due process steps have been undertaken in the development of the Standard.

Structure of this paper

4. This paper is structured as follows:
 - (a) background (paragraphs 5–10);
 - (b) consideration of whether to re-expose the proposals (paragraphs 11–14);
 - (c) due process summary (paragraphs 15–16);
 - (d) latest developments and next steps (paragraphs 17–21);
 - (e) question to DPOC; and
 - (f) Appendix A—Reporting to the Trustees and the Due Process Oversight Committee (DPOC).

Background

5. The objective of the Primary Financial Statements Project is to improve communication in financial statements, with a focus on information included in the statement of profit or loss. This project will result in a new IFRS Accounting Standard (IFRS 18) that will replace IAS 1 *Presentation of Financial Statements*.
6. The new IFRS Accounting Standard will set out requirements on presentation and disclosure in financial statements. The Standard will:
 - (a) require presentation of two additional defined subtotals in the statement of profit or loss—‘operating profit or loss’ and ‘profit before financing and income taxes’;
 - (b) require disclosure of management-defined performance measures—subtotals of income and expenses not specified by IFRS Accounting Standards that are used in public communications outside the financial statements to

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- communicate management's view of an aspect of an entity's financial performance; and
- (c) strengthen the requirements for aggregation and disaggregation of information in the primary financial statements and the notes.
7. The project was added to the IASB's research agenda in July 2014 in response to strong demand from stakeholders, in particular users of financial statements, to improve the reporting of financial performance. In 2016, as a result of the feedback from the 2015 Agenda Consultation, the project was made a priority project (see [Feedback Statement on the 2015 Agenda Consultation](#)). In 2018, the project was moved from a research phase to the standard-setting phase (see [Agenda Paper 21E](#) of the September 2018 IASB meeting). In May 2019, the IASB decided to publish an exposure draft as the IASB decided that it has sufficient information and understands the problem and solutions well enough to proceed without a discussion paper (see [Agenda Paper 21A](#) of the May 2019 IASB meeting).
8. In December 2019, the IASB issued the Exposure Draft *General Presentation and Disclosures* (the Exposure Draft). The feedback on the Exposure Draft was positive with stakeholders expressing support for the IASB to proceed with the project (see [Agenda Paper 21A](#) of the December 2020 IASB meeting). The IASB began redeliberations in March 2021 and completed redeliberations on the key aspects of the proposals in September 2022.
9. In order to assess whether selected key decisions made during redeliberations will function as intended and achieve an appropriate balance of costs to preparers and benefits to users, the IASB conducted targeted outreach between October and December 2022. Many outreach participants supported the direction of the redeliberations as responding to the feedback on the Exposure Draft and many said they would like to see the project completed as soon as possible (see [Agenda Paper 21A](#) of the January 2023 IASB meeting). The redeliberations plan was revised as a result of the outreach feedback and all redeliberations were completed in June 2023.

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10. In accordance with paragraph 2.9 of the *Due Process Handbook*, the DPOC has been regularly informed of the progress of the project since October 2014. [Appendix A](#) summarises the discussions with the Trustees and the DPOC on this project since October 2014. In June 2023, the DPOC was informed that the IASB is expected to complete its redeliberations and assessment of the due process requirements by July 2023, including consideration of the criteria for re-exposure.

Consideration of whether to re-expose the proposals

11. In July 2023, the IASB considered whether it should re-expose the proposals applying the re-exposure criteria in paragraphs 6.25–6.28 of the *Due Process Handbook*. To support that discussion, the IASB considered an analysis of the changes the IASB had made to the proposals (see [Agenda Paper 21A](#) of the July 2023 IASB meeting [attached for convenience as Agenda Paper 1C\(i\)](#) and sent to DPOC in advance on 20 July). The IASB identified five substantial issues that emerged during the comment period on the Exposure Draft. Over the course of its extensive redeliberations, the IASB has withdrawn two proposals and revised three proposals as discussed in paragraphs 12–13.
12. The IASB decided to *withdraw* two proposals related to:
- (a) distinguishing between associates and joint ventures that are integral and non-integral to an entity's operations, including classifying income and expenses from integral associates and joint ventures in a separate category in the statement of profit or loss directly after operating profit followed by a subtotal 'operating profit and income and expenses from integral associates and joint ventures'—this proposal was withdrawn as there was not much support for the proposal from preparers and users of financial statements and fieldwork identified significant difficulties in applying the proposal. As a result of withdrawing this proposal, the IASB decided that an entity would classify income and expenses from all associates and joint ventures accounted for using the equity method in the investing category and permit an entity to

present a subtotal of ‘operating profit and income and expenses from investments accounted for using the equity method’. As explained to the DPOC in June 2023 (see IASB Technical Activities: Key Issues and Update ([AP 1B](#))), in May 2023 the IASB decided to confirm this decision after considering the extensive feedback received, including the strong support from users, and the research conducted on this topic from the start of the project. It also decided to permit eligible entities to elect to measure investments in associates and joint ventures at fair value through profit or loss when first applying the Standard.

- (b) disclosure of unusual income and expenses¹—although there was some support from stakeholders for the IASB to define unusual income and expenses, most stakeholders did not agree with the proposed definition and there was no consensus on what the definition should be even after extensive discussions, including with IFRS Foundation advisory bodies and consultative groups.²

13. To achieve a better balance between the benefits to users and the costs to preparers, the IASB decided to *revise* the proposals in the Exposure Draft related to:

- (a) the disclosure of operating expenses by nature—the IASB has decided to specify five expenses by nature (depreciation, amortisation, employee benefits, specified impairments and write-down of inventories) that an entity is required to disclose when it presents one or more line items by function in the statement of profit or loss³;

¹ The IASB believes that any potential loss of information from the withdrawal of the proposal is mitigated by:

- (a) the requirement relating to the disaggregation of items with dissimilar characteristics;
- (b) the requirement to describe items using labels that faithfully represents the characteristics of those items; and
- (c) the requirement to disclose management-defined performance measures.

² The IASB discussed possible changes to the definition of unusual income and expenses in four IASB meetings between December 2021 and September 2022. Discussions with IFRS Foundation bodies and consultative groups were in meetings held between March and November 2022 (see [Agenda Paper 21A](#) of the July 2023 IASB meeting attached for convenience as Agenda Paper 1C(i)).

³ An entity will be required to disclose the amounts of these five expenses included in each line item in the statement of profit or loss instead of the proposal in the Exposure Draft for an entity to disclose an analysis of total operating expenses by nature in the notes when the entity reports operating expenses by function in the statement of profit or loss. The amounts disclosed are not required to be the amounts recognised as an expense in the reporting period and may comprise amounts included in the carrying amounts of assets that will be expensed in the statement of profit or loss in a future period.

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- (b) the tax disclosure for management-defined performance measures—the IASB has decided to introduce a simplified approach to calculating the tax effect for each item disclosed in the reconciliation between the management-defined performance measure and the most directly comparable subtotal or total specified in IFRS Accounting Standards; and
 - (c) the classification of foreign exchange differences in the statement of profit or loss—the IASB decided that an entity should classify foreign exchange differences in the operating category when it would involve undue cost or effort to classify them in each category in the statement of profit or loss.
14. As a result of considering the criteria for re-exposure, the IASB concluded that the changes made to the proposals in the Exposure Draft are in response to the feedback received, and the revised proposals do not include any fundamental changes on which respondents have not had the opportunity to comment. The IASB therefore agreed that it could proceed with finalising the Standard without re-exposing it for another round of public comments.

Due process summary

15. At its July 2023 meeting, the IASB confirmed that it is satisfied that all the mandatory due process steps specified in the *Due Process Handbook* have been taken and that proposed requirements have had sufficient consultation and analysis for the balloting process to begin.
16. To support that discussion, the IASB considered an analysis of the due process steps that have been followed during the life of the project (see [Agenda Paper 21C](#) of the July 2023 IASB meeting sent to the DPOC by email on 20 July and [attached for convenience as Agenda Paper 1C\(i\)](#) for this meeting).

Latest developments and next steps

17. At its July 2023 meeting (see [Agenda Paper 21B](#) and [Agenda Paper 21C](#)), the IASB also agreed on the following:
- (a) **effective date:** to require entities to apply the new IFRS Accounting Standard for annual periods beginning on or after 1 January 2027; and
 - (b) **dissents:** no IASB member has indicated that they propose to dissent from the publication of the Standard.
18. Since the IASB meeting held in July 2023, we have begun the balloting process and sent the pre-ballot drafts of the following documents⁴ for review by IASB members and selected internal and external reviewers:
- (a) the standard and the application guidance;
 - (b) the basis for conclusions;
 - (c) the illustrative examples;
 - (d) the effects analysis⁵;
 - (e) amendments to other IFRS Accounting Standards, illustrative examples that accompany other IFRS Accounting Standards and agenda decisions, and the basis for conclusions on these amendments.
19. Review of the pre-ballot draft documents was completed in September 2023. We plan to discuss sweep issues identified as a result of the pre-ballot with the IASB in Q4 2023. The ballot draft will be updated to reflect the comments on the pre-ballot draft and the IASB's decisions on sweep issues. The IASB expects to complete all steps in

⁴ Flow charts (graphical illustrations on guidance for specific requirements in the Accounting Standard), marked-up changes to the paragraphs of IAS 1 and a table of concordance (tables showing how the paragraphs of IAS 1 and the new Accounting Standard/other IFRS Accounting Standards correspond) were circulated to aid the review process.

⁵ A draft of the Effects Analysis was included in the Basis for Conclusions to the Exposure Draft. The Effects Analysis will be published as a separate document with the IFRS Accounting Standard. In developing the Effects Analysis we have consulted with the Global Preparers Forum, the Capital Markets Advisory Committee, the Accounting Standards Advisory Forum and the Emerging Economies Group.

the balloting process in Q1 2024 and publish the new IFRS Accounting Standard (subject to the DPOC's confirmation at this meeting) in Q2 2024.

20. To support implementation and consistent application of the new IFRS Accounting Standard, we plan to seek advice on steps after publication (including stakeholder engagement and education) with:
 - (a) the Emerging Economies Group in October 2023;
 - (b) the IFRS Advisory Council in November 2023; and
 - (c) the Accounting Standards Advisory Forum in December 2023.
21. At this meeting, we are seeking the DPOC's confirmation that Primary Financial Statements project has proceeded in a manner consistent with the requirements set out in the *Due Process Handbook* for finalising an IFRS Accounting Standard.

Question to DPOC

Question for the DPOC

1. Is the DPOC content to confirm that all the necessary due process steps have been followed and that its review of due process on this project is now complete?

Appendix A—Reporting to the Trustees and the Due Process Oversight Committee (DPOC)

A1. This table shows how the Trustees and the DPOC has been informed about the progress of the project. The progress of the project has been regularly included in the update report to the Trustees by the Chair of IASB.

Date	Paper
2014	
October	Technical activities update (AP 3B) : The agenda paper noted that a project on Performance Reporting was added to the research programme at the July 2014 meeting and some preliminary work has been undertaken to develop a scope paper for this project and to assess ways to educate the IASB and stakeholders on the work previously undertaken in the Financial Statements Presentation project.
2015	
February	Technical activities update (AP 2B) : The project on Performance Reporting has been categorised as a medium-priority project.
April	Technical activities—update (AP 3B) : A brief reference to the progress of the project is included in the agenda paper.

Date	Paper
June	<i>Technical activities: Update (AP 3B)</i> : The agenda paper noted that the project scope needs to be carefully balanced with the work being undertaken in the Principles of Disclosure project and the work previously undertaken in the Financial Statement Presentation project. The agenda paper also included a brief reference to the progress of the project.
October	<i>Technical activities—key issues and update (AP 3B)</i> : The project has been renamed as “Primary Financial Statements”. A brief reference to the progress of the project is included in the agenda paper.
2016	
January	<i>Technical activities—key issues and update (AP 3B)</i> : A brief reference to the progress of the project is included in the agenda paper.
May	<i>Technical activities—key issues and update (AP 3B)</i> : The agenda paper includes a brief reference to the progress of the project, noting that the IASB will discuss the proposed approach to research on the project.
October	<i>Technical activities—key issues and update (AP 1B)</i> : The agenda paper noted that the respondents to the 2015 Agenda Consultation identified this as a high-priority project. It has also been noted that the focus of the project had different views and advice on the project scope was requested from joint Global Preparers Forum and Capital Market Advisory Committee and Accounting Standards Advisory Forum in 2016.

Date	Paper
2017	
January	<i>Technical activities—key issues and update (AP 1B)</i> : The agenda paper includes a brief reference to the progress of the project, noting that the IASB has tentatively decided on the scope of the project. The technical discussions were planned to begin in the first half of 2017.
May	<i>Technical activities—key issues and update (AP 1B)</i> : The agenda paper includes a brief reference to the progress of the project, noting that the IASB received an educational update from the staff of the Financial Accounting Standards Board (FASB) on its related project.
November	<i>Technical activities—key issues and update (AP 1B)</i> : A brief reference to the progress of the project is included in the agenda paper.
2018	
January	<i>Technical activities—key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
June	<i>Technical activities update report on behalf of the IASB (AP 1B)</i> : The agenda paper includes a brief reference to the progress of the project with the timeline on publishing the Discussion Paper or the Exposure Draft.
October	<i>Technical Activities—Update report on behalf of the International Accounting Standards Board (AP 1B)</i> : The agenda paper noted the IASB’s decision in September 2018 to move the Primary Financial Statements project from its research programme to standard-setting programme. The agenda paper also mentions the decision of the IASB not to establish a consultative group for the project.

Date	Paper
2019	
January	<i>Technical Activities Update report on behalf of the International Accounting Standards Board (AP 1B)</i> : Brief reference to the progress of the project is included in the agenda paper.
June	<i>Technical activities: Key issues and update (AP 1B)</i> : The agenda paper notes the IASB's decision to issue an exposure draft and not to proceed with a discussion paper. The agenda paper also notes the timeline for the balloting process for the Exposure Draft.
October	<i>Technical Activities—Update report on behalf of the International Accounting Standards Board (AP 1B)</i> : The agenda paper notes that the IASB has given permission to begin the balloting process for the Exposure Draft <i>General Presentation and Disclosures</i> . The expected publication date of December 2019, the documents included in the Exposure Draft package and the comment period are also mentioned in the agenda paper.
2020	
February	<i>Technical activities—Key issues and update (AP 1B)</i> : The agenda paper noted that the Exposure Draft was published. It was also mentioned that how a matter relating to income and expenses from integral and non-integral associates and joint ventures was identified and it was discussed with IASB in November 2019, which resulted in additional explanation in the Basis for Conclusions.
June	<i>Technical Activities—update report on behalf of the International Accounting Standards Board (AP 1B)</i> : The agenda paper includes a brief reference to the progress of the project and the extension of the comment period.

Date	Paper
October	<i>Technical Activities: Key Issues and Update (AP 1B)</i> : The agenda paper includes a brief reference to the progress of the project and the timeline of redeliberations.
2021	
March	<i>Key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
June	<i>Key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
October	<i>Key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
2022	
March	<i>IASB technical activities: key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
June	<i>IASB technical activities: key issues and update (AP 1B)</i> : A detailed update on the progress of the project is included in the agenda paper.
October	<i>IASB technical activities: key issues and update (AP 1B)</i> : The agenda paper includes a detailed update on the progress of the project, the IASB's outreach activities to test tentative decisions, discussion of disaggregation-related projects at the joint educational meeting with the FASB and the timeline for the 'lifecycle' review of the due process of this project.

Date	Paper
2023	
March	<i>IASB Technical Activities (AP 1B)</i> : The agenda paper includes a detailed update on the progress of the project and the timeline to complete deliberations
June	<i>IASB Technical Activities: Key Issues and Update (AP 1B)</i> : The agenda paper notes the feedback received and the extensive consideration on the classification of income and expenses from associates and joint ventures accounted for using the equity method. The agenda paper also notes that the project expects to complete deliberations on the remaining aspects of the model in June 2023 and complete the due process steps in July, including deciding whether to re-expose some of the IASB's decisions. It is also mentioned that the 'lifecycle' review is expected to be conducted with the DPOC at a future meeting.

Meeting of the Trustees of the IFRS Foundation—Due Process Oversight Committee

Date	October 2023
Project	Primary Financial Statements
Topic	Due process summary and permission to begin the balloting process
Contacts	Roanne Hasegawa (rhasegawa@ifrs.org) Aida Vatrenjak (avatrenjak@ifrs.org)

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Purpose

1. Attached are the agenda papers that were presented to the IASB at its meeting in July 2023 on:
 - (a) the [consideration of the re-exposure criteria](#) (Agenda Paper 21A for that meeting)—This paper summarised the feedback received on the Exposure Draft *General Presentation and Disclosures* and the IASB's response to that feedback which supported the IASB's decision that re-exposure is not required; and
 - (b) [due process requirements](#) (Agenda Paper 21C for that meeting)—This paper summarised the IASB's compliance with the due process requirements over the course of the Primary Financial Statements project and sought the IASB's approval (which was given) to begin the balloting process.

IASB[®] Meeting

Date	July 2023
Project	Primary Financial Statements
Topic	Consideration of the re-exposure criteria
Contacts	Methma Rupasinghe (methma.rupasinghe@ifrs.org) Roanne Hasegawa (rhasegawa@ifrs.org) Aida Vatrenjak (avatrenjak@ifrs.org)

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 sets out the re-exposure criteria in the [IFRS Foundation Due Process Handbook](#) (Due Process Handbook) and asks the IASB to consider whether it should finalise IFRS X *General Presentation and Disclosures* without re-exposing it for another round of public comments.
2. This paper should be read in conjunction with:
 - (a) Agenda Paper 21B *Transition and effective date*; and
 - (b) Agenda Paper 21C *Due process requirements*.

Summary of staff recommendations

3. We recommend that the IASB finalise IFRS X *General Presentation and Disclosures* without re-exposing it for another round of public comments.

Structure of this paper

4. This paper is structured as follows:
 - (a) project overview (paragraphs 5–7);
 - (b) re-exposure criteria in the Due Process Handbook (paragraphs 8–10);
 - (c) staff analysis, recommendations and question for IASB (paragraphs 11–38);
 - (d) Appendix A—Summary of the proposals in the Exposure Draft, feedback and the IASB’s tentative decisions; and
 - (e) Appendix B—Summary of issues discussed at meetings with IFRS Foundation bodies and consultative groups.

Project overview

5. The Primary Financial Statements project was added to the IASB’s research agenda in July 2014 in response to strong demand from stakeholders, in particular users of financial statements, for the IASB to undertake a project to improve the reporting of financial performance (see paragraph BC5 of the Basis for Conclusions on the Exposure Draft). The project was made a priority project in 2016 as a result of the feedback from the 2015 Agenda Consultation where users of financial statements asked the IASB to prioritise projects that would significantly enhance the information they receive, in particular information about an entity’s financial performance (see [Feedback Statement on the 2015 Agenda Consultation](#))
6. The proposals in the Exposure Draft issued in 2019 respond to this feedback by:
 - (a) introducing additional defined subtotals in the statement of profit or loss which would result in entities consistently classifying income and expenses in categories in the statement of profit or loss;
 - (b) introducing disclosure requirements for management performance measures that would increase the transparency of these measures; and

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- (c) strengthening the requirements for aggregating and disaggregating information which would result in more useful information being presented and disclosed in financial statements.
7. The feedback on the Exposure Draft was positive with stakeholders expressing support for the IASB to proceed with the project. In particular, users of financial statements expressed strong agreement with the project objectives and the specific proposals included in the Exposure Draft (see [Agenda Paper 21A](#) of the December 2020 IASB meeting). The feedback on the Exposure Draft was discussed by the IASB in December 2020 and January 2021 and all proposals were redeliberated on by the IASB from March 2021 to June 2023.

Re-exposure criteria in the Due Process Handbook

8. The re-exposure criteria are set out in paragraph 6.25 of the Due Process Handbook:
- 6.25 In considering whether there is a need for re-exposure, the Board:
- (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
 - (b) assesses the evidence that it has considered;
 - (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
 - (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.
9. Paragraphs 6.26–6.28 of the Due Process Handbook also explain that it is inevitable that the final proposals will include changes from those originally proposed and the

fact that there are changes does not compel the IASB to re-expose the proposals. The IASB needs to:

- (a) consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the Basis for Conclusions accompanying the Exposure Draft;
 - (b) consider whether it will learn anything new by re-exposing the proposals;
 - (c) weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the Exposure Draft was published; and
 - (d) give more weight to changes in recognition and measurement than presentation and disclosure when considering whether re-exposure is necessary.
10. Paragraph 6.27 of the Due Process Handbook also explains that the use of consultative groups or targeted consultation can give the IASB information to support a decision to finalise a proposal without the need for re-exposure.

Staff analysis, recommendations and question for IASB

11. This section is structured as follows:
- (a) substantial issues that emerged during the comment period (paragraphs 12–22);
 - (b) assessing the evidence and understanding and consulting on issues (paragraphs 23–29);
 - (c) weighing the costs of re-exposure against the benefits (paragraphs 30–37); and
 - (d) staff conclusion, recommendation and question for the IASB (paragraph 38).

Substantial issues that emerged during the comment period

12. Appendix A contains a summary of the proposals in the Exposure Draft, the feedback received and the IASB's tentative decisions in response to that feedback. We identified five substantial issues that emerged during the comment period on the Exposure Draft. The IASB's redeliberations on these issues resulted in:
- (a) proposals being withdrawn because the feedback indicated they would be problematic to apply (see paragraphs 13–15); and
 - (b) revised proposals to address significant cost concerns (see paragraphs 16–22).

Proposals that were withdrawn

13. The IASB tentatively decided to withdraw the proposals related to:
- (a) integral and non-integral associates and joint ventures (see paragraph 14); and
 - (b) unusual income and expenses (see paragraph 15).

Integral and non-integral associates and joint ventures

14. The IASB tentatively decided not to proceed with the proposal to distinguish between integral and non-integral associates and joint ventures in the primary financial statements and the requirement for an entity to present a subtotal of operating profit and income and expenses from integral associates and joint ventures in the statement of profit or loss because:
- (a) there was not much support for such a proposal from comment letter respondents, including preparers and users of financial statements; and
 - (b) fieldwork indicated significant difficulties with the proposed requirements (see [Agenda Paper 21A](#) of the October 2021 IASB meeting).

Unusual income and expenses

15. The IASB tentatively decided that it will not proceed with any specific requirements for the disclosure of unusual income and expenses as part of this project (see [Agenda](#)

[Paper 21A](#) of the September 2022 IASB meeting). Although most respondents who commented on the proposal agreed with the IASB defining unusual income and expenses, most stakeholders did not agree with the proposed definition and there was no consensus on what the definition should be. The IASB discussed possible changes to the definition with consultative groups (see Appendix B) and in four IASB meetings between December 2021 and September 2022. However, given the diversity of views the IASB decided it was not possible to develop a practicable definition of unusual income and expenses on a timely basis.

Revised proposals to address significant cost concerns

16. To address significant cost concerns raised by comment letter respondents and fieldwork participants, the IASB tentatively decided to revise the proposals in the Exposure Draft related to:
- (a) the disclosure of operating expenses by nature (see paragraphs 17–18);
 - (b) the tax disclosure for management performance measures (see paragraphs 19–20); and
 - (c) classification of foreign exchange differences in the statement of profit or loss (see paragraphs 21–22).

Disclosure of operating expenses by nature

17. The Exposure Draft proposed that an entity that presents operating expenses by function in the statement of profit or loss would also be required to disclose its total operating expenses by nature. Many respondents, mostly users of financial statements, agreed with the proposed requirement. However, many respondents, mostly preparers of financial statements, disagreed and questioned whether the benefits of the proposal would outweigh the costs. Fieldwork also identified practical difficulties with the proposed requirements.
18. The IASB tentatively decided to revise the proposal in the Exposure Draft to achieve a better balance between benefits to users and costs to preparers by:

- (a) requiring an entity to disclose the amounts of depreciation, amortisation, employee benefits, impairment and write-down of inventories included in each function line item in the statement of profit or loss;
- (b) providing guidance clarifying that the amounts described in (a) are not required to be expense amounts; and
- (c) requiring an entity to provide a qualitative explanation if part of the amount disclosed has been included in the carrying amount of assets, including identifying in which assets the amounts have been included (see [Agenda Paper 21A](#) of the March 2023 IASB meeting).

Tax disclosure for management performance measures

- 19. There was mixed feedback on the IASB's proposal to require the disclosure of the income tax effects of reconciling items between a management performance measure and the most directly comparable total or subtotal specified in IFRS Accounting Standards. While many users of financial statements agreed with the disclosure requirements, some preparers said that it would be costly to obtain the information and questioned whether the benefits of the proposal would outweigh the costs.
- 20. To balance the benefits to users and the costs to preparers, the IASB tentatively decided to revise the requirement specifying how to calculate the income tax effect to include a simplified approach that is expected to be less costly to apply than the proposal in the Exposure Draft (see [Agenda Paper 21D](#) of the March 2023 IASB meeting).

Classification of foreign exchange differences in the statement of profit or loss

- 21. The Exposure Draft proposed that an entity shall classify foreign exchange differences included in profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences. Many stakeholders questioned whether the benefits of the proposal would outweigh the costs, in particular when system changes would be required for entities that currently capture all foreign exchange differences in a single location.

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22. In response to this feedback, the IASB tentatively decided to require an entity to apply the proposed requirement, except when doing so would involve undue cost or effort. In cases that involve undue cost or effort an entity would classify foreign exchange differences in the operating category of the statement of profit or loss (see [Agenda Paper 21C](#) of the July 2021 IASB meeting).

Assessing the evidence and understanding and consulting on issues

23. We observe that almost all the changes made to the proposals in the Exposure Draft in Appendix A were made in response to feedback received on the Exposure Draft, including the substantial issues that emerged during the comment period discussed in paragraphs 12–22.
24. We do not think that any of the changes made during the redeliberations result in fundamental changes from the Exposure Draft because the objective of the changes made to the proposals in the Exposure Draft are to:
- (a) make the proposals easier to apply (including reducing the cost of application for preparers); or
 - (b) address inconsistencies that we became aware of, during the redeliberations.
25. We note that the various viewpoints discussed by the IASB prior to issuing the Exposure Draft were included in the Basis for Conclusions on the Exposure Draft (see Appendix A). As explained in Agenda Paper 21C of this meeting, we gathered feedback on the proposals in the Exposure Draft through comment letters, outreach events and fieldwork conducted during the comment period, and limited outreach during the redeliberations to understand the issues raised on specific topics.
26. In analysing specific topics, we also analysed financial statements of a sample of entities and extracted data from databases such as S&P CapitalIQ and included the

results of the analysis in the agenda papers discussing those issues.¹ We also consulted IFRS Foundation bodies and consultative groups on specific topics in 20 meetings as explained in Appendix B of this paper.

27. In addition, we also conducted outreach on a targeted selection of the IASB's tentative decisions to assess whether selected tentative decisions will function as intended and achieve the intended balance of costs and benefits. The key tentative decisions tested in targeted outreach were:²
- (a) the revised proposal for the disclosure of operating expenses by nature to address the cost concerns as discussed in paragraphs 17–18;
 - (b) the proposed approaches for calculating the income tax effect for reconciling items in the reconciliation of management performance measures to address the cost concerns as discussed in paragraphs 19–20;
 - (c) the change in the approach for classifying income and expenses within the financing category which is intended to facilitate application of the requirements for categories in the statement of profit or loss; and
 - (d) the introduction of a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of the entity's financial performance (which is intended to facilitate application of the requirements for management performance measures).
28. The feedback from this targeted outreach was discussed by the IASB in January 2023 (see [Agenda Paper 21A](#)). All issues that required further redeliberations to refine the

¹ See the following agenda papers discussed by the IASB during the redeliberations that included such research: [Agenda Paper 21B](#) of May 2021, [Agenda Paper 21A](#) of June 2021, [Agenda Paper 21C](#) of July 2021, [Agenda Paper 21D](#) of October 2021, [Agenda Paper 21A](#) of April 2022, [Agenda Paper 21D](#) of May 2022, [Agenda Paper 21B](#) and [Agenda Paper 21C](#) of July 2022, [Agenda Paper 21B](#) of September 2022, [Agenda Paper 21A](#) of January 2023, [Agenda Paper 21A](#) and [Agenda Paper 21F](#) of March 2023, [Agenda Paper 21A](#) and [Agenda Paper 21B](#) of May 2023 and [Agenda Paper 21B](#) of June 2023.

² In order to reduce the complexity of the requirements, in targeted outreach we also explored whether to withdraw the accounting policy choice proposed in the Exposure Draft for classifying income and expenses from cash and cash equivalents for entities that provide financing to customers as a main business activity. However, this accounting policy choice was confirmed by the IASB as a result of the feedback from targeted outreach participants that such an accounting policy choice was needed (see [Agenda Paper 21F](#) of the March 2023 IASB meeting).

proposals were discussed by the IASB in the March, May and June 2023 IASB meetings.

29. During the redeliberations, the IASB discussed 62 agenda papers in 21 IASB meetings. Throughout the redeliberations, we think that all viewpoints have been appropriately reflected in agenda papers, the IASB have understood the issues and various viewpoints, assessed the proposed changes and likely effects of the new requirements and taken any necessary additional steps required to consult with stakeholders.

Weighing the costs of re-exposure against the benefits

30. Paragraph 6.27 of the Due Process Handbook requires the IASB to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change. In weighing the costs of re-exposure against the benefits, we have considered:
- (a) stakeholder support for finalising IFRS X (paragraphs 31–33);
 - (b) time required to finalise if IFRS X were to be re-exposed (paragraphs 34–35);
and
 - (c) the possibility of obtaining new information by re-exposing IFRS X (paragraphs 36–37).

Stakeholder support for finalising IFRS X

31. Feedback on the Exposure Draft was positive with stakeholders expressing support for the IASB to proceed with the project (see paragraph 7). During targeted outreach conducted in Q4 2022 (see Agenda Paper 21C of this meeting), most outreach participants supported the direction of the redeliberations as it responded to the feedback on the Exposure Draft. Many outreach participants said they would like to see the project completed as soon as possible (see [Agenda Paper 21A](#) of the January 2023 IASB meeting).

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32. Members of the Accounting Standards Advisory Forum (ASAF), the Global Preparers Forum (GPF) Emerging Economies Group (EEG) and the Capital Markets Advisory Committee (CMAC) discussed the likely effects, including the expected costs and benefits of IFRS X at their meetings in March 2023.³ Members generally expressed their support for the IASB proceeding with the revised proposals and said that the likely benefits of the project would exceed the likely costs.
33. A few GPF members said that they plan to apply IFRS X before the effective date as the revised proposals are expected to be easier to implement than the proposals in the Exposure Draft. CMAC members continued to say that they would like to see entities apply IFRS X to their financial statements as soon as possible.

Time required to finalise if IFRS X were to be re-exposed

34. We note that there would be a significant delay in publishing IFRS X if the IASB were to decide to re-expose some or all of the proposals and that such a delay would not respond to the feedback from users of financial statements to see entities apply IFRS X to their financial statements as soon as possible (see paragraph 33).
35. We also note that during the redeliberations, in order to finalise IFRS X on a timely basis the IASB tentatively decided:
- (a) not to expand the scope of management performance measures as requested by some respondents (see Appendix A); and
 - (b) to withdraw the proposal to require an entity to disclose unusual income and expenses (see paragraph 15).

³ Papers and meeting summaries: Global Preparers Forum (GPF) [Agenda Paper 1](#) and [meeting summary](#), Capital Markets Advisory Committee (CMAC) [Agenda Paper 2](#) and [meeting summary](#), Accounting Standards Advisory Forum (ASAF) [Agenda Paper 6](#) and [meeting summary](#) and the Emerging Economies Group (EEG) [Agenda Paper 4](#) and [meeting summary](#).

Possibility of obtaining new information by re-exposing IFRS X

36. We do not think that an additional round of public comment is likely to result in the IASB obtaining new information that it has not considered during the redeliberations because of the extensive input we have received from stakeholders since the Exposure Draft was published (see paragraphs 25, 26 and 27 of this paper and Agenda Paper 21C of this meeting). In particular, we do not expect that re-exposure of IFRS X would identify new issues that were not raised during targeted outreach events conducted in Q4 2022 (see [Agenda Paper 21A](#) of the January 2023 IASB meeting).
37. While there is always a possibility that some new information may arise if IFRS X were published for another round of public comment, we expect that most feedback received will not be new. We also note that an additional round of public comment would result in significant resource commitments both internally and from stakeholders which would limit internal and external resources available to work on other projects that will also result in improvements to financial reporting. Therefore, we think that the benefits of obtaining a small amount of new information are not likely to exceed the costs of obtaining it.

Staff conclusion, recommendation and question for the IASB

38. Based on our analysis in paragraphs 11–37, we think that there are no fundamental changes on which respondents have not had the opportunity to comment and, thus it is unlikely that re-exposure will reveal any new information or concerns. Therefore, we recommend that the IASB should finalise IFRS X without re-exposure for another round of public comment.

Question for the IASB

1. Does the IASB agree with the staff recommendation to finalise IFRS X without re-exposing it for an additional round of public comment?

Appendix A—Summary of the proposals in the Exposure Draft, feedback and IASB’s tentative decisions

A1. Appendix A summarises the changes to the IFRS X as a result of the IASB’s redeliberations in response to feedback in the comment letters to the exposure draft. This section is structured as follows:

- (a) [subtotals and categories](#);
- (b) [entities with specified main business activities](#);
- (c) [investments in subsidiaries, associates and joint ventures](#);
- (d) [roles of the primary financial statements and the notes, aggregation and disaggregation](#);
- (e) [analysis of operating expenses](#);
- (f) [unusual income and expenses](#);
- (g) [management performance measures](#);
- (h) [operating profit or loss before depreciation, amortisation and specified impairments](#);
- (i) [statement of cash flows](#); and
- (j) [other topics](#).

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Subtotals</p> <p>A1. The Exposure Draft proposed that an entity presents the following new subtotals in the statement of profit or loss (paragraph 60 of the Exposure Draft):</p> <ul style="list-style-type: none"> (a) operating profit or loss (operating profit); (b) operating profit or loss and income and expenses from integral associates and joint ventures; and (c) profit or loss before financing and income tax. 	<p>Subtotals</p> <p>B1. Most respondents agreed with the proposals to introduce defined subtotals in the statement of profit or loss. They think the proposals have the potential to result in useful information and improve comparability between entities.</p> <p>B2. Many respondents agreed with the proposals to define the operating category as a residual category. However, some respondents disagreed with defining the operating category as a residual category and preferred a ‘positive’ or ‘direct’ definition because they disagreed with the content of operating profit.</p>	<p>Subtotals</p> <p><i>Confirmed proposals</i></p> <p>C1. The IASB tentatively decided to confirm that entities would be required to present an operating profit subtotal in the statement of profit or loss and not to develop a direct definition of operating profit (see paragraph C6 for the definition of operating profit).</p> <p>C2. The IASB tentatively decided to confirm the proposal to define the ‘profit before financing and income tax’ subtotal and require it to be presented in the statement of profit or loss (except for some entities with specified main business activities discussed in paragraph C26(d)).</p> <p><i>Withdrawn proposals</i></p> <p>C3. The IASB tentatively decided to withdraw the proposed required subtotal of operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph C29(b) for the classification of income and expenses from associates and joint ventures accounted for using the equity method and paragraph C63(a) for the specified subtotal of operating profit and income and expenses from investments accounted for using the equity method).</p>
<p>Categories</p> <p>A2. In applying these proposed new subtotals, an entity would present in the statement of profit or loss income and expenses classified in the following categories (paragraph 45 of the Exposure Draft):</p> <ul style="list-style-type: none"> (a) operating; (b) integral associates and joint ventures; (c) investing; (d) financing; (e) income taxes; and (f) discontinued operations. 	<p>Categories</p> <p>B3. Most respondents agreed with the proposals to introduce categories in the statement of profit or loss. They think the proposals have the potential to result in useful information and improve comparability between entities.</p> <p>B4. However, some respondents said additional guidance would be needed to achieve consistent application and comparability, including guidance on the definitions of the categories.</p> <p>B5. Many respondents expressed concerns about the proposed labels for the categories in the statement of profit or loss—they say it is confusing that the labels are similar to the labels of the categories in the statement of cash flows, although the content of the categories is different.</p>	<p>Categories</p> <p><i>Confirmed proposals</i></p> <p>C4. The IASB tentatively decided to confirm the proposal to introduce separate investing and financing categories in the statement of profit or loss (see paragraphs C7 and C10). As part of the IASB’s discussions, it reaffirmed that it developed the proposals for the categories in the statement of profit or loss without trying to align classifications across the primary financial statements as explained in paragraph BC30 of the Exposure Draft <i>General Presentation and Disclosures</i>.</p> <p><i>Withdrawn proposals</i></p> <p>C5. The IASB tentatively decided to withdraw the proposed integral associates and joint ventures category (see paragraph C29(b) for the classification of income and expenses from associates and joint ventures accounted for using the equity method).</p>

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Operating category</p> <p>A3. The operating category would include income or expenses not classified in the other categories such as the investing category or the financing category. In other words, the operating category would be the default category (paragraph 46 of the Exposure Draft).⁴</p>	<p>Operating category</p> <p>B6. Some respondents expressed concerns about defining the operating category as a residual category—mainly because they disagree with including in operating profit some income and expenses that are unusual, volatile or do not arise from an entity’s main business activities.</p> <p>B7. Both respondents who supported a residual definition and respondents who preferred a direct definition agreed that income and expenses from investing, financing, income taxes and discontinued operations should be classified outside of operating profit.</p>	<p>Operating category</p> <p><i>Confirmed proposals</i></p> <p>C6. The IASB tentatively decided to confirm that:</p> <ul style="list-style-type: none"> (a) these types of income and expenses shall not be classified in the operating category: investing, financing, income tax, and discontinued operations. (b) the operating category comprises all income and expenses arising from an entity's operations, including volatile and unusual income and expenses arising from an entity's operations; and includes, but is not limited to, income and expenses from an entity's main business activities
<p>Investing category</p> <p>A4. The investing category would include returns from investments, that is, income and expenses from assets that generate a return individually and largely independently of other resources held by an entity. The investing category would also include related incremental expenses (paragraph 47 of the Exposure Draft).⁵</p> <p>A5. Paragraphs BC48–BC52 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for these proposals and discuss approaches that were considered but rejected by the IASB.</p>	<p>Investing category</p> <p>B8. Many respondents agreed with the proposal for the investing category. However, some respondents said the definition is insufficiently robust.</p> <p>B9. A few respondents expressed concerns about including incremental expenses in the investing category.</p>	<p>Investing category</p> <p><i>Confirmed proposals</i></p> <p>C7. The IASB tentatively decided to confirm:</p> <ul style="list-style-type: none"> (a) the proposal for entities to classify in the investing category income and expenses from assets that generate returns individually and largely independently of other resources held by an entity; (b) the proposed application guidance for the investing category in the Exposure Draft; and (c) the label ‘investing category’ for that category. <p><i>Changes to the proposals</i></p> <p>C8. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to add further application guidance stating that income and expenses arising from individual assets and disposal groups held for sale and income and expenses arising from business combinations would not be classified in the investing category, and negative returns are classified in the same category as positive returns; (b) to classify income and expenses from associates and joint ventures in the investing category (see paragraph C30(b));

⁴ Also see paragraphs BC53–BC57 of the Basis for Conclusions on the Exposure Draft.

⁵ Also see paragraphs B32–B33 of the Exposure Draft.

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<p>(c) to classify income and expenses from cash and cash equivalents in the investing category rather than the financing category (see paragraph C11);</p> <p>(d) to remove the discussion of the objective from the requirements in IFRS X and explain in the Basis for Conclusions the reasons for including specific items in the investing category; and</p> <p>(e) not to proceed with the proposed use of the defined term ‘income and expenses from investments’.</p> <p><i>Proposals withdrawn</i></p> <p>C9. The IASB tentatively decided to withdraw the proposed requirement in the Exposure Draft for an entity to classify incremental expenses in the investing category.</p>
<p>Financing category</p> <p>A6. The financing category would include (paragraph 49 of the Exposure Draft):⁶</p> <p>(a) income and expenses from cash and cash equivalents;</p> <p>(b) income and expenses on liabilities arising from financing activities; and</p> <p>(c) interest income and expenses on other liabilities, for example, the unwinding of discounts on pension liabilities and provisions.</p> <p>A7. The Exposure Draft proposed an addition to the definition of ‘financing activities’ in IAS 7 <i>Statement of Cash Flows</i>. In relation to borrowings, financing activities would involve the receipt or use of a resource from a provider of finance with the expectation that:</p> <p>(a) the resource will be returned to the provider of finance; and</p> <p>(b) the provider of finance will be appropriately compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.</p>	<p>Financing category</p> <p>B10. Many respondents agreed with classifying income and expenses on liabilities arising from financing activities and specific income and expenses on liabilities not arising from financing activities in the financing category.</p> <p>B11. A few respondents said some aspects of the proposed definition of ‘financing activities’ were not clear. For example, respondents asked for clarifications on who is a provider of finance, must the resource that is returned be the same as the resource received and what is a finance charge.</p> <p>B12. A few respondents said interest on liabilities not arising from financing activities should be classified in the operating category rather than the financing category.</p> <p>B13. Some respondents expressed concerns about the proposed classification of income and expenses from cash and cash equivalents in a separate category to income and expenses from other investments held as part of treasury activities.</p>	<p>Financing category</p> <p><i>Changes to the proposals</i></p> <p>C10. The IASB tentatively decided not to proceed with the proposed addition to the definition of ‘financing activities’ in IAS 7.</p> <p>C11. The IASB tentatively decided to require an entity to classify income and expenses from cash and cash equivalents in the investing category rather than the financing category.</p> <p>C12. The IASB tentatively decided to require an entity to classify in the financing category:</p> <p>(a) all income and expenses from changes in the carrying amount of liabilities that arise from transactions that involve only the raising of finance; and</p> <p>(b) particular income and expenses from liabilities other than those specified in (a), only if such amounts are identified by the entity for the purpose of applying the requirements in IFRS Accounting Standards. The particular income and expenses are:</p> <p>(i) interest income and expenses; and</p> <p>(ii) the effects of changes in interest rates.</p> <p>C13. The IASB tentatively decided to describe transactions that involve only the raising of finance as transactions that involve:</p> <p>(a) the receipt by the entity of cash, a reduction in a financial liability or an entity’s own equity; and</p> <p>(b) the return by the entity of cash or an entity’s own equity.</p>

⁶ Also see paragraphs B34–B37 of the Exposure Draft and BC33–BC47 of the Basis for Conclusions on the Exposure Draft.

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)																					
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback																			
<p>Derivatives and hedging instruments</p> <p>A8. The IASB’s proposals for the classification of gains or losses on derivatives and hedging instruments can be summarised as follows (paragraph B40 of the Exposure Draft):</p> <table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="2">Gains and losses on:</th> </tr> <tr> <th colspan="2"></th> <th>Derivatives</th> <th>Non-derivative financial instruments</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Used for risk management</td> <td>Designated as a hedging instrument</td> <td>Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains and losses—then classify in the investing category.</td> <td></td> </tr> <tr> <td>Not designated as a hedging instrument</td> <td>Apply the presentation requirements for derivatives designated as hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.</td> <td>Apply requirements for classification in paragraphs 45–55.</td> </tr> <tr> <td colspan="2">Not used for risk management</td> <td colspan="2">Classify in the investing category, except when used in the course of a main business activity—then classify in the operating category.</td> </tr> </tbody> </table> <p>A9. Paragraphs BC93–BC102 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for these proposals and discuss approaches that were considered but rejected by the IASB.</p>			Gains and losses on:				Derivatives	Non-derivative financial instruments	Used for risk management	Designated as a hedging instrument	Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains and losses—then classify in the investing category.		Not designated as a hedging instrument	Apply the presentation requirements for derivatives designated as hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.	Apply requirements for classification in paragraphs 45–55.	Not used for risk management		Classify in the investing category, except when used in the course of a main business activity—then classify in the operating category.		<p>Derivatives and hedging instruments</p> <p>B14. Many respondents expressed concerns about the proposed classification of fair value gains and losses on derivatives and hedging instruments and whether the benefits of such classification would outweigh the costs.</p>	<p>Derivatives and hedging instruments</p> <p><i>Confirmed proposals</i></p> <p>C14. The IASB tentatively decided to confirm that fair value gains or losses on financial instruments used to manage exposures from particular risks that are designated as hedging instruments or from derivatives used to manage exposures from particular risks but are not designated as hedging instruments should be classified in the category affected by the risk the entity manages, except when doing so would involve:</p> <ul style="list-style-type: none"> (a) grossing up of fair value gains or losses; or (b) for derivatives not designated as hedging instruments, undue cost or effort. <p><i>Changes to the proposals</i></p> <p>C15. The IASB tentatively decided for the cases described in paragraphs C14(a) and (b) an entity would classify all fair value gains or losses in the operating category.</p> <p>C16. The IASB tentatively decided to require an entity to classify fair value gains or losses on derivatives not used to manage exposures from particular risks in the operating category, unless a derivative relates to financing activities and is not used in the course of the entity’s main business activities. In such cases, an entity classifies all fair value gains or losses on the derivative in the financing category.</p>
		Gains and losses on:																			
		Derivatives	Non-derivative financial instruments																		
Used for risk management	Designated as a hedging instrument	Classify in the category affected by the risk the entity manages, except when it would involve grossing up gains and losses—then classify in the investing category.																			
	Not designated as a hedging instrument	Apply the presentation requirements for derivatives designated as hedging instruments except if such classification would involve undue cost or effort—then classify in the investing category.	Apply requirements for classification in paragraphs 45–55.																		
Not used for risk management		Classify in the investing category, except when used in the course of a main business activity—then classify in the operating category.																			
<p>Hybrid contracts comprising host liabilities and embedded derivatives</p> <p>A10. The Exposure Draft did not provide specific guidance on classification of income and expenses from hybrid contracts.</p>	<p>Hybrid contracts comprising host liabilities and embedded derivatives</p> <p>B15. Not applicable – clarifications on classification of income and expenses from hybrid contracts comprising host liabilities and embedded derivatives arose as a result the feedback on the financing category (see paragraph B11).</p>	<p>Hybrid contracts comprising host liabilities and embedded derivatives</p> <p>C17. The IASB tentatively decided that, for hybrid contracts with host liabilities, an entity shall classify income and expenses:</p> <ul style="list-style-type: none"> (a) from a separated host liability, by applying the requirements for liabilities in paragraph C12; (b) from a separated embedded derivative that is in the scope of IFRS 9 <i>Financial Instruments</i>, by applying the requirements for stand-alone derivatives in paragraphs C14–C16; (c) from a liability containing an embedded derivative that is not separated and arises from transactions that involve only the raising of finance, by applying the requirements for liabilities that arise from transactions that involve only the raising of finance in paragraph C12(a): 																			

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<p>(d) from a liability containing an embedded derivative that is not separated and does not arise from transactions that involve only the raising of finance:</p> <p>(i) if the liability is a financial liability in the scope of IFRS 9 that is measured at amortised cost, by classifying all income and expenses from the contract after initial recognition in the financing category; and</p> <p>(ii) otherwise, by applying the requirements for liabilities that do not only involve the raising of finance applying the requirements in paragraph C12(b).</p>
<p>Foreign exchange differences and the gain or loss on the net monetary position</p> <p>A11. The Exposure Draft proposed that an entity shall classify foreign exchange differences included in profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences (paragraph 56 of the Exposure Draft).</p> <p>A12. The Exposure Draft did not provide specific guidance on classification of the gain or loss on the net monetary position recognised applying IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>.</p>	<p>Foreign exchange differences and the gain or loss on the net monetary position</p> <p>B16. Many respondents expressed concerns about the proposed classification of foreign exchange differences and whether the benefits of such classification would outweigh the costs.</p> <p>B17. Some stakeholders asked the IASB to clarify how an entity should classify the gain or loss on the net monetary position applying IAS 29.</p>	<p>Foreign exchange differences and the gain or loss on the net monetary position</p> <p><i>Changes to the proposals</i></p> <p>C18. The IASB tentatively decided to require an entity to classify foreign exchange differences included in the statement of profit or loss in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences, except when doing so would involve undue cost or effort. In cases that involve undue cost or effort in classifying the items, an entity would classify the foreign exchange differences on the item in the operating category.</p> <p>C19. The IASB tentatively decided that when a foreign exchange difference arises on a liability that arises from a transaction that involves activities in addition to the raising of finance (which may give rise to income and expenses classified in more than one category) an entity uses its judgement to determine whether the foreign exchange difference relates to the amounts classified in the financing category or the amounts classified in another category.</p> <p>C20. The IASB tentatively decided to clarify that the foreign exchange differences arising from assets and liabilities within the scope of IAS 12 <i>Income Taxes</i> that are recognised in profit or loss in accordance with IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> would be classified in the income tax category in the statement of profit or loss, unless doing so would involve undue cost or effort. The IASB also tentatively decided to make a consequential amendment to the requirement in paragraph 78 of IAS 12 for classifying foreign exchange differences on deferred tax assets and liabilities to align with this tentative decision.</p> <p>C21. The IASB tentatively decided to clarify that the gain or loss on the net monetary position would be classified in the operating category in the statement of profit or loss when an entity applying IAS 29 presents it in a single line item.</p>

Subtotals and categories (Exposure Draft questions 1, 2, 5 and 6)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Derecognition of an asset or liability or change in category for classifying income and expenses</p> <p>A13. The Exposure Draft did not provide specific guidance on classification of income and expenses on derecognition of an asset or liability or a change in category for classification of income and expenses.</p>	<p>Derecognition of an asset or liability or change in category for classifying income and expenses</p> <p>B18. Some stakeholders asked for guidance on how to classify specific income and expenses—for example, foreign exchange differences reclassified from equity to profit or loss on disposal of a foreign operation.</p>	<p>Derecognition of an asset or liability or change in category for classifying income and expenses</p> <p><i>Changes to the proposals</i></p> <p>C22. The IASB tentatively decided to clarify that:</p> <ul style="list-style-type: none"> (a) income and expenses arising from the derecognition of an asset or liability are classified in the same category as the income and expenses generated by that asset or liability immediately before derecognition; (b) income and expenses arising from a transaction or other event that changes the classification of income and expenses from an asset or liability (without derecognition of the asset or liability) are classified in the category in which income and expenses were classified immediately before the transaction or other event; (c) if income and expenses described in (a) and (b) arise from a single transaction or other event that involves a group of assets and liabilities for which income and expenses were classified in different categories immediately before the transaction or other event: <ul style="list-style-type: none"> (i) the gain or loss on the transaction or other event is classified in the operating category if any of the assets in the group generated income and expenses that were classified in the operating category; and (ii) the gain or loss on the transaction or other event is classified in the investing category if all the assets in the group generated income and expenses that were classified in the investing category.

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Entities with specified main business activities</p> <p>A14. The Exposure Draft proposed specific requirements for entities with specified main business activities to ensure that the operating category includes all income and expenses from their main business activities. The Exposure Draft proposed that the operating category would include:</p> <p>(a) income and expenses from investments made in the course of an entity’s main business activities (paragraph 48 of the Exposure Draft). For example, this proposal would apply to insurers and investment entities. An entity would assess on an asset-by-asset basis whether investments are made in the course of its main business activities;⁷</p> <p>(b) some or all income and expenses from financing activities and income and expenses from cash and cash equivalents if the entity provides financing to customers as a main business activity (paragraph 51 of the Exposure Draft). For example, this proposal would apply to banks and entities that provide financing to customers purchasing their products. The choice of whether some or all such income and expenses is included in the operating category would be an accounting policy choice;⁸</p> <p>(c) income and expenses from cash and cash equivalents if the entity, in the course of its main business activities, invests in financial assets that generate a return individually and largely independently of other resources held by the entity (paragraph 52(a) of the Exposure Draft);⁹</p>	<p>Classification of income and expenses by entities with specified main business activities</p> <p>B19. Most respondents agreed with the proposals to require entities to classify in the operating category:</p> <p>(a) income and expenses from investments made in the course of an entity’s main business activities; and</p> <p>(b) income and expenses from financing activities and income and expenses from cash and cash equivalents if the entity provides financing to customers as a main business activity.</p> <p>Assessment of specified main business activities</p> <p>B20. Many respondents said additional guidance would be needed to achieve consistent application and comparability, including guidance on the terms ‘main business activities’ and ‘in the course of main business activities’.</p> <p>B21. Some respondents also asked the IASB to clarify whether the assessment of main business activities should be made from the perspective of the reporting entity and how main business activities relate to operating segments.</p> <p>Accounting policy choice for entities that provide financing to customers as a main business activity</p> <p>B22. Many respondents disagreed with the proposed accounting policy choice for entities that provide financing to customers as a main business activity. Some respondents suggest that, to improve comparability between entities, the accounting policy choice should be restricted or replaced with a practical expedient.</p>	<p>Assessment of specified main business activities</p> <p><i>Changes to the proposals</i></p> <p>C23. The IASB tentatively decided to provide additional guidance by clarifying that:</p> <p>(a) the role of main business activities is limited to assessing whether an entity invests in assets as a main business activity or provides financing to customers as a main business activity. The assessment is performed at the reporting-entity level. Any changes in the outcome of the assessment should be applied prospectively with disclosure of:</p> <p>(i) the fact that there has been a change;</p> <p>(ii) information about the effect of the change that would allow users to perform trend analysis on operating profit;</p> <p>(b) investing in assets as a main business activity or providing financing to customers as a main business activity is a matter of fact and not an assertion. An entity will need to use its judgement in assessing whether it invests in assets as a main business activity or provides financing to customers as a main business activity. The assessment should be based on observable evidence to the extent available. Examples of observable evidence include:</p> <p>(i) operating performance measures used in public communications; and</p> <p>(ii) information about segments if an entity applies IFRS 8 <i>Operating Segments</i>.</p> <p>(c) examples of important indicators of operating performance for entities with specified main business activities are the specified subtotals similar to gross profit in paragraph B78 of the Exposure Draft (also see paragraph C62).</p> <p>Investing category</p> <p><i>Changes to the proposals</i></p> <p>C24. The IASB tentatively decided:</p>

⁷ Also see paragraphs B27 of the Exposure Draft and BC58–BC61 of the Basis for Conclusions on the Exposure Draft.

⁸ Also see paragraphs B28–B29 of the Exposure Draft and BC62–BC69 of the Basis for Conclusions on the Exposure Draft.

⁹ Also see paragraphs B30 of the Exposure Draft and BC70–BC72 of the Basis for Conclusions on the Exposure Draft.

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>(d) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 (paragraph 52(b) of the Exposure Draft);¹⁰ and</p> <p>(e) insurance finance income and expenses included in profit or loss (paragraph 52(c) of the Exposure Draft).¹¹</p>		<p>(a) to require an entity that invests in assets as a main business activity to classify in the operating category income and expenses from such assets that would otherwise be classified in the investing category.</p> <p>(b) to permit an entity to group assets with shared characteristics for the purpose of assessing whether those investments are made as a main business activity. The way an entity groups financial assets for this assessment should be consistent with the way it groups financial assets into classes for the purposes of disclosures about financial instruments, in accordance with IFRS 7 <i>Financial Instruments: Disclosures</i>.</p> <p>(c) to add application guidance clarifying that income and expenses from financial assets arising from providing financing to customers are classified in the operating category. The IASB also decided to explore a related disclosure requirement.</p> <p>C25. The IASB tentatively decided to require an entity with specified main business activities to classify in the investing category income and expenses from associates and joint ventures accounted for using the equity method (see paragraph C8(b)).</p> <p>Financing category</p> <p><i>Confirmed proposals</i></p> <p>C26. The IASB tentatively decided to confirm:</p> <p>(a) the proposed accounting policy choice for an entity that provides financing to customers as a main business activity to classify in the operating category either</p> <p style="margin-left: 20px;">(i) all income and expenses from liabilities that arise from transactions that involve only the raising of finance or</p> <p style="margin-left: 20px;">(ii) the portion related to providing finance to customers;</p> <p>(b) that the proposed accounting policy choice described in paragraph C26(a) is not applied to the specified income and expenses from other liabilities in paragraph C12(b);</p> <p>(c) income and expenses on liabilities arising from issued investment contracts with participation features recognised applying IFRS 9 and insurance finance income and expenses included in profit or loss are excluded from the financing category and classified in the operating category; and</p>

¹⁰ Also see paragraphs BC74–BC76 of the Basis for Conclusions on the Exposure Draft.

¹¹ Also see paragraphs BC73 of the Basis for Conclusions on the Exposure Draft.

Entities with specified main business activities (Exposure Draft questions 3 and 4)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<p>(d) that specific entities would not present the subtotal ‘profit or loss before financing and income tax’.</p> <p>This prohibition would apply when an entity that provides financing to customers as a main business activity classifies in the operating category all income and expenses from liabilities that arise from transactions that involve only the raising of finance (see paragraph C26(a)).</p> <p>Cash and cash equivalents</p> <p><i>Confirmed proposals</i></p> <p>C27. The IASB tentatively decided:</p> <p>(a) to confirm the proposed requirement for an entity that invests in financial assets as a main business activity to classify income and expenses from cash and cash equivalents in the operating category; and</p> <p>(b) to confirm the accounting policy choice for the classification of income and expenses arising from cash and cash equivalents proposed for entities that are not covered by (a) but provide financing to customers as a main business activity.</p>

Investments in subsidiaries, associates and joint ventures (Exposure Draft question 7)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Integral and non-integral associates and joint ventures</p> <p>A15. The Exposure Draft proposed to require an entity to classify its associates and joint ventures accounted for using the equity method as either integral or non-integral to the entity’s main business activities, and proposed definitions of integral and non-integral associates and joint ventures (see proposed paragraphs 20A-20E of IFRS 12 <i>Disclosures of Interests in Other Entities</i>). The Exposure Draft also proposed to require an entity to:</p> <p>(a) Provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures in the primary financial statements and in the notes (see proposed paragraphs 38A of IAS 7, and paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft);</p>	<p>Integral and non-integral associates and joint ventures</p> <p>B23. Respondents expressed diverse opinions across various aspects of the proposals in the Exposure Draft. Many respondents did not express an overall view, commenting instead on specific aspects of the proposals. However, of those that expressed an overall view, more disagreed with the proposals than agreed.</p> <p>B24. Most respondents highlighted concerns with the proposals. These respondents included respondents that agreed with the proposals, respondents that disagreed and respondents that did not express an overall view. Their concerns relate to:</p> <p>(a) the proposal to identify separately integral associates and joint ventures;</p>	<p>Integral and non-integral associates and joint ventures</p> <p><i>Confirmed proposals</i></p> <p>C28. The IASB tentatively decided to require an entity to classify income and expenses from associates and joint ventures accounted for using the equity method outside the operating category.</p> <p><i>Withdrawn proposals</i></p> <p>C29. The IASB tentatively decided:</p> <p>(a) not to proceed with the proposal to require an entity to present the subtotal ‘operating profit or loss and income and expenses from integral associates and joint ventures’ (see paragraph C63(a) for the specified subtotal of operating profit and income and expenses from investments accounted for using the equity method);</p>

Investments in subsidiaries, associates and joint ventures (Exposure Draft question 7)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>(b) classify income and expenses from integral associates and joint ventures in the integral associates and joint ventures category and income and expenses from non-integral associates and joint ventures in the investing category (see paragraph 45(d) and 47(a) of the Exposure Draft); and</p> <p>(c) present a subtotal of operating profit or loss and income and expenses from integral associates and joint ventures (see paragraph 60 of the Exposure Draft).</p> <p>A16. Paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for these proposals and discuss approaches that were considered but rejected by the IASB.</p>	<p>(b) the proposed definition of integral and non-integral associates and joint ventures; and</p> <p>(c) the separate presentation of amounts relating to these investments in the primary financial statements.</p> <p>B25. Overall, there is not much support among stakeholders for the proposals. Both preparers and users generally disagreed with the proposals. However, most users agreed with one aspect of the proposal, the exclusion from operating profit of the share of profit or loss from associates and joint ventures accounted for using the equity method.</p> <p>B26. Feedback from fieldwork identified many practical difficulties with the proposed requirements.</p>	<p>(b) not to proceed with the proposal to require an entity to identify and present income and expenses from integral associates and joint ventures separately from income and expenses from non-integral associates and joint ventures; and</p> <p>(c) not to proceed with the proposals related to integral and non-integral associates and joint ventures in the statement of cash flows (see paragraph C79) and in other comprehensive income (see paragraph C80).</p> <p><i>Changes to the proposals</i></p> <p>C30. The IASB also tentatively decided to require an entity to include income and expenses from associates and joint ventures accounted for using the equity method in the statement of profit or loss:</p> <p>(a) after operating profit and before the subtotal profit before financing and income taxes;</p> <p>(b) in the investing category (see paragraph C8(b)); and</p> <p>(c) not to specify that such income and expenses should be presented immediately after operating profit.</p>
<p>Investments in subsidiaries, associates and joint ventures</p> <p>A17. The Exposure Draft proposed that:</p> <p>(a) income and expenses from associates and joint ventures <i>not</i> accounted for using the equity method be classified:</p> <p>(i) in the investing category when they are not investments in the course of an entity's main business activities;</p> <p>(ii) in the operating category when they are investments in the course of an entity's main business activities; and</p> <p>(b) income and expenses from associates and joint ventures accounted for using the equity method be classified outside of the operating category (paragraphs 47, 48, 53, B27, B32 and B38 of the Exposure Draft).</p>	<p>Investments in subsidiaries, associates and joint ventures</p> <p>B27. A few respondents and fieldwork participants asked the IASB to clarify:</p> <p>(a) the scope of associates and joint ventures <i>not</i> accounted for using the equity method;</p> <p>(b) how an entity should classify income and expenses from investments in subsidiaries, associates and joint ventures in its separate financial statements; and</p> <p>(c) how an entity should classify income and expenses from investments in subsidiaries, associates and joint ventures in consolidated and separate financial statements when the measurement basis used in the consolidated and separate financial statements differs.</p>	<p>Investments in subsidiaries, associates and joint ventures</p> <p><i>Changes to the proposals</i></p> <p>C31. The IASB tentatively decided:</p> <p>(a) to clarify the scope of associates and joint ventures <i>not</i> accounted for using the equity method includes associates and joint ventures in the scope of IAS 27 <i>Separate Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>.</p> <p>(b) to require income and expenses from investments in subsidiaries <i>not</i> accounted for using the equity method to be classified:</p> <p>(i) in the investing category if investing in subsidiaries is not a main business activity; and</p> <p>(ii) in the operating category if investing in subsidiaries is a main business activity.</p> <p>(c) to clarify the scope of subsidiaries not accounted for using the equity method includes subsidiaries in the scope of IFRS 10 <i>Consolidated Financial Statements</i> and IAS 27.</p> <p>(d) to require that an entity classifies income and expenses from subsidiaries accounted for using the equity method in the investing category.</p>

Investments in subsidiaries, associates and joint ventures (Exposure Draft question 7)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<p>(e) to clarify that how an entity categorises subsidiaries, associates and joint ventures to assess whether investing in subsidiaries, associates and joint ventures is a main business activity should be consistent with how the entity categorises investments to determine the measurement basis (paragraph 10 of IAS 27).</p> <p>C32. The IASB tentatively decided to:</p> <p>(a) add ‘operating profit or loss and income and expenses from investments accounted for using the equity method’ to the list of specified subtotals in paragraph 104 of the Exposure Draft (see paragraph C63(a)); and</p> <p>(b) provide transition requirements that will permit an entity to elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 when the investment is held by, or is held through, an entity that is a venture capital organisation, a mutual fund, unit trust and similar entities including investment-linked insurance funds (see paragraph 18 of IAS 28).</p>

Roles of the primary financial statements and the notes, aggregation and disaggregation (Exposure Draft question 8)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Roles of the primary financial statements and the notes</p> <p>A18. The Exposure Draft proposed to describe the roles of the primary financial statements and the notes (see paragraphs 20–21 of the Exposure Draft).</p>	<p>Roles of the primary financial statements and the notes</p> <p>B28. Many respondents commented on the roles of the primary financial statements and the notes. Of these, most agreed with the proposals and a few disagreed.</p>	<p>Roles of the primary financial statements and the notes</p> <p><i>Confirmed proposals</i></p> <p>C33. The IASB tentatively decided to confirm that, in relation to the roles of primary financial statements, not to reinstate paragraph 29 of IAS 1 <i>Presentation of Financial Statements</i> in IFRS X, which requires an entity to present separately each material class of similar items. However, an entity will be required to disclose such classes separately (see paragraph C35).</p> <p><i>Changes to the proposals</i></p> <p>C34. The IASB tentatively decided to include a reference to understandability in the description of the role of the primary financial statements.</p>
<p>Principles of aggregation and disaggregation</p> <p>A19. The Exposure Draft also proposed principles and general requirements on the aggregation and disaggregation of information—the principles would be applicable to both presentation in the primary financial statements and disclosures in the notes. The principles would require an entity to classify identified assets, liabilities, equity, income and expenses into groups based on shared characteristics and to separate those items based on further characteristics (paragraph 25 of the Exposure Draft).</p>	<p>Principles of aggregation and disaggregation</p> <p>B29. Most respondents commented on the principles of aggregation and disaggregation. Of these many agreed with the proposals. Many did not express agreement or disagreement and instead commented on the need for additional guidance or clarification.</p>	<p>Principles of aggregation and disaggregation</p> <p><i>Changes to the proposals</i></p> <p>C35. The IASB tentatively decided in relation to the principles of aggregation and disaggregation to:</p> <ul style="list-style-type: none"> (a) state the purpose of disaggregation more clearly—items shall be disaggregated if the resulting disaggregated information is material. (b) strengthen the application of that principle by emphasising 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 were material. <p>C36. The IASB tentatively decided to set out the relationship between the general presentation and disclosure requirements and the principles of aggregation and disaggregation.</p> <p>C37. The IASB tentatively decided to require an entity to explain how an amount disclosed in the notes that is recognised in a primary financial statement is included in the line items in the statement.</p> <p>C38. The IASB tentatively decided to include application guidance summarising characteristics that:</p> <ul style="list-style-type: none"> (a) if shared, might form the basis for aggregating items to enhance the understandability of information presented in the financial statements. (b) if not shared, might form the basis for disaggregating amounts to provide material information. <p>C39. The IASB tentatively decided to provide application guidance that states that, in general, the more diverse items are (that is, the more dissimilar characteristics the items have) the more likely it would be</p>

Roles of the primary financial statements and the notes, aggregation and disaggregation (Exposure Draft question 8)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<p>that disaggregation based on some of those dissimilar characteristics would result in material information.</p> <p>C40. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to add a requirement that any line items an entity presents in its statement(s) of financial performance and statement of financial position are recognised and measured in accordance with IFRS Accounting Standards; and (b) not to prohibit an entity from disaggregating income and expenses in the notes to the financial statements into components not recognised or measured in accordance with IFRS Accounting Standards.
<p>Labelling of disaggregated information</p> <p>A20. The Exposure Draft also proposed to require an entity to use meaningful labels for the group of immaterial items that are not similar and to consider whether it is appropriate to use non-descriptive labels such as ‘other’ (paragraphs 26–27 of the Exposure Draft).</p>	<p>Labelling of disaggregated information</p> <p>B30. Most respondents commented on the proposals relating to disaggregation and labelling of items described as ‘other’. Of these, many agreed with the proposals but some disagreed, mostly expressing disagreement with proposals relating to items labelled as ‘other’. Many did not express agreement or disagreement and instead commented on the need for additional guidance or clarifications, particularly on the proposal relating to items labelled as ‘other’.</p>	<p>Labelling of disaggregated information</p> <p><i>Changes to the proposals</i></p> <p>C41. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to clarify that an entity is required to: <ul style="list-style-type: none"> (i) describe disaggregated amounts in a clear and understandable way that would not mislead users of financial statements; and (ii) be transparent about the meaning of the terms it has used and the methods it has applied to the disaggregation. (b) to extend the proposals in the Exposure Draft relating to the label ‘other’ to require an entity to use this label only if it is unable to find a more informative label. If an entity is unable to find a more informative label: <ul style="list-style-type: none"> (i) for an aggregation of varied material items—the IASB would require it to use a label that is as precise as possible about the type of item the ‘other’ amount is, for example, ‘other operating expenses’ or ‘other finance expenses’. (ii) for an aggregation of varied immaterial items—the IASB would require an entity to consider whether the aggregated amount is large enough that users of financial statements might question what it includes. If so, further information about that amount is material and accordingly would be provided by the entity. (c) to include as examples of material information about the amount described in (b)(ii):

Roles of the primary financial statements and the notes, aggregation and disaggregation (Exposure Draft question 8)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<ul style="list-style-type: none"> (i) an explanation that no material items are included in the amount; and (ii) an explanation that the amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item.
<p>Minimum line items</p> <p>A21. The Exposure Draft proposed some additional minimum line items to be presented in the statement of profit or loss (expenses from financing activities and share of profit or loss from integral and non-integral associates and joint ventures) and in the statement of financial position (goodwill and integral and non-integral associates and joint ventures) (see paragraphs 20–21, 25–28 and B5–B15 of the Exposure Draft).</p> <p>A22. Paragraphs BC21–BC27 of the Basis for Conclusions on the Exposure Draft describe the IASB's reasons for these proposals and discuss approaches that were considered but rejected by the IASB.</p>	<p>Minimum line items</p> <p>B31. Some respondents commented on the requirements for minimum line items. Of those, some agreed with the proposals and some disagreed. Most respondents that commented on the proposals said further guidance or clarification is needed.</p>	<p>Line items listed in paragraphs 54 and 82 of IAS 1</p> <p><i>Confirmed proposals</i></p> <p>C42. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) not to revisit the lists of line items brought forward from paragraphs 54 and 82 of IAS 1; (b) not to add a specific requirement to present impairments of non-financial assets; (c) to proceed with the proposed requirement to present goodwill separately from intangible assets; and (d) to proceed with the proposed requirement for the listed line items to be presented in each affected category in the statement of profit or loss. <p><i>Changes to the proposals</i></p> <p>C43. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to revise the general principle 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; (b) to require all presentation requirements to apply only when the resulting presentation does not detract from the primary financial statements providing an understandable overview; (c) to add application guidance that indicates that in the operating category it is unlikely that the presentation of items set out in paragraph 65 of the Exposure Draft would reduce how useful the statement is in providing an understandable overview of the entity's income and expenses; (d) to remove the term 'minimum' from paragraph 42 of the Exposure Draft; and (e) not to specify any line items to be presented in the financing category in the statement of profit or loss.

Analysis of operating expenses (Exposure Draft question 9)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Presentation of operating expenses</p> <p>A23. The Exposure Draft proposed to continue to require entities to present in the statement of profit or loss an analysis of operating expenses using either the nature of expense method or the function of expense method (see paragraph 68 of the Exposure Draft).</p> <p>A24. The Exposure Draft proposed the method presented should be the one that provides the most useful information to users of financial statements and that entities should not present line items mixing the two methods, with the exceptions of line items that are required line items (see paragraph 68, B46 and B47 of the Exposure Draft)..</p> <p>A25. In addition, the Exposure Draft proposed to describe the factors to consider when deciding which method of operating expense analysis should be used (see paragraph B45 of the Exposure Draft).</p>	<p>Presentation of operating expenses</p> <p>B32. Most respondents that commented on the proposals relating to the presentation of operating expenses in the statement of profit or loss had mixed views.</p> <p>B33. Many respondents (mainly accountancy bodies and standard setters) agreed and some (mainly preparers and their representative bodies) disagreed with the proposal to require an entity to select the method of analysis of operating expenses that is most useful:</p> <p>(a) some of those who agreed said that the factors included in the application guidance were helpful, including how management reports internally and industry practice.</p> <p>(b) some of those who disagreed said that entities already consider which method is most useful, so the proposals would require entities to incur additional costs for no reason, and the proposed guidance effectively gives an entity a free choice.</p> <p>B34. Many respondents (mainly users, accountancy bodies and standard-setters) agreed and many (mainly preparers and their representative bodies along with a few users) disagreed with the proposal to prohibit an entity from mixing the methods of analysis of expenses.</p> <p>B35. Some of those who agreed said that the mixed presentation has emerged over time and the proposals are a good way to reset the boundaries of what is acceptable, and the proposals are not expected to have significant impact on entities, which are not mixing the two methods currently.</p> <p>B36. Some of those who disagreed said that in some instances, the mixed method provides the most useful information, and the proposals will not enhance comparability, especially with companies applying US GAAP.</p>	<p>Presentation of operating expenses</p> <p><i>Confirmed proposals</i></p> <p>C44. The IASB tentatively decided:</p> <p>(a) to require operating expenses to be presented in the statement of profit or loss using a classification based either on their nature or function; and</p> <p>(b) to include application guidance on deciding whether classifying expenses by nature or by function provides the most useful information, including the factors set out in paragraph B45 of the Exposure Draft.</p> <p><i>Changes to the proposals</i></p> <p>C45. The IASB tentatively decided:</p> <p>(a) to expand the explanation in the description of a presentation of operating expenses by function to clarify how presenting operating expenses by function involves allocating and aggregating operating expenses according to the activity to which the consumed economic resource relates;</p> <p>(b) to provide application guidance to clarify the role of primary financial statements (see paragraph C34) and the aggregation and disaggregation principles (see paragraph C35) in applying a presentation of operating expenses by function;</p> <p>(c) to require an entity to include in cost of sales the carrying amount of inventories recognised as an expense during the period when presenting cost of sales;</p> <p>(d) to require an entity that presents functional line items to disclose a narrative description of what types of expenses (based on their nature) are included in each functional line item;</p> <p>(e) to withdraw the proposed prohibition on a mixed presentation of operating expenses, and:</p> <p>(i) require an entity, when considering whether to present operating expenses by function or by nature, to consider the role of primary financial statements (see paragraph C34); and</p> <p>(ii) provide examples of when a mixed presentation might provide the most useful information; and</p> <p>(f) to provide application guidance to clarify:</p> <p>(i) the requirement for consistent presentation of operating expenses from one reporting period to the next; and</p>

Analysis of operating expenses (Exposure Draft question 9)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		(ii) how to label nature line items when a mixed presentation is used.
<p>Disclosure of operating expenses by nature in a single note</p> <p>A26. An entity that presents an analysis of operating expenses using the function of expense method in the statement of profit or loss would also be required to disclose in a single note an analysis of its total operating expenses using the nature of expense method (see paragraph 72 of the Exposure Draft).</p> <p>A27. BC109–BC114 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for the proposals and discuss approaches that were considered but rejected by the IASB.</p>	<p>Disclosure of operating expenses by nature in a single note</p> <p>B37. Many respondents (mainly users, standard setters and accountancy bodies) agreed and many (mainly preparers and their representative bodies) disagreed with the proposal to require an entity to disclose an analysis of expenses by nature in the notes if they present an analysis of operating expenses by function.</p> <p>B38. Some of those who agreed said that the analysis will provide comprehensive information and help users make forecasts, will help reconcile the statement of cash flows with the income statement, and will enhance comparability, because it is less judgmental than analysis by function.</p> <p>B39. Some of those who disagreed with the proposals said that both methods are equally relevant, but the proposals seem to favour by-nature analysis, and the costs of providing the analysis by nature will be higher than the benefits, including some entities that may not be able to provide the analysis with their existing systems.</p> <p>B40. Feedback from fieldwork identified practical difficulties with the proposed requirements.</p>	<p>Disclosure of operating expenses by nature in a single note</p> <p><i>Confirmed proposals</i></p> <p>C46. The IASB confirmed the proposal in the Exposure Draft to require an entity to provide information about operating expenses by nature in a single note.</p> <p><i>Changes to the proposals</i></p> <p>C47. The IASB tentatively decided to require an entity to disclose the amounts of depreciation, amortisation, employee benefits, impairment and write-downs of inventories included in each function line item in the statement of profit or loss.</p> <p>C48. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to provide application guidance clarifying that the amounts required to be disclosed in paragraph C47 are not required to be expense amounts. (b) to require an entity to provide a qualitative explanation if part of the amount disclosed has been included in the carrying amount of assets. The explanation would include identifying in which assets the amounts have been included.
<p>Exemptions from general disaggregation requirements</p> <p>A28. The Exposure Draft did not propose exemptions from the general disaggregation requirements.</p>	<p>Exemptions from general disaggregation requirements</p> <p>B41. Not applicable – the IASB considered whether an exemption to the general disaggregation requirements was necessary to limit the required disclosures of items by nature to those proposed in paragraphs C47 and C48 in response to the feedback on the proposed disclosure requirements for operating expenses by nature discussed in paragraphs B37–B40.</p>	<p>Exemptions from general disaggregation requirements</p> <p>C49. The IASB tentatively decided to add an exemption to the general requirement to disaggregate material information. As a result, an entity would be exempt from disclosing:</p> <ul style="list-style-type: none"> (a) in relation to function line items in the statement of profit or loss, the amounts of nature of expenses included therein (beyond those specifically required in paragraph C47); and (b) in relation to nature expenses that are required to be disclosed by an IFRS Accounting Standard, the amounts included in each function line item in the statement of profit or loss.

Unusual income and expenses (Exposure Draft question 10)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Definition of unusual income and expenses and disclosures</p> <p>A29. The Exposure Draft proposed introducing a definition of ‘unusual income and expenses’; and proposed requiring all entities to disclose unusual income and expenses in a single note. The Exposure Draft also proposed application guidance to help an entity to identify its unusual income and expenses (see paragraphs 100–102 and B67–B75 of the Exposure Draft).</p> <p>A30. Paragraphs BC122–BC144 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for the proposals and discuss approaches that were considered but rejected by the IASB.</p>	<p>Definition of unusual income and expenses</p> <p>B42. The key messages from the feedback on the proposals relating to unusual income and expenses are:</p> <p>(a) most respondents who commented on this question, including almost all users of financial statements, agreed with the IASB defining unusual items. Users explained that they wish to identify recurring or normalised earnings but have to rely on voluntary disclosures by an entity to do so. Defining unusual items and requiring their disclosure would provide consistent input for users’ analysis. Other respondents also indicated they expected defining unusual items would provide useful information. A few respondents specifically supported the discipline that they expected a definition would provide, thus reducing opportunistic classification of items as unusual; and</p> <p>(b) most of these respondents, including some users, did not agree with the IASB’s definition of unusual items. They said important aspects of the definition were unclear and suggested various clarifications and changes. Those suggestions did not lead to a clear consensus on what an alternative definition should be.</p> <p>Disclosure of unusual income and expenses</p> <p>B43. Respondents were split evenly on whether or not they supported the proposed disclosure in a single note; some preferred presentation in the statement of profit or loss because it would provide a clear ‘normalised’ profit amount, but others thought that would add clutter to the statement and give too great an incentive for opportunistic labelling of items as unusual; some agreed with disclosure in a single note because it allows easy access to the information and helps in tracking what items are classified as unusual over time.</p>	<p>Definition and disclosure of unusual income and expenses</p> <p>C50. The IASB tentatively decided that it will not proceed with any specific requirements for disclosure of unusual income and expenses as part of this project. However, the characteristic of non-recurrence will be listed as a characteristic that could lead to separate presentation or disclosure.</p>

Unusual income and expenses (Exposure Draft question 10)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
	<p>B44. Others said it would be more helpful to include the information in the notes for the specific items of income and expenses in question, for example the notes for IAS 37 provisions or IAS 36 impairments. They also said that the requirement for a single note could lead to duplication of information required by other IFRS Accounting Standards or regulations to be given elsewhere, for example in other notes or in the management commentary.</p>	

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Disclosure of management performance measures in a single location in the financial statements</p> <p>A31. The Exposure Draft proposed that an entity disclose ‘management performance measures’ in a single note to the financial statements (see paragraph 106 of the Exposure Draft).</p> <p>A32. When disclosing management performance measures the Exposure Draft proposed an entity would also be required to comply with the general requirements in IFRS Accounting Standards for information included in financial statements. For example, each management performance measure must faithfully represent an aspect of the financial performance of the entity and be described in a clear and understandable manner that does not mislead users (see paragraph 105 of the Exposure Draft).</p> <p>A33. However, the Exposure Draft did not propose additional restrictions on management performance measures, such as only allowing an entity’s management to provide measures based on amounts recognised and measured in accordance with IFRS Accounting Standards.</p>	<p>Disclosure of management performance measures in a single location in the financial statements</p> <p>B45. Many respondents agreed with the IASB’s proposals to require the disclosure of management performance measures in the notes to the financial statements. These respondents said that including these measures in the financial statements would provide useful information and that the proposed disclosure requirements would bring needed discipline and transparency.</p> <p>B46. Some respondents agreed with disclosing management performance measures in a single note because it provides a single point of reference which contributes to transparency.</p> <p>B47. Some respondents disagreed with including management performance measures in the financial statements stating the following reasons:</p> <ul style="list-style-type: none"> (a) in their view non-GAAP measures are either outside the scope of financial statements or do not achieve the objective of financial statements in IAS 1 <i>Presentation of Financial Statements</i> or in the Exposure Draft; (b) including management performance measures in the financial statements would increase the costs of preparing financial statements; or (c) it may be challenging to audit such measures. 	<p>Disclosure of management performance measures in a single location in the financial statements</p> <p><i>Confirmed proposals</i></p> <p>C51. The IASB tentatively decided to confirm the proposal to require an entity to include information about management performance measures in the financial statements and that ‘providing management’s view of an aspect of an entity’s financial performance’ is the objective of management performance measures.</p> <p>C52. The IASB tentatively decided to confirm:</p> <ul style="list-style-type: none"> (a) the proposed requirement to disclose information about management performance measures in a single note to the financial statements; and (b) not to add any requirements relating to an entity including disclosures about management performance measures in the financial statements by reference to another document. <p><i>Changes to the proposals</i></p> <p>C53. The IASB tentatively decided to remove the specific requirement about faithful representation. Given the general requirement for information in financial statements to give a faithful representation, the IASB decided there is no need to repeat that requirement in the specific requirements for management performance measures.</p> <p>C54. The IASB tentatively decided to clarify that the choice of a management performance measure, including how the measure is calculated is not an accounting policy as defined in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>
<p>Definition of management performance measures</p> <p>A34. The Exposure Draft defined management performance measures as subtotals of income and expenses that:</p> <ul style="list-style-type: none"> (a) are used in public communications outside financial statements; (b) complement totals or subtotals specified by IFRS Accounting Standards; and 	<p>Definition and scope of management performance measures</p> <p>B48. Most respondents, including users, that agreed with requiring management performance measures in the financial statements, raised concerns about the definition of management performance measures. The two most significant concerns of respondents were:</p> <ul style="list-style-type: none"> (a) requiring disclosure of all management performance measures used in ‘public communications’ is too wide in scope. Most 	<p>Definition of management performance measures</p> <p><i>Confirmed proposals</i></p> <p>C55. The IASB tentatively decided to confirm the proposal to define management performance measures, as subtotals of income and expenses that communicate to users of financial statements management’s view of an aspect of an entity’s financial performance.</p> <p><i>Changes to the proposals</i></p> <p>C56. The IASB tentatively decided to amend the definition of management performance measures:</p>

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>(c) communicate to users of financial statements management’s view of an aspect of an entity’s financial performance (see paragraph 103 of the Exposure Draft).</p> <p>A35. The IASB considered but rejected:</p> <p>(a) imposing specific restrictions on how management performance measures are calculated (see paragraph BC155 of the Basis for Conclusions on the Exposure Draft);</p> <p>(b) defining management performance measures as all subtotals of income and expense included in an entity’s annual report (see paragraph BC157 of the Basis for Conclusions on the Exposure Draft); and</p> <p>(c) specifically stating that management performance measures should not be misleading (see paragraph BC162 of the Basis for Conclusions on the Exposure Draft).</p>	<p>respondents that raised this concern requested additional guidance or suggested a narrower definition of public communications.</p> <p>(b) management performance measures do not include measures that would, in their view, equally benefit from being disclosed in the financial statements. Most respondents that raised this concern suggested revising the definition to include other measures such as those based on items presented in the statement of financial position or the statement of cash flows. Many of these respondents said that in their opinion the full benefits of the proposals would not be realised without including these additional measures. However, some respondents, including some users, said the proposals had significant benefits, even if they did not include additional measures.</p> <p>B49. Some respondents to the Exposure Draft said it was not clear whether individual segment measures could meet the definition of management performance measures.</p>	<p>(a) to remove the reference to complementing totals or subtotals specified by IFRS Accounting Standards; and</p> <p>(b) to state that totals and subtotals specified by IFRS Accounting Standards are not management performance measures.</p> <p>C57. The IASB tentatively decided to establish a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management’s view of an aspect of the entity’s financial performance. In addition, the IASB tentatively decided to provide high-level application guidance on how to assess whether the entity has reasonable and supportable information to support the rebuttal. The application guidance will explain that reasonable and supportable information for rebutting the presumption would include management communicating or using a subtotal in a way that is consistent with the assertion that the subtotal does not communicate management’s view. The IASB also tentatively decided to include some examples of when this could be the case.</p> <p>C58. The IASB tentatively decided to narrow the scope of public communications considered for the purposes of applying the definition of management performance measures, by excluding oral communications, transcripts and social media posts.</p> <p>Scope of management performance measures</p> <p><i>Confirmed proposals</i></p> <p>C59. The IASB tentatively decided to confirm not to further explore expanding the scope of management performance measures to include:</p> <p>(a) measures based on line items presented in the statements of financial performance;</p> <p>(b) measures based on the statement of cash flows; and</p> <p>(c) measures based on the statement of financial position; and</p> <p>(d) ratios.</p> <p><i>Changes to the proposals</i></p> <p>C60. The IASB tentatively decided to include in the scope of its requirements for management performance measures the numerator or denominator of a ratio if that numerator or denominator meets the definition of a management performance measure.</p>

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		C61. The IASB tentatively decided to clarify that management performance measures are measures that reflect management’s view of the performance of the entity as a whole.
<p>Specified subtotals</p> <p>A36. Totals or subtotals specified by IFRS Accounting Standards were specifically stated not to be management performance measures and include:</p> <ul style="list-style-type: none"> (a) totals or subtotals required by the Exposure Draft; (b) gross profit or loss (revenue less cost of sales) and similar subtotals; (c) operating profit or loss before depreciation and amortisation; (d) profit or loss from continuing operations; and (e) profit or loss before income tax (see paragraph 104 of the Exposure Draft). 	<p>Specified subtotals</p> <p>B50. A few respondents said that the IASB had followed a rules-based approach with respect to specified subtotals. One respondent said the IASB needs to clarify whether a management performance measure can be reconciled to a specified subtotal only if that subtotal is presented in the statement of profit or loss.</p>	<p>Specified subtotals</p> <p><i>Confirmed proposals</i></p> <p>C62. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to confirm the proposal that the specified subtotals listed in paragraph 104 of the Exposure Draft (see paragraph A36) are not management performance measures; and (b) to confirm the examples of subtotals similar to gross profit listed in paragraph B78 of the Exposure Draft. <p><i>Changes to the proposals</i></p> <p>C63. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to add ‘operating profit or loss and income and expenses from investments accounted for using the equity method’ to the list of specified subtotals in paragraph 104 of the Exposure Draft; and (b) to specify in the application guidance that if a management performance measure is reconciled to a specified subtotal that is not presented in the statement of profit or loss, an entity is required to reconcile that specified subtotal to a subtotal presented in the statement(s) of financial performance. An entity would not be required to disclose any other information relating to the specified subtotal.
<p>Disclosure requirements—usefulness and reconciliation</p> <p>A37. The Exposure Draft proposed that an entity would be required to disclose specific information about management performance measures, including:</p> <ul style="list-style-type: none"> (a) a description of why the management performance measure communicates management’s view of an aspect of the entity’s financial performance (see paragraph 104(a) of the Exposure Draft); and 	<p>Disclosure requirements—usefulness and reconciliation</p> <p>B51. Most respondents agreed with the majority of the IASB’s proposed disclosure requirements. Many respondents, including all users, said the requirement to reconcile management performance measures to the most directly comparable subtotal specified in IFRS Accounting Standards would increase the transparency and usefulness of information about these measures.</p>	<p>Disclosure requirements—usefulness and reconciliation</p> <p><i>Confirmed proposals</i></p> <p>C64. The IASB tentatively decided to confirm the proposal:</p> <ul style="list-style-type: none"> (a) to require an entity to disclose why a management performance measure communicates management’s view of performance, subject to some drafting considerations relating to the terms ‘why’ and ‘how’, including an explanation of: <ul style="list-style-type: none"> (i) how the management performance measure is calculated; and (ii) how the measure provides useful information about the entity’s performance; and (b) to require an entity to disclose a reconciliation between a management performance measure and the most directly comparable subtotal or total specified in IFRS Accounting Standards.

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>(b) a reconciliation to the most directly comparable total or subtotal specified by IFRS Accounting Standards (see paragraph 104(b) of the Exposure Draft).</p> <p>A38. The IASB considered but rejected requiring a five-year historical summary of management performance measures (see paragraph BC175 of the Basis for Conclusions on the Exposure Draft). The IASB also considered but rejected requiring an adjusted earnings per share that is based on the entity's management performance (see paragraph BC176 of the Basis for Conclusions on the Exposure Draft).</p>		<p><i>Changes to the proposals</i></p> <p>C65. The IASB tentatively decided to:</p> <ul style="list-style-type: none"> (a) provide additional application guidance to support the proposed requirement described in paragraph C64(a). The guidance would clarify that, where doing so would be necessary for a user of financial statements to understand why a management performance measure communicates management's view of performance, the explanations described in paragraphs C64(a)(i) and C64(a)(ii) would refer to the individual reconciling items; and (b) require an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance.
<p>Disclosure of the tax effect and the effect on non-controlling interests</p> <p>A39. The Exposure Draft proposed that an entity would be required to disclose:</p> <ul style="list-style-type: none"> (a) the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation (see paragraph 104(c) of the Exposure Draft); and (b) how the entity determined the income tax effect for each item disclosed in the reconciliation (see paragraph 104(d) of the Exposure Draft). 	<p>Disclosure of the tax effect and the effect on non-controlling interests</p> <p>B52. There was mixed feedback on the IASB's proposal to require the disclosure of the tax and non-controlling interest effects of reconciling items between the management performance measure and the most directly comparable subtotals specified in IFRS Accounting Standards.</p> <p>B53. While many users agreed with the disclosure requirements, some other respondents said that it would be:</p> <ul style="list-style-type: none"> (a) costly to obtain the information; (b) a more onerous disclosure requirement than the disclosures required for items in the statement of profit or loss; or (c) contrary to management performance measures communicating a management view because information about tax and non-controlling interest effects is not always used by management. 	<p>Disclosure of the tax effect and the effect on non-controlling interests</p> <p><i>Confirmed proposals</i></p> <p>C66. The IASB tentatively decided to confirm the proposed requirement:</p> <ul style="list-style-type: none"> (a) to disclose the income tax effect and the effect on non-controlling interests of each item disclosed in the reconciliation between a management performance measure and the most directly comparable subtotal or total specified by IFRS Accounting Standards; and (b) in paragraph 106(d) of the Exposure Draft for an entity to disclose how it has determined the income tax effects for items reconciling a management performance measure to the most directly comparable subtotal or total specified by IFRS Accounting Standards. <p><i>Changes to the proposals</i></p> <p>C67. The IASB tentatively decided to revise the requirement specifying how to calculate the income tax effect to require an entity either to calculate:</p> <ul style="list-style-type: none"> (a) the tax effects of the underlying transaction(s) at the statutory tax rate(s) applicable to the transaction(s) in the relevant jurisdiction(s); (b) the tax effects on the basis of a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or (c) the tax effects by another method that achieves a more appropriate allocation in the circumstances. <p>C68. The IASB also tentatively decided to:</p>

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
		<ul style="list-style-type: none"> (a) provide application guidance requiring the disclosure for each reconciling item if more than one method is used to calculate the tax effect; and (b) revise the requirements in paragraph 108 of the Exposure Draft for disclosures relating to changes in management performance measures (see paragraph A39) so that they apply to changes to the calculation of the tax effects of reconciling items.
<p>Disclosure of changes to management performance measures</p> <p>A40. If an entity changed the calculation of its management performance measures, introduced a new management performance measure or removed a previously disclosed management performance measure the Exposure Draft proposed an entity would be required to:</p> <ul style="list-style-type: none"> (a) disclose sufficient explanation for users to understand the change, addition or removal and its effects; (b) disclose the reasons for the change, addition or removal; and (c) restate its comparative information, including in the required note disclosures, to reflect the change, addition or removal (see paragraph 108 of the Exposure Draft). 	<p>Disclosure of changes to management performance measures</p> <p>B54. Some respondents, particularly users, agreed with the proposed requirement to disclose changes to a management performance measure, including an explanation of and the reasons for the change and a restatement of comparative information. A few respondents, mostly preparers, disagreed with the proposed requirement to restate information for the comparative period when a management performance measure is changed, added or removed.</p>	<p>Disclosure of changes to management performance measures</p> <p><i>Confirmed proposals</i></p> <p>C69. The IASB tentatively decided to confirm the proposal that if an entity changes the calculation of its management performance measures, introduces a new management performance measure or removes a previously disclosed management performance measure from its financial statements, it would be required:</p> <ul style="list-style-type: none"> (a) to disclose sufficient explanation for users to understand the change, addition or removal and its effects; and (b) to disclose the reasons for the change, addition or removal. <p><i>Changes to the proposals</i></p> <p>C70. The IASB tentatively decided to:</p> <ul style="list-style-type: none"> (a) amend paragraph 108(c) of the Exposure Draft to say that an entity need not provide comparative information when the entity changes a management performance measure or introduces a new one, if it is impracticable to do so; and (b) add a requirement that if an entity does not provide comparative information about a new or changed management performance measure because it is impracticable to do so the entity shall disclose that fact.
<p>Disclosure of management performance measures in interim financial statements</p> <p>A41. The Exposure Draft proposed a consequential amendment to paragraph 16A of IAS 34 to include the disclosure requirements for management performance measures in paragraph 106 of the Exposure Draft.</p>	<p>Disclosure of management performance measures in interim financial statements</p> <p>B55. Only one stakeholder commented on requirements for management performance measures in interim financial reports in their comment letters on the Exposure Draft. They said that entities should not always be required to provide all the proposed disclosures about management performance measures in interim financial reports if</p>	<p>Disclosure of management performance measures in interim financial statements</p> <p><i>Confirmed proposals</i></p> <p>C71. The IASB tentatively decided to confirm the proposal to amend IAS 34 <i>Interim Financial Reporting</i> to require the disclosure of the management performance measures set out in paragraph 106 of the Exposure Draft in interim financial reports.</p>

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>A42. The IASB considered but rejected not requiring the disclosure of the tax effect and the effect on non-controlling interests in condensed financial statements (see paragraph BC222 of the Basis for Conclusions on the Exposure Draft).</p>	<p>they have not changed since the most recent annual financial statements. In their view, disclosing only the reconciliation to the most directly comparable subtotals or totals specified by IFRS Accounting Standards would provide sufficient information about management performance measures in condensed financial statements.</p>	<p><i>Changes to the proposals</i></p> <p>C72. The IASB tentatively decided to expand the proposed amendment to IAS 34 to include the requirements that apply to changes in an entity’s management performance measures in the list of ‘other disclosures’ required by paragraph 16A of IAS 34.</p>
<p>Disclosure of management performance measures in the same note as operating segment information</p> <p>A43. The Exposure Draft proposed that if one or more of an entity’s management performance measures are the same as part of the operating segment information disclosed by the entity in applying IFRS 8 Operating Segments, the entity may disclose information about those management performance measures in the same note as the operating segment information, provided the entity either:</p> <ul style="list-style-type: none"> (a) includes in that note all the information required to be disclosed for management performance measures; or (b) includes in a separate note all the information required for management performance measures (see paragraph B83 of the Exposure Draft). <p>A44. The IASB considered but rejected requiring an entity to disclose the reasons for any differences between its management performance measures and its operating segment measures of performance (see paragraph BC179 of the Basis for Conclusions on the Exposure Draft).</p>	<p>Disclosure of management performance measures in the same note as operating segment information</p> <p>B56. A few respondents asked how the reconciliation required by paragraph 28 of IFRS 8 would interact with the reconciliation required for management performance measures, in particular when there is an overlap or duplication of information. A few of these respondents said that entities would need to disclose duplicate information if they chose not to present disclosures relating to management performance measures within the note presenting segment information.</p>	<p>Disclosure of management performance measures in the same note as operating segment information</p> <p>C73. The IASB tentatively decided to confirm the proposal in paragraph B83 of the Exposure Draft, which states that, if one or more of an entity’s management performance measures are the same as part of the operating segment information disclosed by the entity in applying IFRS 8, the entity may disclose information about those management performance measures in the same note as the operating segment information, provided the entity either:</p> <ul style="list-style-type: none"> (a) includes in that note all the information required to be disclosed for management performance measures; or (b) includes in a separate note all the information required for management performance measures.
<p>Use of columns</p> <p>A45. The Exposure Draft also proposed that an entity be prohibited from using columns to present management performance measures in the statement(s) of financial performance (see paragraph 110 of the Exposure Draft).</p>	<p>Use of columns</p> <p>B57. A few respondents expressed their disagreement with the prohibition on using columns to present management performance measures. A few respondents said that the IASB should include the criteria mentioned in paragraph BC165 of the Basis for Conclusions on the Exposure Draft with respect to presenting</p>	<p>Use of columns</p> <p><i>Changes to the proposals</i></p> <p>C74. The IASB tentatively decided to:</p> <ul style="list-style-type: none"> (a) add a requirement, based on the discussion in paragraphs BC31 and BC165 of the Basis for Conclusions on the Exposure Draft, for additional subtotals and line items presented in the

Management performance measures (Exposure Draft question 11)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
	management performance measures in the statement of profit or loss.	<p>statement(s) of financial performance to fit into the structure of the categories required in the Accounting Standard; and</p> <p>(b) withdraw the proposal to specifically prohibit the use of columns for presenting management performance measures in the statement(s) of financial performance.</p>

Operating profit or loss before depreciation, amortisation and specified impairments (Exposure Draft question 12)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Operating profit or loss before depreciation and amortisation</p> <p>A46. The Exposure Draft did not propose defining EBITDA. However, the IASB proposed to exempt from the disclosure requirements for management performance measures a subtotal calculated as operating profit or loss before depreciation and amortisation. The IASB considered, but rejected, describing the subtotal operating profit or loss before depreciation and amortisation as EBITDA.</p> <p>A47. Paragraphs BC172–BC173 of the Basis for Conclusions on the Exposure Draft explain why the IASB has not proposed requirements relating to EBITDA.</p>	<p>Operating profit or loss before depreciation and amortisation</p> <p>B58. Most respondents, including most users, agreed with the IASB’s proposal not to define EBITDA. These respondents said they agreed that there was no consensus on what EBITDA represents, that its use varies widely and that it is not applicable to some industries.</p> <p>B59. Some respondents, including some users, disagreed saying the IASB should define EBITDA because it is a widely used measure that would benefit from a consistent definition.</p>	<p>Operating profit or loss before depreciation, amortisation and specified impairments</p> <p><i>Changes to the proposals</i></p> <p>C75. The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to specify an operating profit or loss before depreciation and amortisation subtotal that excludes impairments of assets within the scope of IAS 36 <i>Impairment of Assets</i>; (b) to do this by amending the specified subtotal ‘operating profit or loss before depreciation and amortisation’, rather than adding an additional subtotal to the list of specified subtotals; (c) to label the amended specified subtotal as ‘operating profit or loss before depreciation, amortisation, and specified impairments’; (d) not explicitly to prohibit ‘EBITDA’ as a label for an ‘operating profit or loss before depreciation, amortisation and specified impairments’ subtotal, but to explain in the Basis for Conclusions that such a label would rarely be a faithful representation for the subtotal; and (e) to include no further specific requirements in relation to this subtotal.

Statement of cash flows (Exposure Draft question 13)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Starting point for indirect method</p> <p>A48. The Exposure Draft proposed requiring an entity to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities in the statement of cash flows (see paragraph 18(b) of IAS 7).</p>	<p>Starting point for indirect method</p> <p>B60. The key messages from the feedback on the proposals relating to the statement of cash flows are:</p> <p>(a) many respondents did not comment on the proposals; and</p> <p>(b) of those respondents that did comment, many agreed with the proposals saying that the proposals would result in a consistent presentation that would enhance comparability between entities.</p>	<p>Starting point for indirect method</p> <p><i>Confirmed proposals</i></p> <p>C76. The IASB tentatively decided to confirm to require an entity to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.</p>
<p>Classification of interest and dividend cash flows</p> <p>A49. The Exposure Draft proposed reducing the presentation alternatives currently permitted for classification of interest and dividends by IAS 7 (see paragraphs 33A and 34A–34D of IAS 7).</p> <p>A50. The Exposure Draft also proposed that an entity shall present cash flows in respect of its investments in integral associates and joint ventures separately from cash flows in respect of its investments in non-integral associates and joint ventures (see paragraph 38A of IAS 7).</p> <p>A51. Paragraphs BC185–BC208 of the Basis for Conclusions on the Exposure Draft describe the IASB’s reasons for the proposals and discusses approaches that were considered but rejected by the IASB.</p>	<p>Classification of interest and dividend cash flows</p> <p>B61. The main concern of those that did not agree was the lack of alignment between the statement of cash flows and the statement of profit or loss, which was also raised as a concern by some fieldwork participants.</p> <p>B62. Some respondents requested a comprehensive review of IAS 7.</p>	<p>Classification of interest and dividend cash flows</p> <p><i>Confirmed proposals</i></p> <p>C77. The IASB tentatively decided to confirm proposals relating to the classification of interest paid and dividend cash flows for entities without a specified main business activity. Accordingly, interest and dividends paid would be classified as financing activities, and interest and dividends received would be classified as investing activities.</p> <p>C78. The IASB tentatively decided to confirm the proposals in the Exposure Draft to require an entity with a specified main business activity to classify some cash flows within a single category of the statement of cash flows (that is, as cash flows from either operating, investing or financing activities). These cash flows are:</p> <p>(a) dividends received (other than dividends received from associates and joint ventures accounted for using the equity method);</p> <p>(b) interest paid; and</p> <p>(c) interest received.</p> <p><i>Changes to the proposals</i></p> <p>C79. The IASB tentatively decided to withdraw the proposed paragraph 38A of IAS 7 in the Exposure Draft. As a result, an entity would be required to classify in a single category, dividends received from associates and joint ventures accounted for using the equity method, applying the requirements applicable to the entity for other dividends received.</p>

Other topics (Exposure Draft question 14)		
Summary of proposals	Summary of feedback	IASB tentative decisions in response to the feedback
<p>Other Comprehensive Income</p> <p>A52. The Exposure Draft proposed that an entity should present comprehensive income in the following categories:</p> <ul style="list-style-type: none"> (a) remeasurements permanently reported outside profit or loss; and (b) income and expenses to be included in profit or loss in the future when specific conditions are met (see paragraph 74 of the Exposure Draft). <p>A53. The Exposure Draft also proposed that an entity shall present line items for:</p> <ul style="list-style-type: none"> (a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method, presenting separately: <ul style="list-style-type: none"> (i) integral associates and joint ventures; (ii) non-integral associates and joint ventures; and (b) other items of other comprehensive income classified by their nature (see paragraph 75 of the Exposure Draft). 	<p>Other Comprehensive Income</p> <p>B63. Some respondents mentioned that the proposed changes would not improve how information about other comprehensive income is communicated. A few respondents suggested a fundamental review of the requirements on other comprehensive income.</p>	<p>Other Comprehensive Income</p> <p><i>Proposals withdrawn</i></p> <p>C80. The IASB tentatively decided to withdraw the proposal to relabel the two categories of comprehensive income as:</p> <ul style="list-style-type: none"> (a) remeasurements permanently reported outside profit or loss; and (b) income and expenses to be included in profit or loss in the future when specific conditions are met. <p>C81. The IASB also tentatively decided to withdraw the proposal to require entities to distinguish between the share of other comprehensive income of integral and non-integral associates and joint ventures (see paragraph C29).</p>
<p>A54. Other proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions on the Exposure Draft, including Appendix) and Illustrative Examples accompanying the Exposure Draft.</p>	<p>B64. Most of the comments that did not respond to a specific question related to additional work respondents would like the IASB to undertake, mostly as separate projects. Respondents also provided feedback the proposed implementation period.</p>	<p>C82. The IASB will discuss the proposed implementation period in this month’s meeting (see Agenda Paper 21B of this meeting).</p>

Appendix B—Summary of issues discussed at meetings with IFRS Foundation bodies and consultative groups

B1. The following table lists the topics discussed in each of the 20 meetings held between 2020 and July 2023 after the Exposure Draft was published.¹² Topics discussed in meetings held up to 2019 are listed in Appendix B of [Agenda Paper 21E](#) of the July 2019 IASB meeting.

Table 1: Meetings after the publication of the Exposure Draft (2020–2023)

Discussion points	IFRS Foundation body or consultative group	Meeting date
<i>Subtotals and categories</i>		
Classification of income and expenses from foreign exchange differences and derivatives	Joint GPF and CMAC	October 2020
Classification of income and expenses in the financing category	CMAC	October 2022
	GPF	November 2022
Entities with financing as a main business activity	GPF	November 2022
<i>Management Performance Measures</i>		
Scope of proposals for MPMs	Joint GPF and CMAC	October 2020
Aspects of disclosure requirements for management performance measures	CMAC	October 2022
	GPF	November 2022
<i>Disaggregation and aggregation</i>		
Disclosure of operating expenses by nature in the notes if the entity reports operating expenses by function in the statement of profit or loss	CMAC	March 2022
	ASAF	March 2022
	Joint GPF and CMAC	June 2022
	ASAF	July 2022
	CMAC	October 2022
	GPF	November 2022
Unusual income and expenses	CMAC	March 2022
	ASAF	July 2022

¹² The IASB and staff participated in the World Standard-setters Conference in 2016, 2018, 2019 and 2022 to give the participants an overview of the Primary Financial Statements project.

Discussion points	IFRS Foundation body or consultative group	Meeting date
	CMAC	October 2022
	GPF	November 2022
<i>Other topics</i>		
Feedback for the proposals in the Exposure Draft	GPF	March 2020
	CMAC	March 2020
	ASAF	April 2020
	EEG	May 2020
Planning for redeliberations	ASAF	March 2021
Update on redeliberations	ASAF	October 2021
	GPF	November 2021
	ASAF	March 2022
Timing of targeted outreach	ASAF	July 2022
Transition and effective date	GPF	March 2023
	CMAC	March 2023
	ASAF	March 2023
	EEG	May 2023
Expected benefits and costs (effects analysis)	GPF	March 2023
	CMAC	March 2023
	ASAF	March 2023
	EEG	May 2023
Illustrative Examples	Joint GPF and CMAC	June 2023
	ASAF	July 2023

IASB® Meeting

Date	July 2023
Project	Primary Financial Statements
Topic	Due process requirements
Contacts	Methma Rupasinghe (methma.rupasinghe@ifrs.org) Roanne Hasegawa (rhasegawa@ifrs.org) Aida Vatrenjak (avatrenjak@ifrs.org)

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*.

Introduction and purpose

1. This paper:
 - (a) sets out the steps in the [IFRS Foundation Due Process Handbook](#) (Due Process Handbook) that the IASB has taken in developing IFRS X *General Presentation and Disclosures* (IFRS X) and asks the IASB to confirm that it is satisfied that all the mandatory due process steps have been taken;
 - (b) requests permission for the staff to begin the balloting process for IFRS X; and
 - (c) asks whether any IASB member intends to dissent from the publication of IFRS X.
2. This paper should be read in conjunction with:
 - (a) Agenda Paper 21A *Consideration of the re-exposure criteria*; and
 - (b) Agenda Paper 21B *Transition and effective date*.

Structure of this paper

3. This paper is structured as follows:
 - (a) summary of the due process steps (paragraphs 4–22):
 - (i) discussions in public meetings (mandatory) (paragraph 7);
 - (ii) due process documents published and comment letters considered in a timely manner (mandatory and optional) (paragraphs 8–9);
 - (iii) consideration of whether the proposals should be re-exposed (mandatory) (paragraph 10);
 - (iv) consultations with IFRS Foundation bodies and consultative groups (mandatory and optional) (paragraphs 11–13);
 - (v) fieldwork and outreach activities (optional) (paragraphs 14–21);
 - (vi) reporting to the Due Process Oversight Committee (DPOC) (paragraph 22);
 - (b) permission to begin the balloting process (paragraphs 23–24);
 - (c) Appendix A—Due process steps; and
 - (d) Appendix B—Summary of meetings with IFRS Foundation bodies and consultative groups

Summary of the due process steps

4. In this section of the paper, we discuss the due process steps undertaken during the Primary Financial Statements project. The *Due Process Handbook* highlights the following minimum safeguards and comply and explain steps to issue an IFRS Accounting Standard. Minimum safeguards will be referred to as ‘mandatory’ steps and comply and explain steps will be referred to as ‘optional’ steps in this Agenda Paper.

Minimum safeguards

3.43 The Board and the Interpretations Committee are required to follow some steps before they can issue an IFRS Standard or an IFRIC Interpretation. These steps are designed to be the minimum safeguards to ensure the integrity of the standard-setting.

3.44 The due process steps that are mandatory include:

- (a) debating any proposals in one or more public meetings;
- (b) exposing for public comment a draft of any proposed new IFRS Standard, proposed amendment to a Standard or proposed IFRIC Interpretation—with minimum comment periods;
- (c) considering in a timely manner comment letters received on the proposals;
- (d) considering whether the proposals should be exposed again;
- (e) consulting the Accounting Standards Advisory Forum (ASAF) and the IFRS Advisory Council (Advisory Council) on the work plan, major projects, project proposals and work priorities; and
- (f) deciding in a public Board meeting whether to ratify an interpretation.

‘Comply or explain’ steps

3.45 Other steps specified in the Constitution are not mandatory.

They include:

- (a) publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed;
- (b) establishing consultative groups or other types of specialist advisory groups for major projects;
- (c) holding public hearings; and
- (d) undertaking fieldwork.

3.46 If the Board decides not to undertake those non-mandatory steps, it informs the DPOC of its decision and reasons for not undertaking the steps.

5. Paragraph 2.9 of the *Due Process Handbook* states that the DPOC operates throughout the development of an IFRS Accounting Standard and that this is achieved through periodic reporting by, and dialogue with, representatives of the IASB and IFRS Foundation staff.
6. The following paragraphs indicate how the IASB has met these due process requirements for the Primary Financial Statements project. This section should be considered in conjunction with Appendix A of this paper, which provides a detailed account of the due process steps undertaken since the inception of the project¹.

Discussions in public meetings (mandatory)

7. Throughout the life of the project, all of the proposals have been discussed by the IASB in public meetings (see paragraph 3.44(a) of the *Due Process Handbook*). All staff papers have been posted, meetings recorded and the decisions documented in the relevant section of the project's [website](#).

Due process documents published and comment letters considered in a timely manner (mandatory and optional)

8. Paragraph 3.45 of the *Due Process Handbook* requires the IASB to consider whether to publish a discussion document before an Exposure Draft is developed for major projects. In May 2019 (see [Agenda Paper 21A](#)), the IASB decided not to publish a

¹ The due process steps taken in the development of the Exposure Draft for this project is summarised in the [Agenda Paper 21E](#) in July 2019.

discussion document because it had sufficient information and understood the problem and potential solution well enough to proceed to an Exposure Draft.

9. The following table summarises the document published for public comment, the comment period and the date on which the IASB considered the comment letters received.

Date issued	Name of the document	End of comment period	Comment letters	IASB votes and dissents	Comment letter summary considered
December 2019	Exposure Draft <i>General Presentation and Disclosures</i>	30 September 2020 Comment period: 288 days ²	216 ³	Approved: 14 of 14 Dissents: 0	December 2020 (Agenda Papers 21A–21H) and January 2021 (Agenda Papers 21B–21E)

Consideration of whether the proposals should be re-exposed (mandatory)

10. The re-exposure criteria set out in paragraphs 6.25–6.29 in the *Due Process Handbook* have been considered in Agenda Paper 21A of this meeting. In Agenda Paper 21A, we recommend that the IASB finalise IFRS X without re-exposure for another round of public comment because there are no substantive changes on which the respondents

² The original comment period of 196 days was revised due to the Covid-19 pandemic.

³ Of the 216 comment letters one comment letter was received in February 2021 after the designated comment period ended and therefore was not included in the Agenda Papers discussed by the IASB in December 2020 and January 2021.

have not had the opportunity to comment and, thus, it is unlikely that re-exposure will reveal any new information or concerns.

Consultations with IFRS Foundation bodies and consultative groups (mandatory and optional)

11. As required by paragraph 4.6 of the *Due Process Handbook*, we consulted with ASAF in July 2018 and the IFRS Advisory Council in September 2018 on moving the project from a research to the standard-setting phase (see [Agenda Paper 21E](#) of the September 2018 IASB meeting).
12. In September 2018, the IASB considered whether to establish a dedicated consultative group for the Primary Financial Statements project as required by paragraph 3.60 of the *Due Process Handbook* (see paragraphs 30–33 of [Agenda Paper 21E](#) of September 2018). The IASB decided not to establish a dedicated consultative group because:
 - (a) the project does not require detailed specialist knowledge; and
 - (b) the IASB’s existing consultative groups have the necessary practical experience and expertise on financial statement presentation to advise on this project.
13. In total, IASB members and the staff held 56 meetings with the Accounting Standards Advisory Forum (ASAF), the IFRS Advisory Council and IFRS Foundation consultative groups, up to July 2023 (see Appendix B of this paper and Appendix B of Agenda Paper 21A of this meeting).

Fieldwork and outreach activities (optional)

Fieldwork (optional)

14. In 2020, fieldwork was conducted to understand the impact of the requirements of the Exposure Draft. The methodology for the fieldwork is discussed in [Agenda Paper 21A](#)

of the December 2020 IASB meeting. 50 participants from Europe, Asia, North America and Latin America participated.

15. The staff conducted fieldwork to provide the IASB with evidence about:
 - (a) how entities would interpret the requirements proposed in the Exposure Draft;
 - (b) aspects of the Exposure Draft which may be unclear; and
 - (c) the extent of process or system changes that may be required to apply the requirements proposed in the Exposure Draft.
16. In addition to participation in our fieldwork, participants from the European Union were asked to complete a questionnaire and participate in workshops conducted by European Financial Reporting Advisory Group (EFRAG) to discuss the results of our fieldwork.
17. Fieldwork results were discussed by the IASB in December 2020 (see [Agenda Paper 21B](#), [Agenda Paper 21C](#), [Agenda Paper 21D](#), [Agenda Paper 21E](#), [Agenda Paper 21F](#), [Agenda Paper 21G](#), and [Agenda Paper 21H](#)) and January 2021 (see [Agenda Paper 21B](#) and [Agenda Paper 21C](#)).

Outreach (optional)

18. IASB members and staff participated in 117 outreach meetings between February 2016 and June 2019 (see paragraph 14 of [Agenda Paper 21E](#) of the July 2019 IASB meeting) to establish the goals of the project and gather early feedback for the proposals to be published in the Exposure Draft.
19. IASB members and staff conducted extensive outreach during the consultation period on the Exposure Draft. Overall, in the period between January 2020 and October 2020, IASB members and staff participated in 139 events with stakeholders from over 20 jurisdictions (see paragraphs 18–19 of [Agenda Paper 21A](#) of the December 2020 IASB meeting). This feedback was discussed by the IASB in December 2020 (see

[Agenda Paper 21B](#), [Agenda Paper 21C](#), [Agenda Paper 21D](#), [Agenda Paper 21E](#), [Agenda Paper 21F](#), [Agenda Paper 21G](#), and [Agenda Paper 21H](#)) and January 2021 (see [Agenda Paper 21B](#), [Agenda Paper 21C](#), [Agenda Paper 21D](#) and [Agenda Paper 21E](#)).

20. During the redeliberations from March 2021 to July 2023, IASB members and staff conducted limited outreach on specific topics. The topics discussed in these limited outreach activities were⁴:
- (a) disclosure of operating expenses by nature (see [Agenda Paper 21A](#) of the April 2022 IASB meeting);
 - (b) classification of income and expenses from associates and joint ventures accounted for using the equity method (see [Agenda Paper 21D](#) of the May 2022 IASB meeting, [Agenda Paper 21B](#) of the September 2022 IASB meeting and [Agenda Paper 21A](#) of the May 2023 IASB meeting);
 - (c) disclosure of the tax effect and the effect on non-controlling interests for each reconciling item in the management performance measure reconciliation (see [Agenda Paper 21A](#) of the May 2022 IASB meeting);
 - (d) definition of unusual income and expenses (see [Agenda Paper 21B](#) of the May 2022 IASB meeting);
 - (e) classification of interest expense on lease liabilities for entities that sublease assets as an intermediate lessor (see [Agenda Paper 21F](#) of the March 2023 IASB meeting); and
 - (f) the transition period and effective date (see [Agenda Paper 21B](#) of this meeting).
21. Between October 2022 and December 2022, IASB members and staff conducted outreach on a targeted selection of the IASB's tentative decisions to assess whether

⁴ The Agenda Papers mentioned contains the limited outreach feedback on these topics and are not all the Agenda Papers discussed related to these topics.

those decisions will function as intended and achieve the intended balance of costs and benefits. 36 targeted outreach meetings were held including one jurisdiction that provided written feedback only. Feedback from these targeted outreach meetings was discussed by the IASB in January 2023 (see [Agenda Paper 21A](#)).

Reporting to the Due Process Oversight Committee (DPOC)

22. In accordance with paragraph 2.9 of the *Due Process Handbook*, the DPOC has been regularly informed of the progress of the project since October 2014⁵. The DPOC will also conduct a due process lifecycle review of the development of IFRS X in H2 2023.

Permission to begin the balloting process

23. At this meeting, the IASB will complete the redeliberations needed to finalise IFRS X, including discussion of transition and effective date (see Agenda Paper 21B of this meeting). As discussed in paragraphs 7–21, we think that:
- (a) all of the required steps in the *Due Process Handbook* have been complied with. Also, the IASB has complied with applicable optional due process steps set out in the *Due Process Handbook* or explained if not; and
 - (b) the proposed requirements in IFRS X *General Presentation and Disclosures* are sufficiently developed in response to the feedback and therefore, the staff can proceed to begin the balloting process.
24. Accordingly, we are asking for permission to begin the balloting process. As usual, we will consider the need for future IASB discussion of sweep issues that may arise during the balloting process.

⁵ The project was added to the IASB's research agenda in July 2014 (it was originally called the Performance Reporting project) (see [Agenda Paper 3B](#) of the October 2014 DPOC meeting). DPOC agendas, staff papers and recordings are documented on the [website](#).

Questions for the IASB

1. Is the IASB satisfied that all the mandatory due process steps have been met in this project?
2. Does the IASB grant the staff permission to begin the balloting process for IFRS X?
3. Do any IASB members intend, at this time, to dissent from IFRS X?
If so, on what grounds?

Appendix A—Due process steps

A1. This table shows how the IASB has complied to date with the due process steps required to finalise IFRS X in accordance with the *Due Process Handbook*.

Due Process Handbook	Step	Required/Optional	Actions
Consideration of information gathered during consultation			
3.68	The IASB posts all comment letters received in relation to the Exposure Draft on the project page	Required if request issued	The Exposure Draft attracted 216 comment letters. All comment letters received and relevant statistics were posted on the website . The staff’s overall comment letter summary (see Agenda Paper 21A of the December 2020 of the IASB meeting) and comment letter summaries by topic are available in the relevant section of the project’s website .
3.2–3.13	IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions	Required	<p>IASB meetings</p> <p>The IASB discussed 147⁶ agenda papers at 50 IASB meetings between June 2015 and June 2023. All staff papers are posted, meetings were recorded and the decisions documented in the relevant section of the project pages of the IFRS Foundation website.</p> <p>In addition, there is also an IASB podcast that summarises the key points of IASB meetings where there were substantial or important discussions on IFRS X, and places those discussions in context.</p> <p>The DPOC has been regularly updated regarding the IASB’s progress with IFRS X. This has included updates at public DPOC meetings and as applicable in the monthly report on due process matters submitted by the staff to the DPOC.</p> <p>Project website</p> <p>The project website contains up-to-date information on the project.</p> <p>In addition to the posting of agenda papers, the ‘Current stage’ section of the website includes regularly updated material as follows:</p>

⁶ 72 agenda papers were discussed by the IASB from June 2015 to November 2019 which was prior to issuing the Exposure Draft. 75 agenda papers were discussed by the IASB from December 2020 to June 2023 which was after the Exposure Draft was issued (The agenda papers are available on the [website](#)).

Due Process Handbook	Step	Required/Optional	Actions
			<ul style="list-style-type: none"> • <i>Project update</i>: A high level summary of progress of the project, describing the main IASB proposals. • Project news about updated materials and upcoming meetings. <p>Throughout the life of the project, there were no agenda papers which were distributed less than five working days before they were scheduled for discussion in the IASB meetings.</p>
3.44(e)	Consultation with the IFRS Advisory Council and ASAF	Required	<p>IASB members discussed the project with the IFRS Advisory Council in six meetings, including as part of the regular update to them on IASB activities (see Appendix B of this paper).</p> <p>IASB members and staff provided project updates to and discussed project proposals with ASAF members in 16 meetings (see Appendix B of this paper and Appendix B of Agenda Paper 21A of this meeting).</p>
3.59–3.66	Consultative groups used, if formed	Optional	<p>The IASB decided not to establish a consultative group for the primary financial statements project (see Agenda Paper 21E of September 2018). The DPOC was informed of this decision in September 2018.</p> <p>IASB members and staff provided project updates and discussed project proposals with the Capital Market Advisory Committee (CMAC), Emerging Economies Group (EEG) and Global Preparers Forum (GPF) in 27 meetings (see Appendix B of this paper and Appendix B of Agenda Paper 21A of this meeting)</p>
3.76–3.81	Analysis of likely effects of forthcoming Standard or major amendment, for example, costs or on-going	Required	<p>Information relating to the potential costs and benefits of IFRS X was included in the Exposure Draft, including questions for stakeholders to provide comments (see question 14 of the Exposure Draft).</p> <p>The IASB and the staff have also met with stakeholders, including ASAF, GPF, CMAC and EEG members, to understand the effect of the proposals, including the cost of implementing the proposals, as well as the benefits from improved financial reporting.</p> <p>The IASB will publish the Effects Analysis when IFRS X is issued. The IASB will review this Effects Analysis as part of the balloting process.</p>

Due Process Handbook	Step	Required/Optional	Actions
	associated costs		
3.69, 3.75	Outreach meetings to promote debate and hear views on proposals that are published for public comments	Optional	<p>IASB members and staff participated in:</p> <ul style="list-style-type: none"> • 117 outreach meetings between February 2016 and June 2019 prior to issuing the Exposure Draft (see Agenda Paper 21E of the July 2019 IASB meeting); • 139 outreach events between January 2020 and October 2020 to understand the issues raised in comment letters on the Exposure Draft (see Agenda Paper 21A of the December 2020 IASB meeting); • limited outreach on specific topics (see paragraph 20); and • 36 targeted outreach meetings between October 2022 and December 2022 to assess whether selected tentative decisions will function as intended and achieve the intended balance of costs and benefits (see Agenda Paper 21A of the January 2023 IASB meeting). <p>Participants in these outreach meetings included individuals and groups of preparers, users of financial statements, auditors and regulators across all regions and a variety of industries.</p>
N/A	Email alerts are issued to registered recipients	Optional	<p>An email alert is sent out before every IASB meeting or representative group meeting.</p> <p>As of June 2023, approximately 57,000 users are following “all” categories on the website and 18,000 follow “accounting standards development”.</p>
3.70–3.74	Fieldwork	Optional	<p>In 2020, fieldwork was conducted to understand the impact of the requirements of the Exposure Draft. 50 participants from Europe, Asia, North America and Latin America participated (see Agenda Paper 21A of the December 2020 IASB meeting).</p>

Due Process Handbook	Step	Required/Optional	Actions
Finalisation			
2.12	Due process steps are reviewed by the IASB	Required	<p>This table provides an overview of the due process steps followed and will be reviewed by the IASB at this meeting.</p> <p>This paper will also be presented to the DPOC in H2 2023 as part of its lifecycle review of the due process for the project.</p>
6.25–6.29	Need for re-exposure of a Standard is considered	Required	<p>The IASB will consider if there is a need to re-expose any of its proposals at its July 2023 meeting (see Agenda Paper 21A of this meeting). In Agenda Paper 21A of this meeting we are recommending that the IASB does not re-expose the IFRS X for another round of public comment because there are no substantive changes on which the respondents have not had the opportunity to comment and, thus it is unlikely that re-exposure will reveal any new information or concerns.</p> <p>The DPOC will have the opportunity to discuss the IASB’s decision on re-exposure with the IASB leadership as part of its lifecycle review.</p>
6.35–6.36	The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least 18 months	Required	<p>The IASB will consider transition requirements and the effective date of IFRS X and whether amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> are required at this month’s IASB meeting (see Agenda Paper 21B of this meeting). We recommend an effective date of 1 January 2026/2027 for IFRS X which will be at least 18 months after the issue of IFRS X.</p>

Due Process Handbook	Step	Required/ Optional	Actions
Drafting			
3.28, 3.31–3.33	Drafting quality assurance steps are adequate	Required	<p>This step will be completed toward the end of the project.</p> <p>The Translation team, Editorial team and the Taxonomy team have been involved in the review process. We intend to send a draft of IFRS X to external parties for review before finalisation. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments.</p> <p>The development of the IFRS Accounting Taxonomy for IFRS X is in progress and will be available soon after the publication of IFRS X. The Taxonomy team have consulted with the IFRS Taxonomy Consultative Group on the progress of the development of the IFRS Accounting Taxonomy for IFRS X on seven occasions from 2016 to 2023 (see Appendix B of this paper).</p>
Publication			
6.37	Press release to announce final Standard	Required	This step will be completed toward the end of the project.
6.38	A Feedback Statement is provided which provides high level executive summaries of the Standard and explains how the IASB has responded	Required	This step will be completed toward the end of the project.

Due Process Handbook	Step	Required/Optional	Actions
	to the comments received		
6.38	Podcast to provide interested parties with high level updates or other useful information about the Standard	Optional	Podcasts on educating the stakeholders about IFRS X will be issued toward the end of the project.
N/A	Standard is published	Required	This step will be completed toward the end of the project.

Appendix B—Summary of meetings with IFRS Foundation bodies and consultative groups

B1. This table shows the number of meetings IASB members, and the staff participated in with the Accounting Standards Advisory Forum (ASAF), the IFRS Advisory Council and consultative groups up to July 2023. The list of topics discussed in these meetings is included in Appendix B of Agenda Paper 21A of this meeting.

Description	Number of meetings held prior to publication of the Exposure Draft	Number of meetings held post publication of the Exposure Draft	Total
Accounting Standards Advisory Forum (ASAF)	9	7	16
IFRS Advisory Council ⁷	2	4	6
Capital Market Advisory Committee (CMAC) ⁸	6	4	10
Emerging Economies Group	1	2	3
Global Preparers Forum (GPF) ⁹	3	4	7
IFRS Taxonomy Consultative Group	3	4	7
Joint GPF and CMAC meetings	4	3	7
Total	28	28	56

⁷ IASB members and staff met with the IFRS Advisory Council in [October 2016](#), [September 2018](#), [March 2019](#), [May 2021](#), [April 2022](#) and [April 2023](#) to discuss the progress of the project.

⁸ Excluding joint CMAC and GPF meetings.

⁹ Excluding joint CMAC and GPF meetings.