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#### **FASB | IASB Education Meeting**

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Project Primary Financial Statements

TopicDisaggregation and management-defined performance<br/>measuresContactsAida Vatrenjak (avatrenjak@ifrs.org)

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### **Project overview**





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The Primary Financial Statements Project will improve the quality of financial reporting, including digital reporting, through

Presentation of defined subtotals in statement of profit or loss to improve comparability Disclosures about managementdefined performance measures (MPMs) to provide transparency Enhanced requirements for aggregation and disaggregation to provide useful information



# Disaggregation of operating expenses





Aggregation and disaggregation requirements

General requirements	Roles of the primary financial statements and the notes	Principles for aggregation and disaggregation	
	Requirements for line items, including goodwill in the statement of financial position	Aggregating items and using meaningful labels	
Specific requirements	Disclosure of specified expenses by nature	Present operating expenses by nature or by function (mixed presentation permitted)	



Disclosure of specified expenses by nature

## Disclose the amounts included in each line item in the statement of profit or loss for

Depreciation Amortisation	Employee benefits	Specified impairments	Write-down of inventories
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Amount disclosed are not required to be expense amounts — qualitative explanation required if part of the amount disclosed has been included in the carrying amount of assets

### Example of specified expenses by nature note

(in currency units)	20X2	20X1	This table shows the amount of
Cost of goods sold	23,710	21,990	depreciation, amortisation, employee
Research and development expenses	2,518	2,596	benefits, impairment losses and write-down
General and administrative expenses	4,975	4,975	of inventories included in each line item in
Total depreciation	31,203	29,561	the statement of profit or loss.
Research and development expenses	13,842	12,693	Each amount disclosed for depreciation and
Total amortisation	13,842	12,693	employee benefits includes both amounts
Cost of goods sold	61,646	57,174	that have been recognised as an
Selling expenses	7,514	7,111	expense in the reporting period and
Research and development expenses	6,547	6,750	amounts that have been included in the carrying amount of inventory and property,
General and administrative expenses	5,421	5,824	plant and equipment.
Total employee benefits	81,128	76,859	presses e desta series s
Research and development expenses	1,600	1,500	
Goodwill impairment loss	4,500	-	
Total impairment loss	6,100	1,500	
Cost of goods sold	2,775	2,625	
Other operating expenses	-	4,900	
Total write-down of inventories	2,775	7,525	



# Management-defined performance measures





### What are management-defined performance measures?

Performance measures					
Financial performance measures			Non-financial performance		
Subtotals of income & expenses		Other measures that are not	measures		
<ul> <li>MPMs</li> <li>Adjusted profit or loss</li> <li>Adjusted operating profit</li> <li>Adjusted EBITDA</li> </ul>	<ul> <li>IFRS-Specified</li> <li>Operating profit</li> <li>Operating profit before depreciation amortisation and specified impairments</li> </ul>	that are not subtotals of income and expenses • Free cash flow • Return on equity • Net debt	<ul> <li>Number of subscribers</li> <li>Customer satisfaction score</li> <li>Store surface</li> </ul>		



Definition of management-defined performance measures

Subtotals of income and expenses not specified by IFRS Accounting Standards

Used in public communications outside financial statements

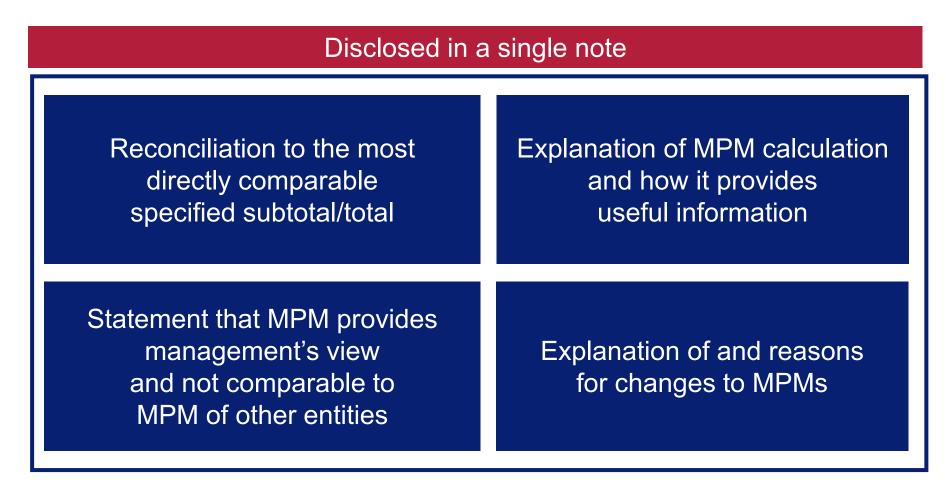
Communicate management's view of an aspect of an entity's financial performance

Presumed that a subtotal used in public communications represents management's view of an aspect of an entity's financial performance.

The presumption can be rebutted with reasonable and supportable information.



Disclosures for management-defined performance measures





### What might a reconciliation look like?

Operating profit (IFRS-specified)	41,270	Тах	NCI		
Restructuring in Country X (incl. in employee benefits)	5,400	(900)	1,020		
Revenue adjustment (incl. in revenue)	6,200	(1,550)	-		
Adjusted operating profit (MPM)	52,870				
<ul> <li>Most directly comparable subtotal/total specified by IFRS Accounting Standards:</li> <li>operating profit, profit before financing and income tax</li> <li>gross profit (and subtotals similar to gross profit)</li> <li>profit before tax, profit from continuing operations, profit or loss</li> <li>total other comprehensive income, comprehensive income</li> <li>operating profit before depreciation, amortisation and specified impairments</li> <li>operating profit and income and expense from investments accounted for using the equity method</li> <li>operating profit and income and expenses in the investing category (specific entities only)</li> </ul>					



Calculating the income tax effects – three possible methods

Using the statutory tax rate(s) applicable to the underlying transaction(s) in the relevant jurisdiction(s)

Based on a reasonable pro rata allocation of the entity's current and deferred tax in the relevant jurisdiction(s) By another method that achieves a more appropriate allocation in the circumstances

Disclose how income tax effects are calculated — required for each reconciling item if more than one method is used.



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