

Primary Financial Statements project Exposure Draft *General Presentation and Disclosures*

10 February 2020
Introducing the Exposure Draft

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Housekeeping

The views expressed are those of the presenters, not necessarily those of the International Accounting Standard Board (Board) or the IFRS Foundation.

The Exposure Draft, its accompanying documents and the slides used in this presentation are available for download on the Primary Financial Statements project webpage at www.ifrs.org/projects/work-plan/primary-financial-statements.

To ask a question, type it into the designated text box on your screen and click 'submit'. You can submit questions at any time during the presentation. We'll try to answer them at the end of the presentation.

Primary Financial Statements project



objective

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

2015

Agenda Consultation identified the project as a priority

2016-2019

Board discussions to develop Exposure Draft

Q4 2019

Exposure Draft published for public comment

H1 2020

Comment period (ends 30 June)

H2 2020

Board starts redeliberations

Project responds to investor needs

What investors say

Board's main proposals



Subtotals in the statement of profit or loss need to be comparable between different companies.

1 Require companies to present additional **defined subtotals** in the statement of profit or loss.



Companies should provide more granular information and information grouped in a way that provides better inputs for our analysis.

2 Strengthen requirements for **disaggregating information**.



Performance measures defined by management can provide useful information, but should be used in a more transparent and disciplined way.

3 Require companies to disclose information about **management performance measures** in the notes.

1 Subtotals in the statement of profit or loss

Revenue	347,000
Other income	3,800
Changes in inventories of finished goods and work in progress	3,000
Raw materials used	(146,000)
Employee benefits	(107,000)
Depreciation	(37,000)
Amortisation	(12,500)
Professional fees and other expenses	(10,030)
Operating profit	41,270
Share of profit or loss of integral associates and joint ventures	(600)
Operating profit and income and expenses from integral associates and joint ventures	40,670
Share of profit or loss of non-integral associates and joint ventures	3,380
Dividend income	3,550
Profit before financing and income tax	47,600
Expenses from financing activities	(3,800)
Unwinding of discount on pension liabilities and provisions	(3,000)
Profit before tax	40,800
Income tax	(7,200)
Profit for the year	33,600

Operating

Integral associates and joint ventures

Investing

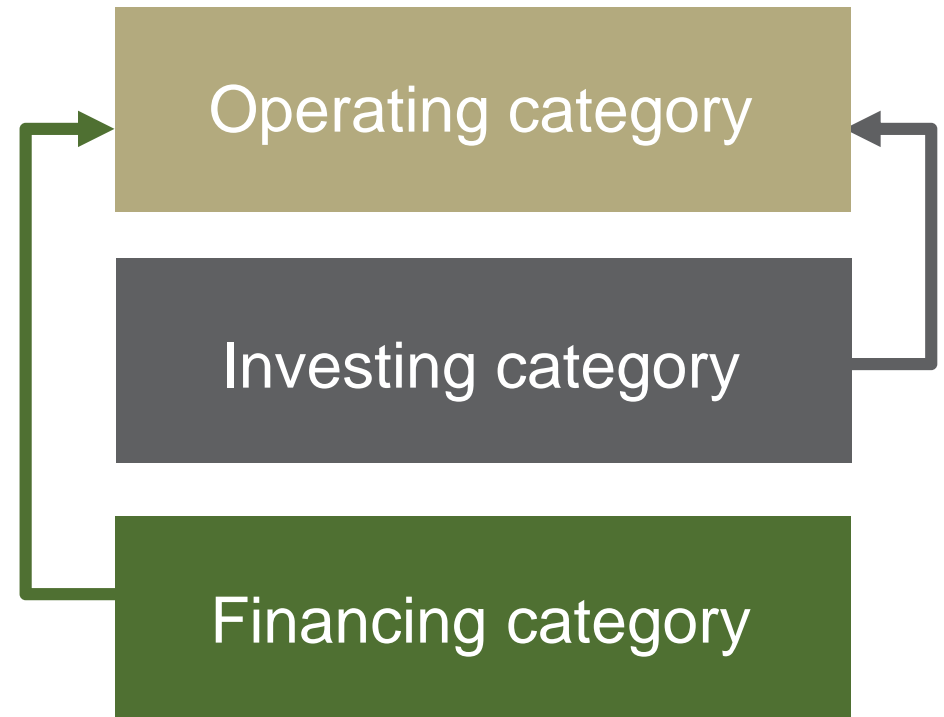
Financing

1 Application to financial entities

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



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



2 Disaggregation

Roles of the primary financial statements and the notes

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

Principle for aggregation and disaggregation

- Principles for aggregation and disaggregation of information
- Three-step guidance to apply the principles

Required line items

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

Analysis of operating expenses

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

2 Unusual income and expenses

Definition



Income and expenses with **limited predictive value**.

Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.

Income and expenses from the recurring remeasurement of items measured at a current value would not normally be classified as unusual.

Disclosures

Amount & narrative description

Amount disaggregated by:

- line items presented in statement of profit or loss; and
- line items disclosed in analysis of operating expenses by nature, if the entity analyses expenses by function in the statement of profit or loss

3 Management performance measures (MPMs)

Definition



Subtotals of income and expenses that:

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

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

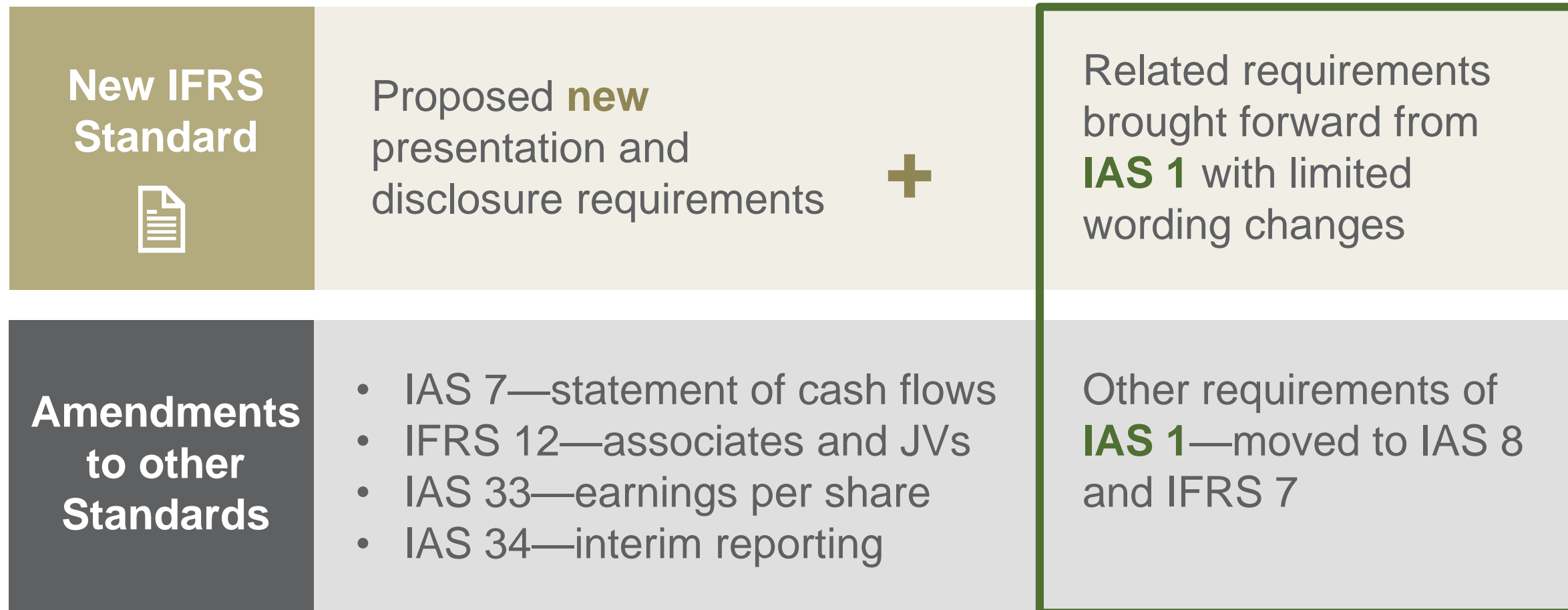
Disclosures

Amount & narrative description

Including:

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

Structure of the Exposure Draft



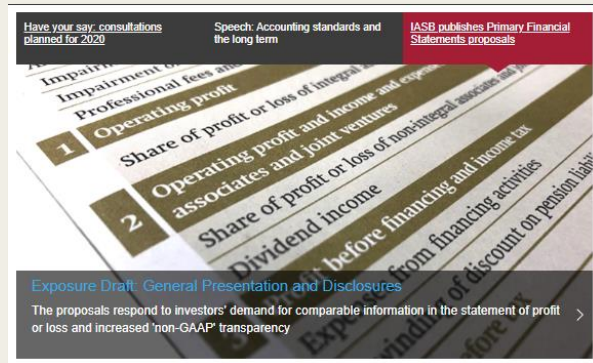
➔ **Withdraw IAS 1** 



- [Exposure Draft](#)
 - [Basis for Conclusions](#)
 - [Illustrative Examples](#)
- and a comparison of proposals with requirements of IAS 1



[Snapshot](#)



[Press release](#)



[Video](#) of Hans introducing the proposals

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