

Comment Letter on the ED/2019/7 *General Presentation and Disclosures*

Comment Letters

European Financial Reporting Advisory Group

35 Square de Meeüs

Brussels B-1000

Belgium

Madrid, 28<sup>th</sup> September 2020

Dear Madam/Sir,

In the present letter ICAC gives its view on EFRAG's position presented in your draft comment letter on IASB's Exposure Draft ED/2019/7 *General Presentation and Disclosures*.

ICAC welcomes the IASB's initiative to improve the communication of financial information in the interest of increasing the comparability and understandability of such information for the benefit of the users.

ICAC supports the EFRAG's responses to the questions raised in the ED and acknowledges the effort made by the EFRAG to address this project. We would also like to make some observations.

Firstly, we support the general proposals which will provide increased structure to the statement of profit or loss, as this will significantly reduce diversity of practice. We note however, that the disaggregation of income and expenses into the various categories is more useful for non-financial entities. For entities, such as banks, whose main business activities include to provide financing to customers and to make investments, the proposal has considerably less impact as financing and

C/ HUERTAS, 26  
28014 MADRID  
TEL.: 91 389 56 00  
FAX: 91 429 94 86



investing categories are expected to collapse into the operating category. To tackle this concern, we encourage the IASB to develop more specific sub-totals for entities that provide financing to customers. In fact, we deem very relevant the requirement to provide adequate subtotals for all entities that apply IFRS.

In particular, looking at the supervisory financial reporting, we observe that it seems feasible to introduce subtotals in the profit or loss statement also for entities that provide financing to customers as their most relevant activity. On the one hand, we deem relevant to ask for the “net interest income” (difference between interest income and expenses). On the other hand, we also consider relevant to define a “gross income” including net interest income, dividend income, fees and commissions’ income and expenses, as well as gains and losses from financial instruments excluding loan loss provisions. This subtotal would give a comparable picture of the results of the different core financial activities (loans, trading, other financial services provided) ensuring a certain level of comparability in the sector and emphasize the main and most relevant numbers for assessing the performance of a financial entity.

Regarding cash and cash equivalents we agree with their income and expenses can be classified in investments categories if the investing category is considered as a measure of the management of assets and an entity uses assets in this category as part of its investing strategy, instead of as part of managing debt and equity financing. In fact, to solve the possible inconsistency with the investing category definition, the ED includes specifically the exception of income and expenses from cash and cash equivalents in paragraph B32(a).

With regard to the effect of the time value of money on liabilities and its potential classification either in operating or financing category, to recognise this expense by nature we describe these items as financial expenses. We reckon that the distinction of this sort of expenses would require a more detailed research about the components of the interest rates and their accounting treatment that could be explored in future projects. In consequence, we consider that it is coherent to place the effect of the time value of money on liabilities within the financing category.

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**icac** Instituto de Contabilidad y  
Auditoría de Cuentas

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC

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28014 MADRID  
TEL.: 91 389 56 00  
FAX: 91 429 94 86

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