

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-User Panel. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## Primary Financial Statements Cover Note

### Objective

- 1 The objective of the session is to:
  - (a) provide EFRAG TEG-User Panel members a brief update on the IASB's redeliberations on the proposals in the Exposure Draft *General Presentation and Disclosures*;
  - (b) discuss with EFRAG TEG-User Panel members a possible way forward for the analysis of operating expenses by nature in the notes when an entity provides analysis of operating expenses by function in the statement of profit or loss.

### Background

- 2 On 17 December 2019, the IASB published the ED [General Presentation and Disclosures](#) where the ultimate objective is to replace IAS 1 *Presentation of Financial Statements* with a new Standard that would comprise new requirements on presentation and disclosures in the financial statements and requirements brought forward from IAS 1 with only limited changes to the wording. In particular, the IASB proposed:
  - (a) requiring companies to present additional defined subtotals/categories in the statement of profit or loss;
  - (b) strengthening requirements for disaggregating information; and
  - (c) requiring companies to disclose information about management performance measures (MPMs) in the notes.
- 3 In November 2020, EFRAG issued its [Final Comment Letter](#) where it welcomed the ED and the IASB's efforts to improve the structure and content of the primary financial statements. It also supported the IASB's proposals to present an operating, investing and financing category in the statement of profit or loss to improve comparability and reduce diversity in practice. However, EFRAG had reservations over some of the proposals in the ED. Also in November 2020, EFRAG published its [feedback statement](#), which summarised the main comments received by EFRAG and explained how those comments were considered by EFRAG.

### Feedback received by EFRAG Board

- 4 On 4 April 2022, the EFRAG FR Board received an update on the IASB's project and provided a number of comment and suggestions to the EFRAG Secretariat, including:

## Primary Financial Statements – Cover Note

- (a) the IASB had not yet discussed changes to its initial proposals for entities with specified business activities, particularly for financial conglomerates.
- (b) Considered that it would be useful to test the key changes proposed by the IASB, including:
  - (i) the IASB's new approach on the classification of items in the financing category;
  - (ii) the classification of hybrid contracts with host liabilities and embedded derivatives;
  - (iii) the new application guidance for unusual items;
  - (iv) a solution for the analysis of expenses by nature in the disclosures when presenting by function;
  - (v) the inclusion in the scope of the requirements for MPMs the numerator or denominator of a ratio, if that numerator or denominator meets the definition of a MPM; and
  - (vi) How the IASB's proposals on the statement of cash flows in the project Primary Financial Statements will interact with a potential project on *IAS 7 Statement of Cash Flows*.

### Questions for EFRAG TEG-User Panel members

- 5 Do EFRAG TEG-User Panel members have any general comments?

### Agenda Papers

- 6 In addition to this cover note, the EFRAG Secretariat has uploaded the agenda paper 04-02 – Update on IASB discussions - Slide presentation.
- 7 Finally, more details on EFRAG's comment letter and the IASB's tentative decisions can be found [here](#).