IASB® meeting

Date	**January 2023**
Project	**Primary Financial Statements**
Topic	**Targeted outreach feedback and next steps**
Contacts	Nick Barlow (nbarlow@ifrs.org) Roanne Hasegawa (rhasegawa@ifrs.org) Aida Vatrenjak (avatrenjak@ifrs.org)

Purpose and structure

1. At its September 2022 meeting the IASB completed redeliberations on the key aspects of the proposals in the Exposure Draft *General Presentation and Disclosures* ('the Exposure Draft'). The IASB sought feedback on selected changes to the proposals in the Exposure Draft related to:

   (a) subtotals in the statement of profit or loss;

   (b) management performance measures;

   (c) disclosure of operating expenses by nature; and

   (d) unusual income and expenses.

2. Members of Accounting Standards Advisory Forum (ASAF) volunteered to organise a series of roundtable discussions jointly with the IASB staff to obtain stakeholder views on specific changes to the Exposure Draft. The IASB and the staff are grateful for the tremendous efforts of each National Standard Setter and their member organisations in organising, managing, and summarising the results of each of the many events. We are also grateful to all of the individual stakeholders who took the time to actively participate in the events sharing their valuable views on all aspects of

the project. Further details on the approach to the targeted outreach including the number of events and the topics discussed are in Appendix A of this paper.

3. This paper:
   (a) analyses the feedback received from the targeted outreach events; and
   (b) sets out the plan for responding to the feedback.

4. This paper is structured as follows:
   (a) Summary of key messages (paragraphs 6–13);
   (b) Detailed feedback (paragraphs 14–66);
   (c) Plan for responding to the feedback (paragraphs 67–89);
   (d) Appendix A – Approach to targeted outreach (including proposals on which feedback was sought);
   (e) Appendix B – Targeted outreach by stakeholder type and region; and
   (f) Appendix C – Feedback for which the staff recommend no further action is required.

5. In the summary of key messages section and in the detailed feedback section the staff have included indications of the extent different stakeholder types held specific views. As a large portion of the outreach meetings included a mix of stakeholder types where it was not always possible to identify the stakeholder group to which a participant belonged the indications are the staff's best estimate and may be less precise than circumstances when individual stakeholders are more easily identified, such as in comment letter feedback.

Summary of key messages

6. Most outreach participants supported the direction of the redeliberations as responding to feedback on the Exposure Draft. Many said they would like to see the project completed as soon as possible.

7. Most participants said the revised approach to classifying income and expenses in the financing category is clearer and expected to be easier to apply than the approach in the Exposure Draft. However, many also raised specific application questions and said that additional guidance will be important to ensure the approach is well understood and consistently applied.

8. Some participants, mainly preparers, disagreed with classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category in all circumstances. These participants said that in their opinion, in some circumstances, income and expense from associates and joint ventures accounted for using the equity method should be classified in the operating category. However, some users agreed with classifying such income and expenses outside the operating category.

9. Most participants agreed with the revised proposal to disclose the amounts of depreciation, amortisation and employee benefits included in each functional line item of the statement of profit or loss. Most participants said the proposal was a practical compromise between the information needs of users on the nature of operating expenses and the costs to preparers of providing that information. However, some participants, mainly preparers, still had concerns over the costs of implementing the proposal and a few users disagreed because in their view the Exposure Draft proposal to disclose all operating expenses by nature when an entity reports operating expenses by function in the statement of profit or loss provides better information.

10. Some participants agreed with expanding the disclosure of the amounts of operating expenses included in each line item of the statement of profit or loss to include impairments and write-downs of inventory. However, there was very little support to

extending the disclosure requirement to a wider principle that would include all operating expenses disclosed in the notes.

11. Many participants agreed with the proposal to introduce a rebuttable presumption that a subtotal of income or expenses included in an entity's public communications is considered to represent management's view of an aspect of financial performance in the definition of management performance measures. However, many said that application guidance explaining when it would be appropriate to rebut the presumption would be needed to make the proposal operational.

12. Many participants agreed with the simplified tax calculation proposed for the disclosure of the tax effects of items reconciling a management performance measure to the most directly comparable subtotal or total specified in IFRS Accounting Standards. However, some participants challenged the usefulness of the information that would be provided by the simplified calculation and some participants still had concerns that the disclosure may be costly to provide.

13. Most participants agreed with the reasons for which the IASB tentatively decided to withdraw the proposals in the Exposure Draft for unusual income and expenses. However, while some agreed with the decision as responding to stakeholder concerns about the application of the proposed definition, some others were disappointed that a consensus on the definition could not be reached.

Detailed feedback

14. The following section analyses the detailed feedback that gives rise to topics the staff is proposing to include in the redeliberations plan (see Appendix A of Agenda Paper 21 of this meeting for an overview of the topics for future redeliberations). The staff's suggestions for incorporating these topics into the redeliberations plan is included in the next section (see paragraphs 67–89). The detailed feedback in this section is grouped by the following topics:

(a) subtotals and entities with specified main business activities (paragraphs 16–33);

(b) management performance measures (paragraphs 34–46);

(c) disclosure of operating expenses by nature (paragraphs 47–59);

(d) unusual income and expenses (paragraphs 60–62); and

(e) other comments related to future discussions and due process (paragraphs 63–66).

15. The staff do not suggest the IASB redeliberate all issues raised in targeted outreach. We suggest the IASB do not redeliberate issues in Appendix C because they relate to aspects of the proposals which were not related to the targeted outreach topics outlined in paragraph 1 and in the staff's view either (see Appendix C):

(a) repeated feedback received on the Exposure Draft already considered by the IASB in reaching its tentative decisions; or

(b) represent counter arguments to the IASB's tentative decisions which do not significantly outweigh the reasons for which the IASB reached the related conclusions.

Subtotals and entities with specified main business activities

16. The feedback on subtotals and entities with specified main business activities is divided into responses regarding:

(a) the change in approach to classifying income and expenses in the financing category (paragraphs 17–22);

(b) the accounting policy choice for cash and cash equivalents (paragraphs 23–26); and

(c) other comments related to classifying income and expenses (paragraphs 27–33).

Change in approach to classifying income and expenses in the financing category

17. Most participants said that the revised approach to classifying income and expenses in the financing category is clearer and easier to apply than the approach proposed in the Exposure Draft. However, many participants asked questions about whether specific transactions would be considered transactions that involve only the raising of finance.

18. Some of the questions participants asked related to whether the relevant items of income or expenses for a specific liability would be classified in the financing category. Examples of such transactions were:

    (a) overdrafts;

    (b) tax provisions;

    (c) supplier finance arrangements;

    (d) contingent consideration; and

    (e) commodity or crypto currency loans.

19. Some of the questions participants asked related to whether specific transactions would be considered as giving rise to other liabilities (see revised proposals for subtotals in Appendix A paragraphs A9–A11). Some of these participants were concerned the interest expense on these liabilities would always be included in the financing category even if the entity provided financing to customers as a main business activity. Examples of such transactions include:

    (a) convertible bonds and preference shares;

    (b) repurchase agreements; and

    (c) hybrid instruments.

20. Some of the participants that asked these questions said that the staff explanations in the outreach meetings and the staff papers discussed by the IASB in developing the approach to classifying income and expense in the financing category were helpful in

understanding how the approach would be applied. These participants suggested that including additional application guidance in the final Accounting Standard would help to clarify their questions and lead to more consistent application.

21. Some participants raised concerns about classifying interest expenses on lease liabilities in the financing category in all cases:

(a) some participants, mainly financial institutions, said that when an entity provides financing to customers as a main business activity the interest on lease liabilities should be included in the operating category. Many of the financial institutions that held this view said they include interest on all lease liabilities in their operating performance measure regardless of whether they relate to providing financing to customers. One participant raised a concern that classifying income and expenses from loans differently to those from leases could lead to structuring opportunities. However, many participants agreed with including interest on lease liabilities in the financing category, including a few financial institutions for which leasing was not significant.

(b) a few participants said that some entities sublease assets as their main business activity and questioned whether interest on lease liabilities should be included in the operating category when this is the case. One user raised a general concern that interest on lease receivables will be classified in the operating category while interest expenses on lease liabilities will be included in the financing category.

22. A few participants asked how the revised approach would apply to classifying expenses related to off-balance sheet items such as fees for undrawn credit lines or guarantees. These participants said that, in their opinion, the classification of off-balance sheet liabilities should be the same as for equivalent recognised liabilities so that the related expenses would be classified in the same way regardless of the timing of the expense. For example, fees for a drawn credit line would be included in the same category as fees for an undrawn credit line.

Accounting policy choice for cash and cash equivalents

23. Some participants were aware of entities that provide financing to customers that do not invest in financial assets as a main business activity. Some of these participants were concerned with removing the accounting policy choice because, in their view, it was important that entities that provide financing to customers were able to include income and expenses from cash and cash equivalents in the operating category even if they do not invest in financial assets. One participant also said, in their view, retaining the accounting policy choice proposed in the Exposure Draft better reflects the economic reality of how cash is used in the business.

24. Examples of the types of entities participants identified as providing financing to customers but not investing in financial assets were entities that:

    (a) are structured to finance customer purchases;

    (b) provide micro-financing;

    (c) provide payday loans;

    (d) provide financing to customers as one of multiple main-business activities (e.g. the automotive industry); and

    (e) are smaller or specialised financial institutions.

25. A few financial institutions said that, in their view, the accounting policy choice for cash and cash equivalents should be retained because they did not view their business as distinguishing between investing and financing activities and would find the distinction artificial. However, these participants said that they did invest in financial assets as a part of their main business activities.

26. A few participants agreed with removing the accounting policy choice for classifying income and expenses from cash and cash equivalents because they thought it would reduce diversity in practice.

Other comments related to classifying income and expenses

Associates and joint ventures accounted for using the equity method

27. Some participants expressed strongly held views about the classification of income and expenses from associates and joint ventures accounted for using the equity method.

28. Some (mainly preparers and particularly those in Europe, China and Japan) said that in their view some or all income and expenses from such investments should be included in operating profit because the investments typically relate to the entity's main business activities. For example, in some jurisdictions entities are only permitted to operate through associates or joint ventures and in some industries it is common practice to conduct operations through an associate or joint venture.

29. Some of these participants said income and expenses from all associates and joint ventures should be classified in the operating category while others said only income and expenses from associates and joint ventures that are a part of the entity's main business activities should be classified in the operating category. Some insurers said that income and expenses that are directly linked to insurance liabilities should be included in operating profit because they form part of the underwriting result. A few participants disagreed with IASB's tentative decision to withdraw the proposed requirement to separately present income and expenses from integral and non-integral associates and joint ventures.

30. However, some participants (mainly users) said income and expenses from associates and joint ventures accounted for using the equity method should not be included in the operating category because they include a mix of income and expenses from all categories including those of financing and income tax which effect margin analysis. Some of these participants also said that the results of non-controlled entities should not be included in an entity's operating profit.

Classification of foreign exchange differences

31. A few participants said they welcomed the tentative decision to provide an undue cost or effort relief from the requirement to classify income and expenses arising from foreign exchange differences in the same category as the other income and expenses as the asset or liability giving rise to those differences.

32. However, these participants disagreed with classifying such income and expenses in the operating category when the relief is applied because, in their view, this would be inconsistent with these income and expenses being managed centrally in a treasury function. They think that such income and expenses should be classified in the financing category when the relief is applied. One participant said that using the cost relief may result in counterintuitive outcomes for some liabilities for which interest expenses are classified in the financing category, for example the unwinding of the discount on a provision held in a foreign currency.

33. One participant said, in their view, all income and expenses arising from foreign exchange differences should be separately presented in a single line item classified in the operating category.

Management performance measures

34. The feedback on subtotals and entities with specified main business activities is divided into responses regarding:

    (a) the rebuttable presumption (paragraphs 35–38);

    (b) the disclosure of the tax effects of reconciling items (paragraphs 39–43); and

    (c) other comments related to management performance measures (paragraphs 44–46).

Rebuttable presumption

35. Many participants agreed with introducing the rebuttable presumption that a subtotal included in an entity's public communications represents management's view of an aspect of the entity's financial performance. Some preparers said that it would help them prevent duplication of disclosures required by regulators. Some accounting firms and regulators said it would be a useful tool to help challenge an entity's judgement over what is considered to represent management's view (see revised proposals for the rebuttable presumption in Appendix A paragraphs A16–A19).

36. However, many participants also said that application guidance on when it would be appropriate to rebut the presumption would be important for the proposal to work in practice. In particular, some participants said it was unclear whether it would be appropriate to rebut the presumption in cases where an entity included a measure that it was not required to include in its public communications at the request of users which management does not view as its view of an aspect of the entity's financial performance.

37. A few preparers raised concerns about the effectiveness of the rebuttable presumption. These preparers were concerned that it may be challenging to use the rebuttal, even when it may be appropriate to do so, because generally in practice the circumstances in which a rebuttal presumption is rebutted are limited.

38. One participant raised a concern that the rebuttable presumption would not fully address the risk of measures based on local GAAP being included as management performance measures. This participant preferred a specific exemption from such measures being management performance measures.

Disclosure of the tax effects of reconciling items

39. Many participants agreed with the IASB's tentative decision to provide guidance on how to calculate the tax for the purpose of disclosing the tax effects of items reconciling a management performance measure to an IFRS specified total or subtotal.

These participants said providing a simplified approach to the tax calculation was a practical solution that would still provide useful information while reducing the cost of providing that information (see revised proposals for the rebuttable presumption in Appendix A paragraphs A20–A23).

40. However, some of these participants said that the simplified approach may still be costly for some entities, for example when there are many transactions in many jurisdictions. A few of the participants that agreed with the simplified approach also raised the concern that in some circumstances the information may not be useful, for example, when allocations of tax relief will result in no tax paid.

41. Some participants disagreed with the simplified tax calculation because in their view:

(a) the simplified approach does not sufficiently reduce the costs of the disclosures;

(b) the information provided by the simplified approach would be incomplete and could be misleading; and

(c) requiring disclosure of the tax effects, using either a simplified or a more complex approach, is inconsistent with the objective of disclosing management's view of performance.

42. A few participants suggested the IASB develop illustrative examples to demonstrate how the simplified tax approach would work in practice and provide application guidance specifying:

(a) whether the simplified approach would apply to all reconciling items or could be applied only to individual items;

(b) whether there are any restrictions on when the simplified approach could be used; and

(c) what an entity would be required to disclose regarding the tax calculation method used.

43. A few said that providing the information on tax effects of reconciling items in interim financial statements would result in additional costs.

Other comments related to management performance measures

44. Some participants raised concerns over the scope of public communications:

    (a) Some, mainly preparers and accounting firms, said that public communications[1] may still be interpreted widely causing challenges for preparers and auditors to ensure the completeness of the measures disclosed. A few participants suggested reducing the scope to include only measures included in the annual report including the financial statements and the management commentary. However, a few accounting firms and standard setters said that including guidance in the Accounting Standard, or the basis for conclusions, providing examples of the documents that would be considered public communications and stating the expectation that entities will have controls over their public communications would aide auditability.

    (b) a few regulators said they were concerned that the tentative decision to exclude social media posts from public communications created a risk that measures may be published only through such media and not disclosed as management performance measures.

    (c) a few participants said additional guidance to clarify public communications was needed, for example, around the timing of public communications or whether public communications of a subsidiary would be included.

    (d) a few participants were concerned by the number of measures that would be included as management performance measures if industry-based measures were included (for example, specific measures in the oil and gas industry).

[1] The Exposure Draft proposal included no further guidance on what is included in public communications. In response to feedback on the Exposure Draft that the term could be interpreted widely in practice making the proposals costly to apply, the IASB tentatively decided to exclude oral communications, transcripts and social media posts from the public communications (see Agenda Paper 21B of the November 2021 IASB meeting).

45. A few participants said that the proposals in the Exposure Draft are not clear on whether and in what circumstances a management performance measure is permitted to be presented in the statement of profit or loss. A few of these participants requested the IASB include a specific permission for such presentation.

46. A few participants said it was not clear whether a performance measure disclosed applying IFRS 8 *Operating Segments* or a measure related to a specific business unit that is not a reporting segment would meet the definition of a management performance measure and if so, how an entity would be required to reconcile the measure.

Disclosure of operating expenses by nature

47. The feedback on disclosure of operating expenses by nature is divided into responses regarding:

    (a) the disclosure of depreciation, amortisation and employee benefits (paragraphs 48–53);

    (b) the disclosure of additional items (paragraphs 54–56); and

    (c) other comments related to disaggregation (paragraphs 57–59).

Disclosure of depreciation, amortisation and employee benefits

48. Most participants agreed with the IASB's tentative decision to require disclosure of the amounts of depreciation, amortisation and employee benefits included in each functional line item in the statement of profit or loss. These participants said that the proposal was a practical response to the feedback received regarding the costliness of the proposals in the Exposure Draft (see revised proposals for disclosure of operating expenses by nature in Appendix A paragraphs A26–A29).

49. Some preparers that agreed with the tentative decision said that it would be costly to implement, but less so than the original proposal because it was limited to a number

of items and for which there are already some disclosure requirements. A few users that agreed said that the additional information provided would be useful in understanding the non-cash expenses and providing insight into components of functions which were both important for their analysis.

50. Some participants, mainly preparers, said that it was important that the final Accounting Standard is clear that disclosure of costs incurred, rather than expenses recognised in the period, would meet the disclosure requirement. These participants said that disclosing expenses recognised in the period, particularly in relation to cost of sales, would not be possible without prohibitively costly systems changes. A few participants also questioned whether estimations of the amounts would be sufficient to meet the requirement.

51. Some participants disagreed with the IASB's tentative decision. A few users said that the information provided by the revised proposal was significantly less than what would have been provided by the Exposure Draft proposals and therefore did not achieve a better balance of costs and benefits. A few preparers also said that they preferred the proposals in the Exposure Draft because they would be less costly to apply given those entities' existing systems and processes. Some preparers disagreed because, in their view, the information provided by the revised proposals would not be useful and would still be prohibitively costly to provide.

52. Some participants were concerned that limiting the disclosure requirement to depreciation, amortisation and employee benefits would not capture all of the most significant expenses for many entities (for example, energy costs or expenses for outsourced services).

53. A few participants asked for more guidance on the level of disaggregation that would be required. For example, one participant said it may not be clear whether different types of employee benefits would be required to be included in meeting the disclosure requirement, for example share-based payments for employee services in the scope of IFRS 2 *Share-based Payment.*

Disclosure of additional items

54. Some participants said that the disclosure requirement the IASB has tentatively decided for depreciation, amortisation and employee benefits should be extended to include impairments and write-downs of inventory. Some of these participants said disclosing the amounts included in each functional line item of the statement of profit or loss for impairments and inventory write-downs would not be significantly more costly than the revised proposal and a few said that they disclose such information together with information about depreciation and amortisation.

55. Most participants disagreed with requiring disclosure of the amounts included in the statement of profit or loss for all operating expenses disclosed by nature in the notes. Many preparers said that the systems changes required to apply such a disclosure requirement would be prohibitively costly. A few preparers said it may not be prohibitively costly to extend the revised disclosure requirement to a limited number of additional line items if there was evidence that such items provided useful information and the list of items was limited.

56. Some users said they preferred the disclosure of the amounts included in the statement of profit or loss for as many operating expenses as was practically possible. However, many of these users said that they accepted there are cost constraints limiting what would be practical for an entity to provide.

Other comments related to disaggregation

57. Some participants said they agreed with the IASB's tentative decision to permit an entity to present operating expenses by function and by nature when it is appropriate because, in their view, it would result in better information and prevent arbitrary allocations of expenses to line items. However, a few participants disagreed with permitting entities to present line items for operating expenses both by nature and by function because it may be unclear whether an individual line item by nature includes

all of the expenses of that nature or only those that have not been allocated to line items by function and such presentation is prohibited in local GAAP.

58. Some participants raised questions about the level of disaggregation required by the proposals in the Exposure Draft. For example, some participants asked whether an entity would be required to present separate line items in the financing category for expenses arising from transactions solely related to financing and interest on other liabilities. A few participants said separate presentation or disclosure of these line items would be useful information and suggested they be required.

59. A few participants said that withdrawing the requirement that an entity present operating expenses only by function or only by nature combined with the disaggregation requirements made it unclear what line items were permitted and whether any line items were prohibited from being presented in the statement of profit or loss. These participants suggested clarifying through application guidance or illustrative examples.

Unusual income and expenses

60. Most participants said they agree with the IASB's reasons for withdrawing the proposed definition and requirements for unusual income and expenses. However, some said they were disappointed that the IASB could not find a consensus on a definition of unusual income and expenses. Some, mainly users and regulators, said that the disclosure requirements would have provided useful information and that a common definition would have been useful in providing more discipline in the use of the term 'unusual.' These participants said discipline over when the term 'unusual' is used was important because in their view the term is often used to describe items that frequently recur.

61. Some participants, mainly preparers, agreed with the IASB withdrawing the proposals. These participants said that withdrawing the proposals responded to concerns that the proposed definition was subjective and would have been difficult to

apply in practice. They also said that some of the disclosures that would have been provided by the proposals will still be required by the management performance measures requirements.

62. A few participants disagreed with withdrawing the proposals for unusual income and expenses. Instead, they suggested alternatives such as introducing a strict rules-based definition of unusual to avoid abuse of the term or including a specific list of items that are commonly unusual and must be disclosed providing information that users could judge to be unusual or not.

Other comments related to future discussions and due process

63. In one outreach event with users, participants said that in their view the IASB should avoid detailed requirements that can only be applied to the annual financial statements. These participants said that having disclosures in the interim financial statements was important because it provides more timely and therefore more useful information than disclosure in the annual financial statements alone. They prefer simple requirements that can be applied in both interim and annual financial statements.

64. A few participants suggested a longer transition period for the final Accounting Standard resulting from the project. These participants said that entities would need more time to implement the proposals because of concurrent implementation of IFRS Sustainability Disclosure Standards, additional reporting requirements for dual-listed entities and systems changes required to implement some aspects of the proposals. A few of these participants suggested a minimum two-year transition period would be required.

65. A few participants suggested that the IASB's tentative decisions should be re-exposed. These participants said that in their view the proposals are important to the presentation of financial statements and to a wider group of stakeholders than those that participated in the targeted outreach and all stakeholders should have the

opportunity to comment on the changes to the Exposure Draft and the collection of proposals as a whole.

66. A few participants said they were concerned that the big picture of the revised proposals as a whole is not well understood. These participants suggested educational materials to help stakeholders better understand how all of the IASB's tentative decisions on the project will work together as a whole.

Questions for the IASB
1. Does the IASB have any questions or comments on the detailed feedback received in the targeted outreach?

Plan for responding to the feedback

67. In this section the staff set out its plan to incorporate the topics identified in the detailed feedback into the redeliberations plan (see Appendix A of Agenda Paper 21 of this meeting). This section includes an analysis of topics that:

(a) the staff recommend adding to the redeliberations plan:

(i) classifying income and expenses from associates and joint ventures accounted for using the equity method (see paragraphs 69–70);

(ii) whether further application guidance is required for classifying income and expenses from off-balance sheet items (see paragraph 71);

(iii) whether interest expense on lease liabilities should be included in operating profit when subleasing is a main business activity (see paragraph 72);

(iv) whether further application guidance is required for the rebuttable presumption in the definition of management performance measures (see paragraph 73);

(b) were already included in the redeliberations plan and for which the staff will consider the related feedback in the relevant papers (see paragraphs 74–83); and

(c) relate to how some of the IASB's tentative decisions will be drafted in the final Accounting Standard and for which the staff will consider in drafting (see paragraphs 84–8989).

68. As stated in paragraph 15 a detailed list of feedback that the staff recommends not including in the redeliberations plan is included in Appendix C.

Topics the staff recommend adding to the redeliberations plan

69. Classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category was an issue that received significant discussion during the outreach meetings, with stakeholders holding strong views (see paragraphs 28–30). The outreach events were the first opportunity for a wide stakeholder group to comment on the classification of associates and joint ventures accounted for using the equity method since the IASB's tentative decision to withdraw the requirements in the Exposure Daft to define and classify in a separate category income and expenses from integral associates and joint ventures.

70. Given this context and the extent that the subject was raised in the outreach discussions the staff plan to discuss this feedback in a future paper together with:

(a) exploring whether the IASB should permit entities that did not apply the election on initial recognition of an associate or joint venture recognised prior to applying IFRS X to apply paragraph 18 of IAS 28 *Investments in Associates and Joint Ventures* on transition to IFRS X (see Agenda Paper 21B of the September 2022 IASB meeting);

(b) the implications of the tentative decision to withdraw the requirement to separately present integral and non-integral associates and joint ventures and the general requirement to disaggregate material information (see Agenda Paper 21C of this meeting); and

(c) classification of cash flows from associates and joint ventures accounted for using the equity method.

71. The staff acknowledge that there is no specific guidance in the Exposure Draft that would directly answer participant's question on classifying income and expenses related to off-balance sheet items (see paragraph 22). As a result, such income and expenses would be classified in the operating category. The staff agree that the IASB should discuss whether this is an appropriate outcome or whether additional guidance might be provided. The staff plan to include this topic in a future paper discussing outstanding issues related to the classification of income and expenses.

72. The staff acknowledge that subleasing assets may be an entity's main business activity as commented by a few stakeholders (see paragraph 21(b)). However, based on the limited discussion in the targeted outreach the staff were unable to determine the extent to which such entities would have both lease receivables and financing lease liabilities and present a key measure of performance including these income and expenses. The staff plan to perform further research to better understand the extent to which the revised approach to the financing category may cause an issue for entities with subleasing as a main business activity and include the results of this analysis in a future paper.

73. The staff think that based on stakeholders' views on the expected effectiveness of the rebuttable presumption the IASB should further discuss whether additional guidance should be developed on the circumstances in which it would be appropriate to rebut the presumption to make it more operational (see paragraphs 35–38). The staff plan to bring a paper on this topic to a future meeting.

Topics already included in the redeliberations plan

74. This section sets out the topics already included in the redeliberations plan. The staff will consider the feedback on these topics in the relevant papers and are grouped according to the main proposals in the Exposure Draft. They include:

(a) subtotals and categories (paragraph 75–76);

(b) management performance measures (see paragraphs 77–79);

(c) disaggregation (see paragraphs 80–81); and

(d) other topics (see paragraphs 82–83).

Subtotals and categories

75. At its July 2022 meeting (see Agenda Paper 21B), the IASB decided to explore withdrawing the accounting policy choice for classifying income and expenses from cash and cash equivalents proposed for entities that provide financing to customers as a main business activity. However, the comments received in targeted outreach identified that there may be a number of entities for which removing the accounting policy choice would be problematic (see paragraph 23). The staff plan to bring a future paper to the IASB discussing the accounting policy choice in the light of this feedback.

76. Some comment letters to the Exposure Draft identified that the proposals do not provide guidance for classifying the gain or loss on net monetary position required to be presented applying IAS 29 *Financial Reporting in Hyperinflationary Economies* with some respondents suggesting that it be classified . in a separate category together with foreign exchange gains and losses. The staff plan to consider the targeted outreach feedback on the classification of gains and losses from foreign exchange differences (see paragraphs 31–33) in a future paper with the topic of classifying the gain or loss on net monetary position.

Management performance measures

77. The staff think that the outreach feedback generally supports the introduction of the simplified approach to calculating the tax effects of individual items reconciling a management performance measure to the most directly comparable total or subtotal specified by IFRS Accounting Standards (see paragraphs 39–43). The staff acknowledge that not all participants agreed with the simplified tax calculation and that some of those that agreed still raised concerns over costs and usefulness of the information in some cases. However, the staff think this feedback is consistent with the fact that the approach is a practical compromise that reduces, but does not eliminate the costs and reduces, but does not remove, the usefulness of the information provided.

78. The staff think that stakeholders have raised questions over the application of the approach and related disclosure requirements that would benefit from further discussion by the IASB (see paragraph 42). At its May 2022 meeting (see Agenda Paper 21A), the IASB asked the staff to consider whether allowing entities to use a wider range of approaches would maintain the balance between cost and benefits. The staff plan to bring a paper to a future IASB meeting completing that analysis and in that same paper plan to respond to the related questions raised by stakeholders in the targeted outreach.

79. Some of the questions or concerns raised by participants in the targeted outreach over management performance measures were the same as comments that were also received in response to the proposals in the Exposure Draft and already included in redeliberations plan. This feedback will be considered when the IASB redeliberates these topics which include:

(a) The applicability of the disclosure requirements to interim financial statements (see paragraph 43);

(b) The timing of public communications (see paragraph 44(c));

(c) When a subtotal included in the statement of profit or loss is a management performance measure (see paragraph 45); and

(d) The interaction between management performance measures and segment disclosures (see paragraph 46).

Disaggregation

80. At its July 2022 meeting (see Agenda Paper 21C), the IASB tentatively decided to explore an approach to operating expenses by nature that would require an entity to disclose, for all operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss. Stakeholder comments regarding that approach and those regarding additional line items by nature will be included in the paper concluding that exploration (see paragraphs 54–56).

81. The staff think that the IASB should discuss whether application guidance should be developed specifying the disclosure requirement tentatively decided for operating expenses by nature could be met by disclosing costs incurred. The comments of some stakeholders that the tentative decision would continue to be prohibitively costly if expenses incurred in the period were required suggests that further application guidance may be important in achieving the cost benefit balance intended (see paragraph 50). The staff plan to bring such a paper to a future IASB meeting.

Other topics

82. Some of the other comments made by participants were comments that were also received in response to the proposals in the Exposure Draft and included in the redeliberations plan. Those topics include:

(a) Consequential amendments required for interim reporting (see paragraph 63); and

(b) Transition requirements (see paragraph 64).

83. The staff will ask the IASB to make a decision on whether re-exposure is required at the end of its redeliberations in accordance with the guidance on completion of deliberations set out in paragraphs 6.22–6.29 of the *Due Process Handbook* (see paragraph 65).

Topics to be addressed in the drafting process

84. This section sets out the topics to be addressed in the drafting process and are grouped according to the main proposals in the Exposure Draft. They include:

(a) subtotals and categories (paragraph 85);

(b) management performance measures (paragraphs 86–87);

(c) disaggregation (paragraph 88); and

(d) other comments (paragraph 89).

Subtotals and categories

85. The staff think that most of the questions raised by participants regarding the application of the revised approach to the financing category can be resolved in the drafting of the final Accounting Standard (see paragraphs 17–20). Many of the questions raised were directly considered in the staff analysis supporting the IASB's tentative decisions and could be incorporated into the draft Accounting Standard without the need for changes to the decisions tentatively taken by the IASB. The staff do not plan to bring a further paper to the IASB on the approach to the financing category. Any issues that arise in drafting will be brought to the IASB when it considers sweep issues.

Management performance measures

86. In the staff's view the comments made on the breadth of public communications were the same as the comments received in comment letters on the Exposure Draft and discussed at the IASB meetings in September (see Agenda Paper 21A) and November

2021 (see Agenda Paper 21B) (see paragraph 44(a)). The staff think that the IASB's tentative decision to exclude oral communications, transcripts and social media posts finds the appropriate balance of making the application of the definition more practical while minimising the risk of excluding relevant public documents.

87. The staff also agree with the suggestions made by some participants that auditability would be enhanced by including examples of common public communications in the application guidance and including in the basis for conclusions the IASB's discussion of the expectation that entities will have controls in place over the measures included in their public communications. The staff think these could be resolved in drafting of the final Accounting Standard without further IASB decisions.

Disaggregation

88. At its September 2022 meeting (see Agenda Paper 21F), the IASB tentatively decided to withdraw the proposed prohibition on a mixed presentation of operating expenses, to require an entity to consider the role of the primary financial statements when considering which method to use, and to provide examples of when a mixed presentation might provide the most useful information. The staff will consider the interaction of these two requirements and make drafting changes to ensure that they work together to ensure that it is clear when presenting by nature would result in useful information, when presenting by function would result in useful information and when having a mixed presentation would result in useful information. The staff think that this drafting will help address the comments of some stakeholders requesting clarity on how the disaggregation requirements will interact with the mixed presentation (see paragraphs 58–59).

Other topics

89. The staff plan to prepare educational materials on the project as a whole when the redeliberations are complete (for example, webinars prior to the issuance of the final

Accounting Standard) in response to those stakeholders that said the big picture may not be well understood (see paragraph 66).

Questions for the IASB
2. Does the IASB agree with the staff recommendation to add the following topics to the redeliberation plan: (a) classifying income and expenses from associates and joint ventures accounted for using the equity method; (b) whether further application guidance is required for classifying income and expenses from off-balance sheet items; (c) whether interest expense on lease liabilities should be included in operating profit when subleasing is a main business activity; and (d) whether further application guidance is required for the rebuttable presumption in the definition of management performance measures. 3. Does the IASB agree with topics the staff recommend: (a) considering in the relevant papers already included in the redeliberations plan (see paragraphs 74–83); and (b) addressing in the drafting prosses (see paragraphs 84–89)? 4. Does the IASB agree with the staff's conclusion that the topics in Appendix C should not be included in the redeliberations plan?

Appendix A – Approach to targeted outreach

Objective

A1. The objective of the targeted outreach was to receive feedback from a range of stakeholders to help the IASB assess whether the selected tentative decisions will function as intended and achieve the intended balance of costs and benefits.

A2. The information obtained during the outreach will be used to help the IASB in further redeliberating some of the issues raised in feedback on the Exposure Draft. It will also be used to help the IASB in completing its due process on the proposals in the Exposure Draft including:

(a) understanding the likely effects of the proposals that will be summarised in an effect analysis report; and consequently

(b) supporting the IASB's decision on whether to re-expose any of the proposals before issuing the final IFRS Accounting Standard.

Scope of outreach

A3. At the July 2022 ASAF meeting, ASAF members volunteered to assist in organising roundtable discussions with stakeholders across member jurisdictions. Nearly all ASAF members including some individual jurisdictions responded resulting in 36 meetings across all four geographical regions and stakeholders, including users, preparers, accounting firms, regulators, and standard setters (see Appendix B for the number of meetings by stakeholder type and region). In addition, the staff attended nine meetings as observers where national standard setters discussed the outreach topics internally. One jurisdiction provided written feedback only and five provided additional written feedback. One of these members, EFRAG, published the summary report and recommendations which can be find on their website at this link.

A4. To facilitate productive discussions the staff provided participants with a number of materials in advance including a document outlining, for each selected topic: the original proposal(s) in the Exposure Draft, the feedback received, the IASB's tentative decisions in response to that feedback, and specific questions regarding the tentative decisions. The staff also provided a slide deck with an overview of all of the proposals in the Exposure Draft revised for the IASB's tentative decisions to provide wider background to the targeted outreach. In October 2022 the staff also held two live webinars explaining the proposals as a whole. Participants to the events were encouraged to view a recording of the webinar in advance of the outreach meetings.

A5. To meet the objectives of the targeted outreach, the meetings focussed on key topics where the IASB's redeliberations resulted in changes to the initial proposals in the Exposure Draft and areas where the IASB is still considering specific approaches including:

(a) subtotals in the statement of profit or loss;

(b) management performance measures;

(c) disclosure of operating expenses by nature; and

(d) unusual income and expenses.

A6. To further focus discussions specific questions related to each topic were posed to participants. Questions were tailored in consultation with national standard setters depending on the mix of stakeholder types. The areas of focus and specific questions for each topic are detailed in paragraphs A8–A39.

A7. Stakeholders also provided views on other areas of the Exposure Draft and changes resulting from redeliberations. In some jurisdictions national standards setters posed specific questions for discussion in addition to those posed by the IASB staff.

Subtotals in the statement of profit or loss

A8. With respect to the proposals in the Exposure Draft for subtotals in the statement of profit or loss the outreach focused on two areas:

(a) the tentative decision to change the approach for classifying income and expenses within the financing category; and

(b) the tentative decision to explore withdrawing 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.

A9. In response to comment letter feedback that aspects definition of financing activities proposed in the Exposure Draft was unclear and may be difficult to apply, the IASB tentatively decided to revise the proposals such that an entity would be required to classify in the financing category:

(a) all income and expenses from liabilities that arise from transactions that involve only the raising of finance; and

(b) specified income and expenses from other liabilities.

A10. The IASB also tentatively decided to:

(a) describe transactions that involve only the raising of finance as transactions that involve:

(i) the receipt by the entity of cash, an entity's own equity instruments or a reduction in a financial liability; and

(ii) the return by the entity of cash or an entity's own equity instruments; and

(b) describe specified income and expenses from other liabilities as interest expense and the effect of changes in interest rates on liabilities that arise from transactions that do not involve only the raising of finance when such amounts are identified applying the requirements of IFRS Accounting Standards.

A11. The Exposure Draft proposed to provide an accounting policy choice for entities that provide financing to customers as a main business activity to classify in the operating category, either:

(a) income and expenses from financing activities, and from cash and cash equivalents, that relate to the provision of financing to customers; or

(b) all income and expenses from financing activities and all income and expenses from cash and cash equivalents.

A12. The Exposure Draft also proposed to classify in the operating category income and expenses from cash and cash equivalents if an 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.

A13. During its redeliberations, the IASB decided to explore withdrawing the accounting policy choice for classifying income and expenses from cash and cash equivalents proposed for entities that provide financing to customers as a main business activity. The IASB expects that many entities that provide financing to customers as a main business activity will also invest in financial assets as a main business activity. For such entities the requirement to classify in the operating category all income and expenses from cash and cash equivalents would be triggered by their investments in financial assets and no requirement in relation to providing financing to customers as a main business activity would be needed. If the IASB decides to withdraw the accounting policy choice, entities that provide financing to customers as a main business activity that do not also invest in financial assets as a main business activity would classify income and expenses from cash and cash equivalents in the investing category.

A14. The following questions were asked to targeted outreach participants regarding subtotals and entities with specified main business activities:

(a) Is the revised proposal for classifying income and expenses within the financing category clearer and easier to apply than the proposal in the Exposure Draft?

(b) Are you aware of any issues that may arise from the expected change in outcome from the Exposure Draft for lease liabilities and amounts payable for goods and services—such liabilities being classified as other liabilities under the revised approach?

(c) Does the revised proposal for classifying income and expenses in the financing category result in a change from the proposals in the Exposure Draft for the classification of any income and expenses from liabilities other than lease liabilities and amounts payable for goods and services received?

(d) Are you aware of any entities that provide financing to customers as a main business activity that do not also invest in financial assets as a main business activity that would be impacted by the possible withdrawal of the accounting policy choice for classifying income and expenses from cash and cash equivalents when providing financing to customers is a main business activity?

Management performance measures

A15. The outreach focussed on two aspects of the proposals for management performance measures:

(a) the tentative decision to introduce 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; and

(b) the tentative decision to provide guidance on calculating the tax effect for reconciling items which includes a simplified method.

Rebuttable presumption

A16. The Exposure Draft proposed disclosure requirements for management performance measures which it defined as subtotals of income and expenses that:

(a) are used in public communications outside financial statements;

(b) complement totals or subtotals specified by IFRS Accounting Standards; and

(c) communicate to users of financial statements management's view of an aspect of an entity's financial performance.

A17. The IASB received feedback that the requirement that a management performance measure communicate management's view of an aspect of an entity's financial performance may be too subjective to capture all of the measures intended by the proposals. The IASB also received feedback that it was unclear whether a measure that was used in public communications outside financial statements that did not reflect management's view would meet the definition. For example, some participants asked whether a subtotal required by local Accounting Standards would be a management performance measure.

A18. In response the IASB has 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. The presumption could be rebutted with reasonable and supportable evidence that a subtotal of income and expenses published outside an entity's financial statements prepared in accordance with IFRS Accounting Standards did not represent management's view of an aspect of its financial performance. For example, the existence of a regulatory requirement to publish a measure might be used to rebut the presumption that it represents management's view.

A19. The rebuttable presumption is intended to reduce the subjectivity involved in identifying the subtotals of income and expense that represent management's view while permitting entities to both exclude subtotals that do not represent management's view and include subtotals that do represent management's view but overlap with other requirements to publish them.

Simplified method of calculating the tax effect for reconciling items

A20. The Exposure Draft proposed an entity be required to reconcile each management performance measure to the most directly comparable subtotal or total specified in IFRS Accounting Standards. It also proposed an entity be required to disclose the tax effect and the effect on non-controlling interest for each item disclosed in the reconciliation. The tax effect was proposed to be determined 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 by another method that achieves a more appropriate allocation in the circumstances.

A21. The IASB received feedback that it may be complex and therefore costly to calculate the tax effects of individual reconciling items using the method proposed in the Exposure Draft. However, the IASB also received feedback that information about the tax effects was important to help users to analyse management performance measures. User feedback was that effects of reconciling items were important to understanding the measures because the tax effects can be materially different from those using the effective tax rate and the information was necessary for analysing the measures on a per share basis. Feedback from users was also that high-level information about the tax effects of reconciling items would meet their needs.

A22. In response the IASB tentatively decided to revise the requirement specifying how to calculate the income tax effect. The revised requirement allows an entity to either:

(a) calculate the tax effects of the underlying transaction(s) at the statutory tax rate(s) applicable to the transaction(s) in the relevant jurisdiction(s); or

(b) calculate the tax effects as described in (a) and allocate any other tax effects related to the underlying transaction(s) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the jurisdictions concerned, or other method that achieves a more appropriate allocation.

A23. The revised requirement is intended to reduce the complexity of the proposal in the Exposure Draft by specifying a simplified calculation of the tax effects of reconciling items that an entity can choose when a full calculation would be too complex. As a simplified calculation, the information provided may be less than would be provided by a full calculation but is intended to respond to user feedback that high-level information on these tax effects would meet their needs. The proposed revision to the method of calculating the tax effects of reconciling items still allows an entity to use judgement to allocate additional tax effects if it chooses to perform a more complete calculation.

A24. The following questions were asked to targeted outreach participants regarding management performance measures:

(a) Do you think that establishing the rebuttable presumption that a subtotal of income and expense included in public communications outside financial statements represents management's view of an aspect of the entity's financial performance will achieve the objectives of reducing the subjectivity involved in identifying the subtotals that represent management's view and avoiding requiring entities to include as management performance measures, subtotals of income and expenses that do not represent management's view? Why or why not?

(b) If not, what alternative approach would you suggest and why?

(c) Does the IASB's tentative decision to revise the method used to calculate the tax effect of individual reconciling items provide a better balance of costs and benefits than the proposal in the Exposure Draft?

Disclosure of operating expenses by nature

A25. For the disclosure of operating expenses by nature the outreach focussed on:

(c) The tentative decision to require an entity to disclose the amounts of depreciation, amortisation and employee benefits included in each line item of the statement of profit or loss; and

(d) The tentative decision to explore expanding the disclosure requirement to disclose operating expenses included in each line item of the statement of profit or loss to include either:

(i) additional specific items including impairments and write-downs of inventories; or

(ii) all expenses by nature disclosed in the notes.

A26. The Exposure Draft proposed requiring an entity that provides an analysis of its operating expenses using the function of expense method in the statement of profit or loss to disclose in a single note an analysis of total operating expenses using the nature of expense method.

A27. The IASB received feedback that the proposed approach would be costly to apply, to the extent it would require an entity to provide additional information about expenses by nature that it is not currently disclosing. The evidence from practice suggests that while some entities already provide disclosure of all operating expenses by nature, many only provide those disclosures by nature specifically required by IFRS Accounting Standards (including depreciation, amortisation and employee benefits) and would have to incur significant costs to implement the proposals. The IASB also received feedback that information that helps users to understand how information about operating expenses already disclosed in the notes relate to the line items presented in the statement of profit or loss would provide more useful information than the disclosure requirement in the Exposure Draft, and would be less costly to provide.

A28. In response the IASB has tentatively decided to withdraw the proposal to specifically require disclosure of all operating expenses by nature in the notes, for those that report by function. The IASB has proposed to require an entity to disclose the amounts included in each line item in the statement of profit or loss for depreciation, amortisation, and employee benefits.

A29. The IASB is exploring:

(a) whether this revised requirement should also include impairments and write-downs of inventory. The IASB received feedback that in addition to depreciation, amortisation and employee benefits, information on how the amounts of impairments and write-downs disclosed relate to the line items presented in the statement of profit or loss would also be useful to users and feasible for preparers to provide.

(b) whether an entity should also be required to disclose, for all other operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss unless doing so would require undue cost or effort. This approach builds on the existing disclosure requirements in IFRS Accounting Standards—for example, paragraph 126 of IAS 36 *Impairment of*

Assets requires the disclosure of the amount of impairment losses recognised in profit or loss and the line item(s) in which those impairment losses are included.

A30. The following questions were asked to targeted outreach participants regarding the disclosure of operating expenses by nature:

(a) Does the IASB's tentative decision to disclose the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss provide a better balance of costs and benefits than the proposal in the Exposure Draft?

(b) Do you think the list of line items in the requirement in question (a) should also include impairments and write-downs of inventories? Why or why not?

(c) Do you think requiring an entity to disclose, for all other operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss would provide a similar balance between costs and benefits as the revised proposal described in question (a)? Why or why not?

(d) Do you think an undue cost or effort relief to the proposed requirement in question (c) is required to achieve the right balance between improving disclosures provided by entities and ensuring that entities do not incur excessive costs to provide the information? Why or why not?

Unusual income and expenses

A31. The outreach also sought to understand stakeholders' views on the tentative decision to withdraw the proposals in the Exposure Draft for unusual income and expenses.

A32. The Exposure Draft proposed introducing a definition of 'unusual income and expenses' and requiring all entities to disclose information about unusual income and expenses in a single note.

A33. The IASB received feedback that it should define unusual income and expenses because:

(a) users want to identify recurring or normalised earnings but currently have to rely on voluntary disclosures to do so; and

(b) a definition would provide discipline and reduce opportunistic classification of income and expenses as unusual.

A34. However, the IASB also received feedback that the definition of unusual income and expenses proposed in the Exposure Draft was subjective, required more application guidance, and included income and expenses that some did not view as unusual.

A35. Continued discussions with stakeholders and the IASB have indicated that rather than defining unusual income and expenses solely in terms of recurrence, a definition should focus on whether income or expenses have another characteristic that make them 'unusual'. However, developing such a definition, which is different to that proposed in the Exposure Draft, is unlikely to be successful on a timely basis.

A36. Given the feedback from stakeholders that other aspects of this project should be finalised as quickly as possible, the IASB has tentatively decided not to proceed with any specific requirements for unusual income and expenses as part of this project.

A37. Not proceeding with the proposals on unusual income and expenses will result in the loss of some information compared to the outcome of the proposals in the Exposure Draft had a consensus on the definition emerged.

A38. However, requirements for disclosures relating to management performance measures and the general requirement to disaggregate amounts when information about the disaggregated amounts is material is expected result in improvements in current practice for the disclosures relating to unusual income and expenses and provide some of the information intended to be provided by the proposals for unusual income and expenses in the Exposure Draft.

A39. Targeted outreach participants were asked if they have any comments on the IASB tentative decision to withdraw the proposals for unusual income and expenses.

Appendix B – Targeted outreach by stakeholder type and region

B1. The following tables show the number of targeted outreach meetings organised by:

(a) stakeholder type; and

(b) region.

Stakeholder type	Number of events
Mix of stakeholder types	12*
Preparers	11
Standard setters	5
Users	4
Accounting Firms and institutes	3
Regulators	2
Total	**37***
*Includes one written response	

Region	Number of events
Europe	13
Asia-Oceania	12*
The Americas	4
Africa	2
Global	6
Total	**37***
*Includes one written response	

Appendix C – Feedback for which the staff conclude no further action is required

C1. The following table outlines the feedback received for which the staff conclude no further action is required (see paragraph 15).

	Feedback received	Reason no further action is required
Subtotals and categories		
Definition of operating profit	A few participants said, in their view: (a) operating profit should be directly defined; and (b) volatile items should not be included in the operating category (for example, gains or losses on derivatives not designated as hedging instruments when applying the presentation requirements for hedging derivatives would involve undue cost or effort).	In the staff's view the comments received on the definition of the operating category and volatile items repeat feedback received on the Exposure Draft. The IASB discussed this feedback at its March 2021 meeting (see Agenda Paper 21A) when it decided not to develop a direct definition of operating profit and confirmed including in the operating category all income and expenses arising from an entity's operations, including volatile and unusual items.

	Feedback received	Reason no further action is required
Classification in categories and required subtotals	One participant disagreed with classifying financing expenses in a separate category because they were concerned that entities that currently include financing expenses in their operating profit subtotal will present higher operating profit when applying the proposals. One participant said, in their view, defining and requiring additional subtotals in the statement of profit or less made the statement less understandable and the benefits of comparability did not justify the costs of the changes required.	In the staff's view an inevitable consequence of defining and requiring subtotals in the statement of profit or loss is that similarly labelled but differently defined subtotals used currently will be required to change. The majority of feedback received from stakeholders giving rise to the project, responding to the Exposure Draft and throughout the targeted outreach is that the resulting comparability is useful and provides benefits in excess of the related costs.
Classification of interest from other liabilities	Some participants said, in their view, interest on other liabilities such as net defined benefit liabilities and the unwind of discount on	In the staff's view the comments received on the classification of interest on other liabilities repeat feedback received on the Exposure

	Feedback received	Reason no further action is required
	provisions should be classified in the operating category because they are operating in nature. Some, mainly financial institutions, said they include interest on lease liabilities in their operating performance measure regardless of whether they relate to providing financing to customers.	Draft. The IASB discussed this feedback at its May (see Agenda Paper 21A) and July 2021 meetings (see Agenda Paper 21A) when it tentatively decided to require an entity to classify in the financing category interest expenses and the effects of changes in interest rates arising from transactions that do not involve only the raising of finance.
Classification of stand-alone derivatives in the operating category	A few participants questioned whether income and expenses on stand-alone derivatives should be classified in the operating category because it may result in inconsistent classification between income and expenses on derivatives that mirror returns of equity investments and income and expenses on the	In the staff's view, although an entity may arrange stand-alone derivative contracts to construct outcomes similar to the investment in an equity instrument, the risks involved with the two types of transactions are different and therefore do not justify specific guidance to achieve similar outcomes.

	Feedback received	Reason no further action is required
	equity investments that would be classified in the investing category.	
Assessment of main business activities	Participants in one jurisdiction disagreed with the tentative decision to identify whether an entity invests or provides financing to customers as a main business activity at the reporting entity level. These participants preferred entities to have consistent main business activities in the group and in the individual subsidiary's financial statements because of the costs of having different reporting structures within the same group. A few participants were concerned that for conglomerates, determining the entity's main	At its March 2022 meeting (see Agenda Paper 21A), the IASB tentatively decided to clarify that, applying the proposals, an entity assesses its main business activities at the reporting entity level. The staff paper explained that if the important indicators of operating performance differ between the group and individual entities within the group, then classification of income and expenses in different categories would be an appropriate outcome and consistent with other IFRS Accounting Standards including IFRS 10 *Consolidated Financial Statements*. The IASB also tentatively decided that when an entity has an operating segment that constitutes

	Feedback received	Reason no further action is required
	business activities at the reporting-entity level may be complex and costly.	a single business activity, but it does not meet the requirements to be a reportable segment, that operating segment is not precluded from being a main business activity if the operating performance from that operating segment is an important indicator of operating performance of the entity. In the staff's view this decision helps to address the cost concerns raised. In the staff's view the comments received on the application of main business activities repeat feedback received on the Exposure Draft. At its March 2022 meeting the IASB tentatively decided to add further application guidance on main business activities (Agenda Paper 21A).

	Feedback received	Reason no further action is required
Classification of cash and cash equivalents in the investing category	A few participants said, in their view: (a) income and expenses from some or all of an entity's cash and cash equivalents should be included in the operating category because they are used in the entity's operations; or (b) interest and expenses from cash and cash equivalents should be included in the financing category because it would allow entities to present a cost of net-debt subtotal.	The IASB considered views on classifying income and expenses on cash and cash equivalents at its May 2021 meeting (see Agenda Paper 21B) when it tentatively decided on classification in the investing category. The decision was made on balance as there are merits to classification in operating, investing or financing because cash and cash equivalents are used in different ways across, and even within entities. However, feedback is that users value a single location to improve comparability and the investing category has the advantage of simplifying classification. In the staff's view the comments raised by participants reflect the diverse views on the classification of cash and cash equivalents expressed in the Exposure

	Feedback received	Reason no further action is required
		Draft and do not change the balance of the IASB's tentative decision.
Classification of interest expense on payables with extended credit terms	A few participants said interest expense on payables with extended credit terms should be classified in the operating category because this would better represent working capital (a regulatory requirement in one jurisdiction) and how entities manage their business.	In the staff's view the comments received on the classification of interest expense on payables with extended credit terms repeat feedback received on the Exposure Draft. The IASB discussed this feedback at its May 2021 meeting (see Agenda Paper 21A) when it tentatively decided to require an entity to classify in the financing category interest expenses and the effects of changes in interest rates arising from transactions that do not involve only the raising of finance.
Interaction of required subtotals with IFRS 8	A few participants asked whether the subtotals required in the statement of profit or loss would	In the staff's view it is not necessary to require an entity to align its segment reporting to the

	Feedback received	Reason no further action is required
	also be required in an entity's segment reporting applying IFRS 8. Some of these participants raised concerns that the current structure of their segment disclosures are in the same format as the statement of profit or loss and this may no longer be the case once the required subtotals are presented applying the proposals in the Exposure Draft.	required subtotals proposed in this project. The core principle in IFRS 8 to disclose information about an entity's business activities and economic environments differs from the objective of this project to achieve comparable subtotals in the statement of profit or loss and may reasonably result in differences.
Presentation of additional subtotals	One regulator said, in their view, it was important to be clear that when an entity includes additional subtotals in the statement of financial performance, such subtotals are required to fit the proposed structure.	In the staff's view the IASB's tentative decision in June 2022 (see Agenda Paper 21A) to require additional subtotals and line items presented in the statement(s) of financial performance to fit into the structure of the categories is sufficiently clear to ensure additional subtotals fit the required structure.

	Feedback received	Reason no further action is required
Management performance measures		
Requirements for MPMs	A few regulators suggested adding guidance specifying the starting point of the reconciliation must be the IFRS specified total or subtotal. In their view, starting with the IFRS specified total or subtotal contributes to ensuring these totals or subtotals are more prominent than the management performance measure. A few participants raised a concern that requiring an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance may significantly increase the costs for some preparers	In the staff's view the existing proposals to include management performance measures in a single note to the financial statements, to disclose a statement that the measures provide management's view of an aspect of the entity's financial performance and are not necessarily comparable with measures sharing similar descriptions provided by other entities, and a description of how the measure is calculated and how it provides useful information sufficiently reduces the prominence of the measures compared to subtotals required by IFRS Accounting Standards.

	Feedback received	Reason no further action is required
		In the staff's view the benefits of the transparency added by the reconciliation requirement tentatively decided by the IASB at its January 2022 meeting outweigh the potential costs for some entities (see Agenda Paper 21A).
Scope and definition of management performance measures	A few participants disagreed with the scope of management performance measures. Some of these participants preferred the definition to include a measure based on other primary financial statements or to include both the numerator and denominator of a ratio. Other participants preferred a definition based on management's internal use of a measure, for example, measures used to calculate management remuneration.	In the staff's view the comments received on the scope and definition of management performance measures repeat feedback received on the Exposure Draft. The IASB discussed this feedback at its March (see Agenda Paper 21B) and June 2021 meetings (see Agenda Paper 21A) when it tentatively decided on the scope of management performance measures.

	Feedback received	Reason no further action is required
	A few participants disagreed with including management performance measures in the financial statements.	
Disaggregation		
Guidance on cost of sales	One participant suggested that the IASB provide more guidance on the income and expenses that should be included in cost of sales.	In September 2022 (see Agenda Paper 21F), the IASB tentatively decided 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. In the Third Agenda Consultation (see the Feedback Statement), the IASB also decided not to add a project on cost of sales to its workplan and therefore no further discussion of this issue is required.

	Feedback received	Reason no further action is required
Confidentiality of employee benefits	One stakeholder said that information about employee benefits is considered proprietary information in their jurisdiction and is concerned about the requirement to disclose the amount of employee benefits included in each function line item.	In the staff's view the comments received on the commercial sensitivity of information related to operating expenses is a repeat of feedback already discussed by the IASB at the April (see Agenda Paper 21A) and July 2022 meetings (see Agenda Paper 21C).
Other comments		
Concerns over similar labels but differing definitions between the statement of profit or loss and the statement of cash flows and	Some participants raised a concern that having similar labels but different definitions for categories in the statement of profit or loss and the statement of cash flows will be confusing for stakeholders. One participant was so concerned that they suggested delaying this project until the cash flow statement project was complete to avoid disruption in the marketplace.	In the staff's view the comments received on differing definitions between the statement of profit or loss is a repeat of the feedback received on the Exposure Draft which was considered by the IASB at the December 2021 meeting (see Agenda Paper 21B). The staff do not think the IASB should delay the benefits of this project which are strongly supported by

	Feedback received	Reason no further action is required
		stakeholders until the cash flow statement project is completed.