



IASB ED/2019/7 'General Presentation and Disclosures'  
IASB ED/2021/3 'Disclosure Requirements in IFRS Standards'

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**AOSSG Presentation and Disclosure Working Group**

- Leader: Korea
- Members: Australia, Bangladesh, China, Hong Kong, Indonesia, Japan, Kazakhstan, Mongolia, New Zealand, Pakistan, Saudi Arabia, Singapore and Sri Lanka

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# Purpose

## PFS & TSLR

- The purpose of this session is:
  - ✓ To **summarize**, and
  - ✓ To **brief** what our P&D working group has been discussing and working with regards to PFS and TSLR during 2022, with a focus on the coordinated comments that were delivered at the ASAF meetings

# Background

***PFS***  
**ED published**  
**(Dec 2019)**

- IASB published the ED 'General Presentation and Disclosures' in December 2019
  - The comment period for the Exposure Draft ended in December 2020
  - Since 2021, the IASB has deliberated the PFS topics and made tentative decisions on certain items
  - In April and July 2022, the IASB consulted with the ASAF

***TSLR***  
**ED published**  
**(March 2021)**

- IASB published the ED 'Disclosure Requirements in IFRS Standards – A Pilot Approach' in March 2021
  - The comment period for the Exposure Draft ended in January 2022
  - In Feb and May 2022, the IASB discussed the feedbacks provided in comment letters on the Exposure Draft as well as preliminary views on the next steps for this project
  - In July 2022, the IASB consulted with the ASAF

# Topics (PFS)

- **Primary financial statements**

#	Topics	Details
1.	<b>Targeted outreach</b>	Outreach topic and timing
2.	<b>Project status update (Suggestion)</b>	a) Subtotals and categories
		b) Management performance measures
		c) Unusual income and expenses
3.	<b>Disclosure of operating expenses by nature</b>	a) Partial matrix approach & cost and benefits
		b) Way forward and next steps
4.	<b>Income and expenses of limited recurrence</b>	a) Definition and possible constraints
		b) Assessment period

# Topics (TSLR)

- Targeted Standards-level Review of Disclosures

#	Topics	Details
1.	Middle ground approach	Refer to the slide
2.	Proposed amendments to the disclosure requirements of IFRS 13 and IAS 19	Same as above
3.	Any suggestions and comments	Same as above

# Primary Financial Statements

## Targeted outreach

**Q1.** Would you like to conduct targeted outreach?

## AOSSG Member Comments

**Summary of AOSSG comments:**

- **Four\*** AOSSG members mentioned that **they would like to conduct targeted outreach**

\* China, Japan, Korea and New Zealand

# Primary Financial Statements

## Targeted outreach

**Q2.** Any comments on the proposed topics\*<sup>1</sup> and timing\*<sup>2</sup> for the outreach?

\*<sup>2</sup> Timing: H2 2022

\*<sup>1</sup> Proposed topics: ① Income and expenses of limited recurrence, ② Disclosure of operating expenses by nature, ③ MPM – rebuttable assumption, ④ Change in approach for classifying income and expenses within the financing category, ⑤ Aspects of proposals for entities with specified main business activities

## AOSSG Member Comments

❑ Summary of AOSSG comments:

### General comments

- **Most members agreed** with the **IASB's proposed topics** and **timing** for targeted outreach and had no other comments

### Other comments

- **(Topic)** suggested an additional outreach topic related to **cash flow statement**
- **(Timing)** suggested **starting the outreach in October or the Q3** in order to identify any further issues and re-deliberation

# Primary Financial Statements

## Categories and subtotals

Q1. Any suggestions on categories and subtotals?

## AOSSG Member Comments

□ Summary of AOSSG comments:

### General comments

- Three members said **it is necessary that IASB would place its priority on defining the term “main business activities” and ‘unusual income and expense’** to help clarify entity’s classification on operating and investing category

### Other comments

- There was a concern that due to its nature, **developing the definition of the terms or guidance is not simple and judgement will be required** in determining whether income/expenses are ‘generated in the course of the entity’s main business activities’

# Primary Financial Statements

## Management performance measures (MPM)

Q1. Any suggestions on MPM?

### AOSSG Member Comments

□ Summary of AOSSG comments:

#### General comments

- One member said the **MPM should be presented** in the statement of profit or loss **with equal prominence** as that given to required subtotals
- There was a **concern about the cost and auditability of the information** resulting **from the requirement to disclose the income tax effect and the effect on non-controlling interests** for each reconciling item for MPM and subtotals

# Primary Financial Statements

## Disclosure of operating expenses by nature

Q1. Any comments on the basis for the way forward and next steps for the operating expenses by nature in the notes?

## AOSSG Member Comments

□ Summary of AOSSG comments:

### General comments

- Three members **generally agreed** with **the IASB's proposal** that employee benefits, general administration expenses and impairment should be disaggregated

### Other comments

- Suggested performing **outreach to those preparers** who participated in the **previous fieldwork**, about **their concerns and costs involved** in carrying out the **new approach**
- **Interactions of information** between the statements of profit or loss and cash flows **should be considered**, as well as the **objective of additional disclosure requirements** for operating expenses

# Primary Financial Statements

## Disclosure of operating expenses by nature

**Q2.** Any comments on partial matrix approach\* and its related costs and benefits?

\* Partial matrix 1 – expenses by nature that should be disaggregated by function

Partial matrix 2 – expenses by function that should be disaggregated by nature

## AOSSG Member Comments

☐ Summary of AOSSG comments:

### General comments

- Members **generally are of the view that both the partial matrix approach 1 and 2 are costly** from the cost and benefit perspective in general
- And a few members' **preparers** have indicated a **preference for partial matrix 1**
- Two member pointed out the conceptual problem with requiring 'cost of goods sold' (COGS) which suggested IASB **clarify whether a 'cost' approach or an 'expense' approach was required with regards to information on operating expenses by nature**

# Primary Financial Statements

## Disclosure of operating expenses by nature

Q2. (Cont.)

### AOSSG Member Comments (Cont.)

□ Summary of AOSSG comments (Cont.):

#### Other comments

- The **analysis of cost of goods sold by nature will be complex** and will become **more complicated** when there are **inter/intra company transactions** between companies in groups
- Most **companies** in a member's jurisdiction **view this disclosure information as commercially too sensitive** to make public as it will contain unduly detailed cost analysis
- **Requiring information on expenses by nature only from entities reporting operating expenses by function** would lead to an **asymmetric treatment** of entities reporting operating expenses by function and those reporting such expenses by nature
- Two members suggested IASB consider the regulation in each jurisdiction when deliberating this matter

# Primary Financial Statements

## Income and expenses of limited recurrence

**Q1.** Any comments on the working definition <sup>\*1</sup> and possible constraints on the definition<sup>\*2</sup>?

<sup>\*1</sup> Income and expenses have limited recurrence when it is reasonable to expect that income or expenses that are similar in type and amount will cease, and once ceased will not arise again, before the end of the assessment period.

<sup>\*2</sup> ① comparison with the past, ② limited recurrence by type only, not amount, ③ future income and expenses to be based on events with sufficient objective evidence

## AOSSG Member Comments

❑ Summary of AOSSG comments:

### General comments

- **Members had mixed views on the possible constraints** as well as the **definition** of income and expenses with limited recurrence
- **Three members are generally supportive of these possible constraints, especially for the first two constraints**, which are a **comparison with the past**, and **limiting the definition to consider only type**
- A suggestion that **IASB should refine the description for the 2nd constraint** to be **more straightforward and easy to understand**. Also, this member pointed out that the term with the last constraint, **“sufficient objective” evidence is ambiguous and subjective**, which would result in many issues for audit

# Primary Financial Statements

## Income and expenses of limited recurrence

Q1. (Cont.)

### AOSSG Member Comments (Cont.)

#### □ Summary of AOSSG comments:

##### General comments

- **Requiring a comparison with past would complement the proposed definition, as the definition focuses mainly on forward-looking information**

##### Other comments

- A view that the IASB's approach on income and expenses with limited recurrence seemed **unnecessarily complex (existing requirements in IFRS are sufficient)** and **potentially difficult for preparers to implement** unless there is plenty of guidance provided
- There was an user group's view that the **IASB's proposed definition still seemed to be narrow**, so it should have a loose definition
- A suggestion that the **IASB should not proceed with developing a definition** of unusual income and expenses as **it's unable to establish a perfect definition**

# Primary Financial Statements

## Income and expenses of limited recurrence

Q2. Any comments on the assessment period\*?

\* The future period in which the entity needs to make an assessment of whether similar income or expenses are expected to arise

## AOSSG Member Comments

□ Summary of AOSSG comments:

### General comments

- A suggestion that IASB should **consider setting up a working group comprising users, preparers and practitioners** to enable direct communication among the participants

### Other comments

- The view from a few members that **it is reasonable for an entity to set the assessment period** based on its **characteristics and nature of business**
- As to the length of the assessment period, one member **suggested relying on financial budgets or forecasts** approved by management as referred to **in paragraph 33 of IAS 36**, which was recommended by IASB staff but not accepted by IASB at the meeting in May

# Targeted Standards-level Review of Disclosures

**Q1.** Have we correctly analyzed the arguments for and against each possible course of action\*, and the potential next steps?

- \* ① Finalize the proposals with limited changes  
② Terminate the project  
③ Develop a middle ground approach

## AOSSG Member Comments

- ❑ Summary of AOSSG comments:
  - **All AOSSG members agreed with the IASB's analysis** on each possible course of action and the potential next steps

# Targeted Standards-level Review of Disclosures

**Q2.** Do you think a middle ground approach\* would provide a better framework for enabling entities to make effective judgements?

\* The proposed approach with some modification that consists of ① overall disclosure objective, ② prescriptive specific disclosure objective\*\*, ③ explanatory information, and ④ mandatory items of information\*\*

\*\* required for disclosure

## AOSSG Member Comments

□ Summary of AOSSG comments:

### General comments

- Three members were concerned that the **approach would not effectively solve** the disclosure problem **as the disclosure problems were caused by various factors** such as **materiality judgement** and **behaviour**

# Targeted Standards-level Review of Disclosures

## Q2. (Cont.)

### AOSSG Member Comments (Cont.)

#### □ Summary of AOSSG comments:

##### Other comments

- A concern with including cross-referencing (paragraph 31 of IAS 1) at the beginning of the disclosure section, which would cause confusion as to how paragraph 31 of IAS 1 would apply to **Accounting Standards that do not include such a cross-reference**
- A concern about the distinction between mandatory and non-mandatory items of information to be disclosed and how the IASB would develop a consistent basis for making this distinction

## Targeted Standards-level Review of Disclosures

**Q3.** If the IASB were to terminate the project, is there anything the IASB should do to help address the disclosure problem?

### AOSSG Member Comments

□ Summary of AOSSG comments:

#### General comments

- Three members suggested that the **IASB provide more guidance and examples related to materiality** and its application in disclosure

#### Other comments

- One member suggested **alternative uses of disclosure objectives**, such as **using** the proposed guidance **as a guide when the IASB develops future standards** and reviews detailed disclosure requirements
- A suggestion that the IASB **include the disclosure objectives in the Basis for Conclusion** section of each standard, which would lead to more relevant disclosures and effective communications regarding disclosure information

## Targeted Standards-level Review of Disclosures

**Q4.** Should the IASB further develop the proposed amendments to the disclosure requirements of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*?

### AOSSG Member Comments

- ❑ Summary of AOSSG comments:
  - **Most AOSSG members are of the view that no further development on proposed amendments to the disclosure requirements of IFRS 13 and IAS 19 is necessary at this stage**

**Thank you**



**Any questions?**