

STAFF PAPER

April 2015

IASB Meeting

Project	Disclosure Initiative
Paper topic	Principles of Disclosure – Aggregation and summarisation of information
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Purpose of this paper

1. The purpose of this paper is to ask the IASB whether additional guidance is needed in a general disclosure Standard about:
 - (a) when it is appropriate to aggregate or disaggregate an item, particularly when determining whether an item should be separately presented in a primary financial statement; and
 - (b) when it is appropriate to summarise or to provide more information in the notes; in particular, how much detail should be disclosed in the notes with regard to a specific disclosure requirement.
2. This paper is structured as follows:
 - (a) background (see paragraphs 3–16); and
 - (b) staff analysis (see paragraphs 17–44).

Background***Aggregation, disaggregation and summarised information in the notes***

3. The **primary** financial statements are a structured summary of information about an entity's recognised elements (assets, liabilities, equity, income and expenses), cash

flows and contributions of, and distributions to, holders of its equity. In preparing those statements, an entity must decide **how much detail** is necessary in order to provide enough information to meet the needs of its primary users. This decision is ultimately based on **materiality**, using the processes of aggregation and disaggregation.

4. Aggregation is the adding together of individual items. Disaggregation is the separation of an item, or an aggregated group of items, into component parts. Aggregation can enhance the usefulness of information in financial statements because it removes unnecessary detail and the chance that material information will be obscured. However, when items are aggregated inappropriately, useful information can be lost.

5. Similarly, the notes include disclosures of additional aggregated items, as well as the disaggregations of line items into their component parts. The notes will also include other information that may have been aggregated, such as amounts relating to unrecognised assets or liabilities or disclosures that describe aggregated events or transactions, for example, a description of a group of individually immaterial business combinations. However, the notes also include other additional information that is summarised to the level of detail needed in order to meet the IFRS disclosure requirements or objectives as efficiently as possible. Determining the appropriate level of detail may require an entity to summarise the range of available information in some areas and expand on the disclosures required by IFRS in others.

IFRS guidance

Current IFRS

6. Aggregation (and materiality) is dealt with in paragraphs 29–31 of IAS 1 *Presentation of Financial Statements*. Aggregation and disaggregation are also discussed in the following paragraphs of IAS 1 (relevant extracts can be found in the Appendix of this paper):
 - (a) an entity shall disaggregate line items specified in paragraphs 54 and 82 of IAS 1 in the statement of financial position and the statement(s) of profit or loss and other comprehensive income respectively, if such presentation is

relevant to an understanding of the entity's financial position or financial performance (see paragraphs 55 and 85 of IAS 1).

- (b) paragraphs 57–59 and 102–103 of IAS 1 provide additional guidance on the aggregation of items into line items on the statement of financial position and the statement(s) of profit or loss and other comprehensive income respectively. Discussion in those paragraphs emphasises that aggregation and disaggregation decisions are based on the size, nature, function or measurement basis of the items being assessed.
- (c) paragraphs 77–78 (the statement of financial position), 97–105 (the statement(s) of profit or loss and other comprehensive income) and 106A–108 (the statement of changes in equity) of IAS 1 all provide additional guidance on the classes of items that may require separate presentation on the face of the statement **or** in the notes.

7. Other Standards provide examples of appropriate aggregation or disaggregation, for example:

- (a) the disaggregation of revenue based on the type of contract (for example, fixed price or time-and-materials contracts; see paragraph 114 of IFRS 15);
or
- (b) the aggregation of the different types of continuing involvement that an entity has in a particular derecognised asset (see paragraph 42F of IFRS 7).

8. In addition, some Standards provide guidance that requires an entity to consider the level of detail necessary to meet a specific disclosure requirement. For example, paragraph 92 of IFRS 13 states:

To meet the [disclosure] objectives in paragraph 91, an entity shall consider all the following:

- (a) the level of detail necessary to satisfy the disclosure requirements;
- (b) how much emphasis to place on each of the various requirements;
- (c) how much aggregation or disaggregation to undertake;
and

(d) ...

9. Paragraph 111 of IFRS 15, paragraph 29 of IFRS 14 and paragraph 4 of IFRS 12 provide similar guidance.

Conceptual Framework project

10. The *Conceptual Framework* Discussion Paper included a discussion about classification and aggregation (paragraphs 7.20–7.28 of that paper have been included in the Appendix of this paper).¹ At its July 2014 meeting, the IASB agreed to retain that guidance for the purposes of the Exposure Draft.²
11. In addition, we note that some respondents to the *Conceptual Framework* Discussion Paper requested further guidance on classification and aggregation. Specifically, some respondents asked the IASB to:
- (a) consider making a reference to ‘disaggregation’ in the guidance, because it provides a link between the primary financial statements and the notes; and
 - (b) provide further concepts about the bases for the extent of disaggregation on the primaries.
12. The IASB agreed with the staff’s recommendation that any further guidance on this topic, if needed, should be provided at the Standard level.

Financial Statement Presentation Project

13. The Financial Statements Presentation (FSP) project proposed a ‘disaggregation principle’ to classify and present line items and subtotals in a cohesive way across the primary financial statements.³ The disaggregation principle prescribed a specific basis for classification and aggregation. This paper does not use the term disaggregation to refer to the disaggregation principle described in the FSP Staff Draft; instead, it uses the term in its general sense as described in paragraph 4.

¹ [2013 Discussion Paper A Review of the Conceptual Framework for Financial Reporting](#).

² [Agenda Paper 10F of the July 2014 IASB meeting](#).

³ See paragraphs 46–50 of the [2010 Financial Statement Presentation Staff Draft of the Exposure Draft](#).

Disclosure Initiative—amendments to IAS 1

14. The guidance in IAS 1 on materiality and aggregation was amended by the December 2014 narrow-scope amendments *Disclosure Initiative (Amendments to IAS 1)*, which, among other things, introduced paragraph 30A and amended paragraph 31 to clarify that:
- (a) materiality judgements may conclude that a disclosure is not necessary, despite the presence of phrases such as ‘as a minimum’ or ‘shall disclose’ in the IFRS; and
 - (b) an entity should consider all relevant facts and circumstances when deciding how to aggregate information in financial statements, which include the notes.

Disclosure Initiative research

15. The processes of aggregation, disaggregation and summarisation are closely associated with materiality judgements. We note that the inclusion of clarifying paragraphs on the definition of materiality in IAS 1 is being suggested at this meeting in Agenda Paper 11B.
16. Agenda Paper 11B and this paper both propose amendments to the materiality and aggregation section of IAS 1 (currently in paragraphs 29–31 of IAS 1). Thus, we would like to provide the IASB with a ‘joint’ view of what such guidance on materiality would look like, by showing together the proposed amendments in both papers. Agenda Paper 11D provides this joint view.

Staff analysis***What is the problem?***

17. Our research in the Materiality and Principles of Disclosure projects, in particular our proposals regarding the role of the primary financial statements⁴, has led us to

⁴ The role of the primary financial statements was discussed in [Agenda Paper 11B](#) on the March 2015 IASB meeting and the role of the notes will also be discussed at this meeting in Agenda Paper 11E.

consider whether the current guidance in paragraphs 29-31 of IAS 1 on aggregation should be extended. In particular, our research has highlighted that:

- (a) different parts of the financial statements, ie the primary financial statements and the notes, have **different roles** and these affect how materiality is applied.⁵ We think that this has implications for the current guidance on aggregation and disaggregation.
- (b) many concerns about disclosures in financial statements have focused on the level of detail (too much or too little) in the notes. We think that general guidance on aggregation in IFRS does not fully address this point and that additional guidance specifically requiring an entity to consider the level of detail of information in the notes may be helpful. This would be consistent with the disclosure guidance in some recent Standards (see paragraph 8).

18. Consequently, in our staff analysis we discuss the following issues:

- (a) separate presentation on the face of a primary financial statement or in the notes (see paragraphs 19–31); and
- (b) the level of detail necessary to meet a disclosure requirement (see paragraphs 32–44).

Separate presentation on the face of a primary financial statement or in the notes

19. When preparing its financial statements, an entity has to decide **what line items** and subtotals (represented by a label and an amount) it should **present separately** in its primary financial statements and what items should be disclosed separately in the notes. ‘Separate presentation’, in this context, generally means the presentation of aggregated amounts that represent recognised (or unrecognised as appropriate) assets, liabilities, equity, income or expense.
20. Determining what should be separately **disclosed on the face** of a primary financial statement involves different considerations to determining what should be **disclosed**

⁵ See paragraph 34 of the materiality draft Practice Statement, which was included in the [Appendix of Agenda Paper 11A](#) of the March 2015 IASB meeting.

in a note. This is because the primary financial statements have a **different role** in meeting the objective of financial statements as compared to the notes. Because the primary financial statements and the notes have different roles, it means that an item (or a group of items) that is deemed not to be material for separate presentation in the primary statements may be material for the notes.

21. At its March 2015 meeting, the IASB tentatively agreed that the role of the primary financial statements is to provide a **structured and comparable summary of information** that is necessary to give an overview of the financial position and performance of an entity. Primary financial statements provide information that is useful for:
- (a) obtaining essential information about the assets, liabilities, equity, income and expenses;
 - (b) making rudimentary comparisons between entities; and/or
 - (c) identifying areas of particular interest within a complete set of financial statements for which an investor could necessarily expect to find additional information in the notes.⁶
22. In Agenda Paper 11E at this meeting the staff are proposing that the role of the notes in meeting the objective of financial statements is to:
- (a) explain the information presented in the primary financial statements; and
 - (b) supplement the primary financial statements with additional information not depicted in those statements that is necessary to meet that objective.
23. The difference in the roles of the primary financial statements and the notes could be described as resulting in a higher and lower level of aggregation in financial statements, namely:
- (a) a high level of aggregation is used to summarise the entity's assets, liabilities, equity, income and expenses in its primary financial statements; and

⁶ See paragraph 31 of [Agenda Paper 11B](#) of the March 2015 IASB meeting.

- (b) a lower level of aggregation may be used for the presentation of information about the entity’s assets, liabilities, equity, income and expenses elsewhere in the financial statements.
24. The current wording in paragraph 30 IAS 1 provides some guidance about the different levels of aggregation and the related materiality decision within the context of the primary financial statements and the notes:
- Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. **An item that is not sufficiently material** to warrant separate presentation in those statements may warrant separate presentation in the notes. [emphasis added]
25. However, we think that the use of the term ‘sufficiently material’ in paragraph 30 of IAS 1 may cause confusion, because it incorrectly implies that information separately presented on the face of a primary financial statement is ‘more material’ than information in the notes.
26. We do not think that presentation as a line item is a question of whether something is more or less material. In fact, we think that materiality is an absolute term—either something is material or it is not—and whether something is material will depend on the purpose for which the information is being provided, ie its context.
27. In addition, we do not think the term sufficiently material provides entities with clear guidance that helps them to determine when it is appropriate to present an item separately on the face of a primary financial statement or to aggregate it further; that is, taking into consideration the different role of primary financial statements (see paragraph 21).
28. For example, it is reasonably expected that an entity whose activities are highly dependent on property, plant and equipment (PPE), for example, a construction company, may consider their largest classes of PPE as essential information and so

presents them separately in the statement of financial position. The same would not be expected of an entity that is not PPE-dependent, for example a services company. Similarly, a financial institution may consider the measurement uncertainty within its assets as essential information and therefore presents them disaggregated on the basis of the fair value hierarchy (Level 1, 2 or 3) on the statement of financial position.

29. We think that the guidance on aggregation and presentation in the primary financial statements or the notes in paragraph 30 of IAS 1 should be amended so that the context (ie role or purpose) of where to present information is considered, when determining whether the information is material and hence whether it should be separately disclosed. Specifically, we think that the last sentence of paragraph 30 of IAS 1 (see paragraph 24) should be clarified so that entities consider the context of where to disclose information by considering the role of the primary financial statements and thus its objectives.
30. On that basis, we recommend including in the *Principles of Disclosure* Discussion Paper proposed amendments to the materiality and aggregation section of a disclosure Standard (ie similar to IAS 1) as follows (the proposed amendments are underlined or struck through):

Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the primary financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not ~~sufficiently~~ material for the purposes of ~~to warrant~~ separate presentation in those statements may be material for the purposes of ~~warrant~~ separate presentation in the notes.

In determining whether an item is material for the purposes of the primary financial statements or the notes, an entity considers the different roles the primary financial statements and the notes have in meeting the objective of financial statements. See paragraph [XX] for a description of the role of

the primary financial statements and paragraph [XX] for a description of the role of the notes. An entity should also consider any presentation and disclosure objectives in IFRS that are applicable to that item. Finally, an entity considers whether an item is material by taking into consideration the financial statements as a whole.⁷

31. We note that the staff's recommendation may have implications for other paragraphs in IAS 1. More specifically, we think that some options provided by IFRS to present information either on the face of a primary financial statement or in the notes, for example paragraphs 97–105 of IAS 1 (see paragraph 6(c)), may either be superfluous or confusing in the light of the proposals in this paper. We plan to discuss this issue at a future meeting.

Question 1 for the IASB

Does the IASB agree with the staff's recommendation in paragraph 30?

The level of detail necessary to meet a disclosure requirement

32. As discussed in paragraph 17(b), we think that additional guidance in a general disclosure Standard requiring an entity to consider the level of detail of information in the notes may help in addressing concerns about the level of information (too little or too much) in the notes. We think the current guidance in IAS 1 is clear when dealing with recognised items, but is not sufficiently explicit when dealing with other types of information that may be disclosed. We discuss both of these views in more detail in the following paragraphs:
- (a) aggregation and disaggregation of recognised items (see paragraphs 33–36); and
 - (b) aggregation, disaggregation and summarising information in the notes (see paragraphs 37–44).

⁷ A 'consolidated' version of these proposed amendments can be found in Agenda Paper 11D for this meeting, which consolidates the clarifying paragraphs to the materiality definition proposed in Agenda Paper 11B (also for this meeting) and the proposed amendments in this paper.

Aggregation and disaggregation of recognised items

33. As discussed in paragraph 4, aggregation can enhance the usefulness of information in financial statements because it removes unnecessary detail. Paragraph 29 of IAS 1 notes that:

An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

34. It follows that detail will be unnecessary if disclosing two or more items separately (ie on a disaggregated basis) provides no additional material information than disclosing those items on an aggregated basis. This would be the case if the items are of a similar nature or function, ie they have shared characteristics. Shared characteristics often mean that the items are classified together for accounting purposes.
35. It also follows that the concepts of aggregation, disaggregation, classification and materiality are closely linked.
36. Aggregation is generally thought about within the context of adding recognised amounts together to form a **line item** on the face of the primary financial statements or in the notes. Similarly, disaggregation is generally thought about within the context of disaggregating those line items into their component parts, either on the face or in the notes. We think that the current guidance in IFRS specifically related to the aggregation and disaggregation of recognised items is sufficient (see paragraphs 6–8).

Aggregation, disaggregation and summarising information in the notes

37. The processes of aggregation and disaggregation can also be used to summarise information other than recognised items. For example:
- (a) summarising narrative disclosures about similar transactions or events (for example, an overall description of a group of similar share-based payment arrangements. Such a summary may use ranges of indicators or select common characteristics to describe the group).
 - (b) aggregation of unrecognised items/amounts.

38. In addition, a decision on whether to include information in the notes is not always about the aggregation or disaggregation of items or underlying transaction events. That decision can also relate to the broader question of the level of detail to which information is presented, ie how concisely can information be summarised or how can information be expanded in order to meet a disclosure requirement or objective. That ‘level of detail’ is ultimately a materiality judgement based on the facts and circumstances of each entity. Normally, the starting point of such judgements will be the disclosure requirements across IFRS that relate to those facts and circumstances.

39. Currently, paragraphs 30A and 31 of IAS 1 state:

30A When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates and summarises information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information ...

31 Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. ...

[underlined text reflects the amendments made by
Disclosure Initiative (Amendments to IAS 1)]

40. It is clear from paragraph 31 of IAS 1 that an entity uses its judgement in deciding what information resulting from a disclosure requirement is needed to meet that requirement. However, we also think that an entity needs to consider how much detail is necessary in meeting a particular disclosure requirement. It may be more or less detail than what is specified in the IFRS guidance.

41. For example, if an entity determines that some information about the movements in PPE over a year is material, it needs to determine what level of detail is needed to provide that information. This could mean that the entity discloses:
- (a) a full reconciliation in accordance with paragraph 73(e) of IAS 16 *Property, Plant and Equipment*, separately showing all the classes of change specified in that paragraph or more;
 - (b) a partial reconciliation (separately showing some classes of change, with the remaining changes aggregated into an ‘other’ or residual class); or
 - (c) one or two classes of changes only, without a reconciliation.
42. Another example would be the disclosures about share-based payment arrangements. In some cases, it may not be necessary to disclose all the information that is currently required by paragraphs 44–52 of IFRS 2 *Share-based Payment* for each scheme that an entity has. An entity could aggregate the similar arrangements, when appropriate, by providing a range of indicators and common characteristics that would describe the aggregated group of arrangements.
43. These two examples are in line with the guidance in recent Standards (see paragraph 8), which notes that an entity shall consider the level of detail necessary to satisfy a disclosure objective and/or requirement.
44. On the basis of our discussion in paragraphs 37–43, we think IAS 1 should include guidance that requires entities to consider the **level of detail** necessary to meet a disclosure requirement. We think that this guidance should be based on similar guidance already provided in recent Standards. We therefore recommend including in the *Principles of Disclosure* Discussion Paper proposed amendments to the materiality and aggregation section of a disclosure Standard (ie similar to IAS 1) as follows (proposed amendments underlined):

When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates and summarises information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by

aggregating material items that have different nature or functions.

Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. In addition, an entity shall consider the level of detail necessary to satisfy the disclosure requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.⁸

Question 2 for the IASB

Does the IASB agree with the staff's recommendation in paragraph 44?

⁸ A 'consolidated' version of these proposed amendments can be found in Agenda Paper 11D for this meeting, which consolidates the clarifying paragraphs to the materiality definition proposed in Agenda Paper 11B also for this meeting and the proposed amendments in this paper.

Appendix A—Extracts from IAS 1 and the 2013 *Conceptual Framework* Discussion Paper

...

29 **An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.**

30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.

30A When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

31 Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

...

54 The statement of financial position shall include line items that present the following amounts:

- (a) property, plant and equipment;
- (b) investment property;
- (c) intangible assets;
- (d) financial assets (excluding amounts shown under (e), (h) and (i));
- (e) investments accounted for using the equity method;
- (f) biological assets within the scope of IAS 41 Agriculture;
- (g) inventories;
- (h) trade and other receivables;
- (i) cash and cash equivalents;

- (j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- (k) trade and other payables;
- (l) provisions;
- (m) financial liabilities (excluding amounts shown under (k) and (l));
- (n) liabilities and assets for current tax, as defined in IAS 12 Income Taxes;
- (o) deferred tax liabilities and deferred tax assets, as defined in IAS 12;
- (p) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5;
- (q) non-controlling interests, presented within equity; and
- (r) issued capital and reserves attributable to owners of the parent.

55 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

...

57 This Standard does not prescribe the order or format in which an entity presents items. Paragraph 54 simply lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

- (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
- (b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. For example, a financial institution may amend the above descriptions to provide information that is relevant to the operations of a financial institution.

58 An entity makes the judgement about whether to present additional items separately on the basis of an assessment of:

- (a) the nature and liquidity of assets;
- (b) the function of assets within the entity; and
- (c) the amounts, nature and timing of liabilities.

59 The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that an entity presents them as separate line items. For example, different classes of property, plant and equipment can be carried at cost or at revalued amounts in accordance with IAS 16.

...

- 77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.
- 78 The detail provided in subclassifications depends on the requirements of IFRSs and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example:
- (a) items of property, plant and equipment are disaggregated into classes in accordance with IAS 16;
 - (b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;
 - (c) inventories are disaggregated, in accordance with IAS 2 Inventories, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;
 - (d) provisions are disaggregated into provisions for employee benefits and other items; and
 - (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves
- ...
- 82 In addition to items required by other IFRSs, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:
- (a) revenue, presenting separately interest revenue calculated using the effective interest method;
 - (aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;
 - (b) finance costs;
 - (ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9;
 - (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - (ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in IFRS 9);
 - (cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
 - (d) tax expense;
 - (e) [deleted]
 - (ea) a single amount for the total of discontinued operations (see IFRS 5).
 - (f)–(i) [deleted]

...

85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

...

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

- (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
- (c) disposals of items of property, plant and equipment;
- (d) disposals of investments;
- (e) discontinued operations;
- (f) litigation settlements; and
- (g) other reversals of provisions.

99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.

100 Entities are encouraged to present the analysis in paragraph 99 in the statement(s) presenting profit or loss and other comprehensive income.

101 Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms.

102 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	

Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

103 The second form of analysis is the ‘function of expense’ or ‘cost of sales’ method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X	
Cost of sales		(X)
Gross profit	X	
Other income	X	
Distribution costs		(X)
Administrative expenses		(X)
Other expenses		(X)
Profit before tax	X	

104 An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

105 The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable and more relevant. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, ‘employee benefits’ has the same meaning as in IAS 19.

106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
- (c) [deleted]

- (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:
- (i) profit or loss;
 - (ii) other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

106A For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).

Extract from the *Conceptual Framework Discussion Paper*

Classification and aggregation

- 7.20 A key aspect of financial statement presentation is effective communication and making information understandable. Classifying, characterising and presenting information clearly and concisely makes it understandable (see paragraph QC30 of the existing Conceptual Framework).
- 7.21 Classification is the sorting of items based on shared qualities. Aggregation involves the adding together of individual items within those classifications. To present information in the primary financial statements that is understandable, an entity classifies and aggregates information about recognised elements and presents it on a summarised basis.
- 7.22 As indicated in paragraph 7. 21, the main advantage of aggregation is that it allows an entity to disclose its activities in an understandable way. Aggregation allows an entity to highlight those items, and relationships between items, that are important to an assessment of its financial position and financial performance.
- 7.23 Applied appropriately, aggregation can make primary financial statements more understandable by summarising a large volume of information. However, aggregating information results in the loss of detailed information. Applied inappropriately, aggregation can obscure useful information or even result in misleading information, for example, when dissimilar items are aggregated. Consequently, financial statements should aggregate information so that useful

information is not obscured by either the inclusion of a large amount of insignificant detail or by the aggregation of items that have different characteristics.