

STAFF PAPER

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IASB Meeting

Project	Performance reporting		
Paper topic	Project considerations		
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Introduction

1. The performance reporting project was added to the research programme last year. Now that the Conceptual Framework and Disclosure Initiative have evolved we have a better idea of how we should set the scope for the performance reporting project. For example, we decided earlier this year to move the cash flow work being undertaken by staff of the UK FRC into performance reporting.
2. At this session (which is part of the general research update) I want to advance our thinking a little on this project. We do not have any staff allocated to the project, but will do so as we get feedback from the IASB.
3. Apart from seeking general feedback on the issues identified in this paper, I have one question about the title of the project. I am recommending that it be renamed *Primary Financial Statements*.

Background

4. Paper 8B(ii) is a summary paper describing how the Performance Reporting project relates to the Disclosure Initiative, the *Conceptual Framework for Financial Reporting* ('*Conceptual Framework*') project and the previous Financial Statement Presentation project (which was suspended in 2010). It has been prepared by Denise Durant, and should provide IASB members some essential background material.

Title

5. I recommend that the project title be changed to ‘Primary Financial Statements’. It is now clear that the Disclosure Initiative will not specify the content or structure of the primary financial statements. We plan to leave the existing line-item requirements in IAS 1 *Presentation of Financial Statements*. Specifying or defining components of the income statement, statement of financial position and statement of movements in equity are all seen by the Disclosure Initiative as broader issues that should be addressed in the *performance reporting* project.
6. It is clear that it is difficult answering questions about the structure and content of the income statement and cash flows without also thinking about the other primary financial statements. Hence, we should consider the content and structure of the statement of financial position as part of the project.
7. To ensure that the scope of the project is not seen to be limited to just the income statement the more general term *primary financial statements* is, in my view, more appropriate. I also think this reflects the way the disclosure initiative has developed a view of the role of the primary financial statements. We are establishing an objective for the collective set of primary financial statements, but we do not have a clear objective for each individual statement. We know that this is an issue, particularly for the statement of cash flows.
8. Accordingly, I would describe the project as an examination of the purpose, structure and content of the primary financial statements, including the relationship between the individual statements.

Questions we should consider

9. As a result of the work being undertaken on the disclosure initiative and CF, and the earlier work on Financial Statement Presentation, I have identified some questions we should at least think about. They are documented here because we will eventually need to make a decision whether to address the issues or exclude them. It is not intended to be a definitive list of the issues we will address.

10. The questions are:
- (a) What is the purpose of each of the primary financial statements? For example, What is the purpose of the Statement of Cash Flows? Is it a statement that complements the Income Statement, or is it a statement that provides an analysis of the liquidity of the entity?
 - (b) How much detail should each primary financial statement have specified as a ‘minimum’.
 - (c) Should the IASB specify any ‘structure’ for the primary financial statements?
 - (d) Should the IASB define performance metrics such as operating income?
 - (e) Which summary performance measures should be defined by the IASB and which should be left to management?
 - (f) Should the IASB develop application examples (part of the mandatory requirements) or illustrative examples (not part of the mandatory requirements) for specific industries?
 - (g) Should the IASB define ‘performance’ or should entities define their own notion of performance?
 - (h) Should the IASB prescribe a format (sections and categories) for the statement of profit or loss and OCI?
 - (i) Should the IASB prescribe key lines in the financial statements? Which are the key lines in the financial statements according to your view?
 - (j) Should the IASB re-open the discussion on the distinction between profit or loss and OCI? Should the IASB do more work on OCI and recycling?

Feedback

Do IASB members have any comments or concerns about these issues? Are there additional questions that should at least be considered as potential questions for the project?

Staff recommendation

Recommendation

I recommend that the title of the project be changed to *Primary Financial Statements* and that the project is described as an examination of the purpose, structure and content of the primary financial statements, including the relationship between the individual statements.

Does the IASB agree?