The Financial Accounting Standards Board (FASB) is an independent standard-setting body of the Financial Accounting Foundation, a not-for-profit corporation. The FASB is responsible for establishing Generally Accepted Accounting Principles (GAAP), standards of financial accounting that govern the preparation of financial reports by public and private companies and not-for-profit organizations in the United States and other jurisdictions. For more information visit www.fasb.org

This paper has been prepared by the staff of the FASB for informational purposes only. Views or opinions expressed by the FASB staff do not necessarily reflect the views of the FASB, nor are they considered authoritative. Official positions of the FASB are arrived at only after extensive due process and deliberation.

Purpose of This Memo

1. The FASB staff has been asked to provide an update on the research it has performed in the Financial Performance Reporting (FPR) project. The project currently is on the FASB’s research agenda and no technical decisions have been made.

2. The scope of the FPR project involves two main areas of research: (a) disaggregation of performance information and (b) structuring the income statement. Appendix A of this cover memo illustrates these workstreams and the alternatives associated with each.

3. The accompanying memorandums summarize the alternatives researched on the two workstreams:

(a) Memo 28A, Topic 1: FASB Research – Disaggregation of Performance Information

(b) Memo 28B, Topic 2: FASB Research – Structure of the Performance Statement.
4. The views of staff and FASB members expressed in the accompanying memos are based largely on our exploration of these alternatives. No technical decisions have been reached on the alternatives or paths forward.

**Next Steps**

5. In August 2016, the FASB issued the Invitation to Comment (ITC), *Agenda Consultation*, for public comment. The ITC invited feedback on four chapters identifying potential major financial reporting areas in need of improvement, including performance reporting. The FASB plans to use the feedback received to set the direction for the FPR project.

6. In February 2017, the FASB met to consider the comment letter and feedback summaries and asked the staff to identify areas of dependency with the Conceptual Framework project.

7. Accordingly, our immediate next steps for the FPR project are to provide analyses of the issues related to structuring the income statement and disaggregation of performance information and interactions with the Conceptual Framework.
Appendix A: Financial Performance Reporting Project Workstreams

Objective of Financial Reporting
To provide information that is useful to investors and others in making decisions about providing resources to the entity and the return they expect from an investment. The information should help them make assessments about amounts, timing, and uncertainty of the prospects of future net cash flows to an entity.

Objective of This Project
To improve the relevance of information contained in the Performance Statement

Specific Objective of the Work Streams
To enhance the display of earnings components that are useful in predicting future net cash flows

Predictive Value

Perceived Problem
Stakeholders have said that organizing the performance information within the income statement would improve the understanding of both the individual lines and the information as a whole.

Perceived problem
Users have said that performance information is aggregated into a few primary lines and that they would prefer greater transparency of items that are useful for making predictions of future earnings.

Work Stream 1 - Structuring the income statement
Organizing revenues, expenses, gains and losses into structured categories

Work Stream 2 - Disaggregation
Distinguishing and identifying different lines

Aggregation process and characteristics to aggregate earnings
Discussed in Memo 28A

Natural Lines
Functional Lines

Operating/Nonoperating
Discussed in Memo 28B

Frequency of Occurrence
Discussed in Memo 28A

Remeasurements
Not discussed in memos

Minimum Lines
Discussed in Memo 28A

Disaggregate Functional Lines into Natural Components
Discussed in Memo 28A