IFRS®
Accounting

April 2024

Feedback Statement

IFRS® Accounting Standards

IFRS 18 *Presentation and Disclosure in Financial Statements*

Introduction

This Feedback Statement outlines matters raised by stakeholders on the Primary Financial Statements project and the International Accounting Standards Board's (IASB) responses.

The IASB issued IFRS 18 in April 2024. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and sets out presentation and disclosure requirements for financial statements. The objective of IFRS 18 is to improve communication of financial information in the financial statements, particularly the statement of profit or loss.

To meet this objective, IFRS 18 introduces:

- defined subtotals in the statement of profit or loss;
- disclosures about management-defined performance measures; and
- enhanced requirements for grouping of information (aggregation and disaggregation) in the financial statements.

IFRS 18 was developed using stakeholder feedback on the Exposure Draft *General Presentation and Disclosures* (Exposure Draft), published in December 2019. The Exposure Draft responded to the demand from stakeholders, particularly users of financial statements (referred to as 'investors' in this document), for the IASB to introduce requirements improving performance reporting.

A nine-month consultation period followed the publication of the Exposure Draft. During that period the IASB held 139 events with stakeholders from jurisdictions around the world. Fifty companies from Europe, Asia and the Americas also participated in fieldwork to understand the effects of the requirements on participants' financial statements. The IASB received more than 200 comment letters on the Exposure Draft proposals.

The IASB discussed 80 technical staff papers related to the feedback and issues identified in the redeliberations in a series of public IASB meetings from December 2020 to November 2023.

The technical staff consulted the IASB's advisory bodies in 23 meetings during this period. The IASB also conducted 37 meetings with stakeholders on a selection of its tentative decisions to assess whether they would function as intended.

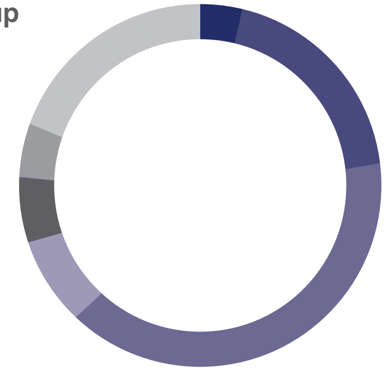
This Feedback Statement summarises the proposals in the Exposure Draft, the feedback on the proposals and the IASB's responses. Like all Standards issued by the IASB, IFRS 18 has undergone rigorous and transparent due process to capture and integrate feedback from a wide range of stakeholders around the world.

Exposure Draft and feedback

The IASB published the Exposure Draft for public comment in December 2019. The IASB received a diverse set of perspectives from stakeholders from many regions and backgrounds.

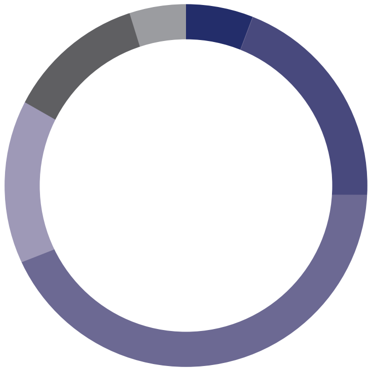
Table 1: Comment letter respondents by stakeholder group and region

Stakeholder group



3%	Academia
18%	Accounting and auditing practitioners
43%	Companies
9%	Individuals
6%	Investors
5%	Policymakers and regulators
16%	Standard-setters

Region



6%	Africa
19%	Asia-Oceania
43%	Europe
16%	Global (mix of regions)
11%	North America
5%	Latin America

Between January and October 2020, the IASB and staff participated in 139 events with stakeholders from various jurisdictions globally and met with 32 individual or groups of investors to discuss feedback on the Exposure Draft.

Feedback from comment letters included:

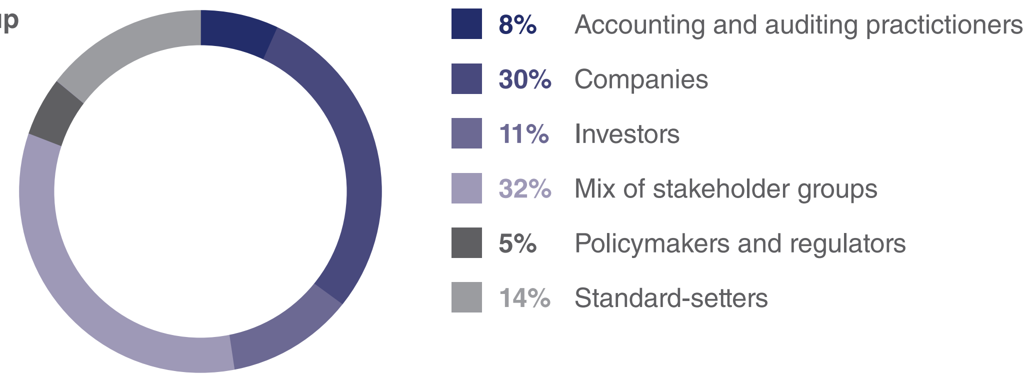
- general agreement with the proposals for categories, subtotals, management-defined performance measures and general requirements on grouping (aggregation and disaggregation) of information;
- application questions raised on aspects of the main proposals, including classification of income and expenses in the financing category;
- conceptual and operational challenges on the proposals on integral and non-integral associates and joint ventures and unusual income and expenses;
- cost concerns on the proposals for disclosure of operating expenses by nature, tax disclosure for management-defined performance measures and classification of foreign exchange differences in the statement of profit or loss; and
- concerns about the operational challenges of presenting operating expenses by nature or by function only.

Targeted outreach and feedback

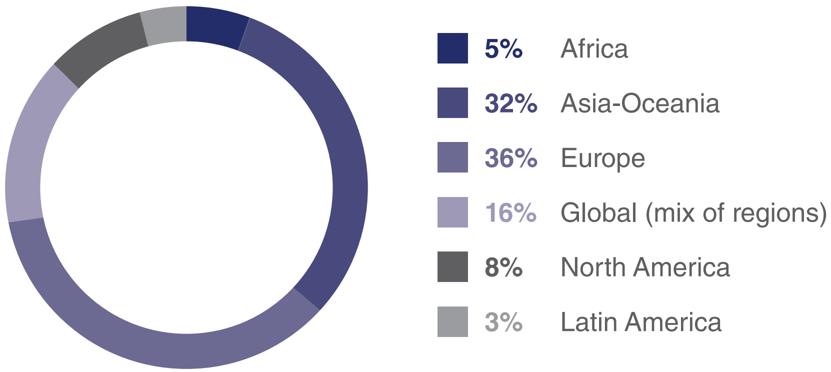
From October to December 2022, the IASB sought feedback on selected changes to proposed requirements in the Exposure Draft. The IASB, alongside members of the Accounting Standards Advisory Forum, organised discussions with stakeholders to obtain their views on these changes to the proposed requirements in the Exposure Draft.

Table 2: Targeted outreach stakeholder groups and regions

Stakeholder group



Region



The IASB sought feedback on selected changes to the proposed requirements in the Exposure Draft related to subtotals in the statement of profit or loss, management-defined performance measures, disclosure of operating expenses by nature and unusual income and expenses.

Feedback included broad agreement on:

- the direction of redeliberations responding to feedback on the Exposure Draft;
- the approach to classifying income and expenses in the financing category, but comments that application guidance would be helpful;
- the rebuttable presumption and simplified tax calculation for management-defined performance measures, but comments that further application guidance would be helpful;
- the disclosure of depreciation, amortisation, employee benefits, impairments and write-downs of inventories included in each function line item in the statement of profit or loss; and
- the withdrawal of proposals on unusual income and expenses.

Feedback included mixed views on classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category.

Contents

1–Structure of the statement of profit or loss

Proposal	Feedback	Response
1.1—Subtotals and categories The Exposure Draft proposed requiring a company to present new subtotals in the statement of profit or loss, for: • operating profit or loss; • operating profit or loss and income and expenses from integral associates and joint ventures; and • profit or loss before financing and income taxes. When applying these proposed new subtotals, a company would present income and expenses in the statement of profit or loss in defined categories: • operating; • integral associates and joint ventures; • investing; • financing; • income taxes; and • discontinued operations.	Most stakeholders agreed with the proposals to introduce defined subtotals in the statement of profit or loss for operating profit and profit before financing and income taxes. These stakeholders said the subtotals could result in useful information and improve the comparability of companies' financial performance. However, some stakeholders were concerned about the proposed labels for the categories in the statement of profit or loss. These stakeholders said it was confusing for those categories to share the same labels as the categories in the statement of cash flows. Stakeholders were also concerned about: • the requirements for separating information about integral and non-integral associates and joint ventures (see Section 2). • the requirement to present a subtotal of operating profit or loss and income and expenses from integral associates and joint ventures.	The IASB confirmed that IFRS 18 requires a company to present subtotals for: • operating profit or loss; and • profit before financing and income taxes (for most companies). The IASB also confirmed that IFRS 18 requires that a company present income and expenses in separate operating, investing and financing categories, and that the content of these categories differs from those in the statement of cash flows. Investors need different information from the statement of profit or loss and the statement of cash flows. The IASB prioritised the objectives of each of the primary financial statements over alignment between these statements. The information in the statement of profit or loss therefore fulfils investor needs for information about a company's financial performance in that statement. However, the IASB did not proceed with the proposed requirement to present operating profit and income and expenses from integral associates and joint ventures and the other requirements related to integral and non-integral associates and joint ventures (see Section 2). Instead, a company will present the subtotal 'operating profit or loss and income and expenses from investments accounted for using the equity method', if doing so is necessary to provide a useful structured summary of the company's income and expenses.

Proposal	Feedback	Response
1.2—Operating category The Exposure Draft proposed excluding income and expenses classified in other categories from the operating category. Consequently, the operating category is the default category and includes all income and expenses from a company's main business activities and those that arise from its operations (see Section 1.5 for companies that invest or provide financing to customers as a main business activity).	Many stakeholders agreed with the proposal to define the operating category as the default category. Some respondents disagreed, preferring a direct definition because a direct definition would provide investors with more focused information about a company's operating profit measure. In their view, operating profit should not include unusual or volatile income and expenses, or income and expenses not arising from a company's main business activities. Some stakeholders suggested a definition of 'operating profit' that would reflect a company's 'core earnings' or its 'normalised earnings'.	The IASB confirmed that in IFRS 18 the operating category is the default category that excludes income and expenses classified in the other categories in the statement of profit or loss. The IASB also confirmed that in IFRS 18 the operating category: • comprises all income and expenses arising from a company's operations, regardless of whether they are volatile or unusual in some way; and • includes, but is not limited to, income and expenses from a company's main business activities. The IASB acknowledged the varied views about operating profit, reflecting that the term had been used with different meanings. However, the IASB concluded that: • it would be difficult to develop a direct definition of 'operating profit' that would be appropriate for all companies and could be applied consistently; • it would be more difficult and costly for a company to apply a direct definition of operating profit because doing so would likely require significant judgement; and • a direct definition of 'operating profit' would result in less consistent classification of operating expenses because it might exclude some items that would otherwise be included if the operating category is the default category. Investors had emphasised the importance of having an operating profit subtotal in the statement of profit or loss that provides a consistent starting point for their analyses and is generally comparable between entities. The approach decided by the IASB is expected to achieve this objective.

Proposal	Feedback	Response
1.3—Investing category The Exposure Draft proposed that the investing category include returns from investments. Returns from investments are income and expenses from assets that generate a return individually and largely independently of a company's other resources. The Exposure Draft also proposed the investing category include related incremental expenses.	Many stakeholders agreed with the proposal for the investing category. Some respondents disagreed and said the definition of the investing category was not robust enough. A few stakeholders also expressed concerns about including incremental expenses in the investing category, specifically that including ongoing incremental expenses in the investing category might result in inconsistent application, and developing application guidance to address this could have unintended consequences for other IFRS Accounting Standards.	The IASB decided to require a company that does not invest in assets as a main business activity to classify in the investing category income and expenses from: • investments in associates, joint ventures and unconsolidated subsidiaries (see Section 2); • cash and cash equivalents (see Section 1.4); and • other assets that generate a return individually and largely independently of the company's other resources. For these assets, the IASB decided to require a company to classify in the investing category: • the income generated by the assets; • the income and expenses that arise on the initial and subsequent measurement of the assets, including derecognition of the assets; and • the incremental expenses directly attributable to the acquisition and disposal of the assets, for example transaction costs and costs to sell the assets. The IASB thinks the revised and narrowed approach to classification of expenses will achieve more consistent classification. While not all expenses related to investments will be classified in the investing category, returns from investments that are not a part of a company's main business activities are presented separately from its operations.

Proposal	Feedback	Response
1.4—Financing category The Exposure Draft proposed that the financing category include: • income and expenses from cash and cash equivalents; • income and expenses on liabilities arising from financing activities; and • interest income and expenses on other liabilities—for example, the unwinding of discounts on pension liabilities and provisions. The IASB based these proposals on a proposed definition of 'financing activities'. The IASB proposed to define 'financing activities' as activities involving the receipt or use of a resource from a provider of finance with the expectation that: • the resource will be returned to the provider of finance; and • the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.	Stakeholders raised questions about the proposed definition of 'financing activities', such as the meaning of the terms 'provider of finance' and 'finance charge'. Some stakeholders expressed concerns about classifying income and expenses from cash and cash equivalents in the financing category, saying that: • cash and cash equivalents might not be an appropriate proxy for excess cash and temporary investments of excess cash; • cash and cash equivalents might be assets that generate returns individually and largely independently of a company's other resources; and • the financing category would be simpler to understand if it included only income and expenses from liabilities.	The IASB did not proceed with the proposed definition of 'financing activities' because responding to stakeholders' questions would have involved the consideration of issues beyond the project's scope. Instead, IFRS 18 requires a company to classify in the financing category: • income and expenses from liabilities that arise from transactions that involve only the raising of finance; and • interest income and expenses from other liabilities. The IASB decided that requiring a company to classify income and expenses by type of liability is a simpler way of facilitating investors' analyses of a company's performance independently of how it is financed. As a result, IFRS 18 distinguishes between liabilities that arise from transactions that involve only the raising of finance (such as corporate bonds and bank loans) and other liabilities (such as lease liabilities and pension liabilities). In response to stakeholders' concerns, the IASB decided that IFRS 18 requires a company to classify income and expenses from cash and cash equivalents in the investing category instead of the financing category.

Proposal	Feedback	Response
1.5—Companies with specified main business activities The Exposure Draft proposed that the operating category include: • income and expenses from investments made through a company's main business activities; and • income and expenses from financing activities and from cash and cash equivalents, if the company provides financing to customers as a main business activity.	Most stakeholders agreed with the proposals. However, some stakeholders said additional guidance would be necessary to achieve consistent application and comparability, including guidance on what business activities qualify as 'specified main business activities'.	The IASB confirmed the proposals in the Exposure Draft. In response to stakeholder feedback, the IASB decided to provide application guidance to help a company assess whether it invests in assets or provides financing to customers as a main business activity. This assessment is based on evidence such as whether the company uses important indicators of operating performance, such as net interest income, to explain operating performance externally or to monitor operating performance internally.

2–Integral and non-integral associates and joint ventures

Proposal	Feedback	Response
2—Integral and non-integral associates and joint ventures The Exposure Draft proposed definitions for 'integral associates and joint ventures' and 'non-integral associates and joint ventures'. The Exposure Draft also proposed requirements for a company to classify its associates and joint ventures as either integral or non-integral to the company's main business activities. Under these requirements, a company would have been required: • to classify income and expenses from integral associates and joint ventures in a separate category; • to present a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures; • to present cash flows from investments in integral and non-integral associates and joint ventures separately, in cash flows from investing activities in the statement of cash flows; • to present investments in integral and non-integral associates and joint ventures separately, in the statement of financial position; and • to separately disclose information required by IFRS 12 *Disclosure of Interests in Other Entities* for integral and non-integral associates and joint ventures in the notes.	Stakeholders raised concerns about separating information about integral and non-integral associates and joint ventures. For example, many investors said the proposed subtotal 'operating profit or loss and income and expenses from integral associates and joint ventures' and the distinction between integral and non-integral associates and joint ventures would not provide useful information. Stakeholders raised further concerns about the difficulty in applying the definition of 'integral' and 'non-integral' associates and joint ventures. The fieldwork also indicated difficulties in applying these proposed requirements. Most investors agreed that the share of profit or loss from all associates and joint ventures accounted for using the equity method should be excluded from operating profit. However, some stakeholders thought a company conducting day-to-day business operations through an associate or joint venture should classify its income and expenses in the operating category. Other stakeholders suggested that insurers classify such income and expenses in the operating category because those income and expenses can be part of a subtotal 'net financial result', which is an important indicator of an insurer's operating performance.	The IASB decided not to proceed with the proposal to require a company to distinguish between integral and non-integral associates and joint ventures and the related subtotal in the statement of profit or loss. IFRS 18 requires a company to classify all income and expenses from associates and joint ventures accounted for using the equity method in the investing category. Classification of such income and expenses in the investing category provides investors with a consistent starting point for analysis. Investors said they analyse results from these associates and joint ventures separately because: • the share of profit or loss is a net result, after financing and income tax; • including the share of profit or loss in operating profit would distort operating profit margins; and • associates and joint ventures are not controlled by the company. A company is permitted to present additional subtotals representing operating profit and income and expenses from associates and joint ventures accounted for using the equity method. The IASB also provided transitional requirements that would allow an eligible company (such as some insurers) to change its election for measuring investments in associates and joint ventures from the equity method to fair value through profit or loss when it first applies IFRS 18.

3–Management-defined performance measures

Proposal	Feedback	Response
3.1—Definition The Exposure Draft proposed a definition of 'management-defined performance measures' (referred to as 'management performance measures' in the Exposure Draft) and a requirement for a company to disclose information about them in a single note. The Exposure Draft defined 'management-defined performance measures' as subtotals of income and expenses that: • are used in public communications outside the financial statements; • complement totals or subtotals specified by IFRS Accounting Standards; and • communicate management's view of an aspect of a company's financial performance to investors.	Many stakeholders said the definition of 'management-defined performance measures' should include measures other than subtotals of income and expenses—for example, subtotals of assets and liabilities or cash flow measures. These stakeholders said that including such additional measures in the definition would also lead to more transparent disclosures for these measures. Some stakeholders raised concerns that 'public communications' was not defined and could be interpreted widely, making it difficult for a company and its auditors to identify all measures a company communicates publicly. Stakeholders said monitoring oral statements, transcripts of oral statements and social media posts would be particularly challenging. Some stakeholders were concerned about how difficult it might be to assess whether a measure communicates management's view of financial performance. Other stakeholders said it was unclear whether a measure used in public communications outside financial statements that did not reflect management's view would meet the definition of a management-defined performance measure.	The IASB decided against expanding the definition of 'management-defined performance measures' beyond subtotals of income and expenses. The work required to do so would have gone beyond the scope of this project's focus on reporting of financial performance in the statement of profit or loss. In response to stakeholders' concerns, the IASB decided that IFRS 18 excludes oral statements, transcripts of oral statements and social media posts from the scope of public communications. The IASB expects overlap between public communications within the scope of IFRS 18 and information included in oral statements, transcripts of oral statements and social media posts. Because of the overlap, the risk of a company excluding measures that would otherwise meet the definition of a 'management-defined performance measure' is low. The IASB decided that IFRS 18 requires a company to presume that a subtotal of income and expenses used in public communications outside financial statements communicates management's view. A company is allowed to rebut this presumption if it has reasonable and supportable information to support its rebuttal.

<table>
<tr><th>Proposal</th><th>Feedback</th><th>Response</th></tr>
<tr><td>3.2—Disclosure

The Exposure Draft proposed requiring a company to disclose information about management-defined performance measures, including:
a reconciliation to the most directly comparable total or subtotal in IFRS Accounting Standards;
the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation; and
information about changes to management-defined performance measures.</td><td>Most respondents agreed with most of the IASB’s proposed disclosure requirements. Many respondents, especially investors, said the requirement to reconcile management-defined performance measures to the most directly comparable total or subtotal in IFRS Accounting Standards would increase the transparency and usefulness of information about these measures.

Some companies were concerned that disclosure of the income tax effect for individual adjustments might be overly complex and costly.

Some respondents, particularly investors, agreed with the proposed requirement to disclose changes to a management-defined performance measure, including an explanation of the change and a restatement of comparative information. A few respondents, mostly companies, disagreed with this proposed requirement.</td><td>The IASB confirmed the requirements for a company to disclose a reconciliation and information about changes to management-defined performance measures. However, in response to concerns from companies, the IASB decided to lower the costs of preparing disclosures about the income tax effect by including a simplified approach for calculating the income tax effect of the reconciling items. The IASB expects this simplified approach to balance the needs of investors with costs to companies.</td></tr>
</table>

4–Grouping of information

Proposal	Feedback	Response
4.1—Roles of the primary financial statements and the notes The Exposure Draft proposed defining the roles of the primary financial statements and the notes. The Exposure Draft defined the role of the primary financial statements as providing a structured and comparable summary of a company's recognised assets, liabilities, equity, income, expenses and cash flows. This summary was proposed as being useful for: • obtaining an overview of such assets, liabilities, equity, income, expenses and cash flows; • comparing companies, and comparing reporting periods for the same company; and • identifying items or areas about which investors might seek additional information in the notes. The role of the notes was proposed as being to: • provide further information necessary for investors to understand the items included in the primary financial statements; and • supplement the primary financial statements with other information necessary to meet the objective of the financial statements.	Most respondents agreed with the proposed roles of the primary financial statements and the notes. Some stakeholders suggested that the IASB consider how a company's judgements in determining whether information is material affect how the company judges whether to provide information in the primary financial statements or in the notes.	The IASB decided the role of the primary financial statements is to provide useful structured summaries of a company's assets, liabilities, equity, income, expenses and cash flows. The IASB confirmed the role of the notes is as set out in the Exposure Draft. The IASB decided to clarify that the materiality requirements apply equally to all requirements to present or disclose information in the financial statements. The roles of the primary financial statements and the notes help a company determine which information is presented in the primary financial statements and which information is disclosed in the notes. Consequently, the IASB concluded that a company need not present line items in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if that line item is required by IFRS Accounting Standards. However, if information about such an item is material, a company will be required to disclose that item in the notes.

Proposal	Feedback	Response
4.2—Grouping of information (aggregation and disaggregation) The Exposure Draft proposed principles and requirements for the grouping (aggregation and disaggregation) of information—applicable both to presentation in the primary financial statements and disclosures in the notes. The principles proposed a company classify assets, liabilities, equity, income and expenses into groups based on shared characteristics and separate the items in those groups based on further characteristics, as set out in other IFRS Accounting Standards. The Exposure Draft also clarified that using a non-descriptive label such as 'other' to describe a group of immaterial items that do not share characteristics would not faithfully represent those items. The Exposure Draft proposed application guidance to help companies avoid the use of the label 'other' and required disclosure of additional information when the label 'other' could not be avoided.	Many stakeholders agreed with the proposals on principles of aggregation and disaggregation. However, some stakeholders raised a concern that the proposed requirement for items labelled 'other' might require companies to disclose immaterial information and clutter the financial statements. Investors also said understanding how amounts disclosed in the notes relate to line items in the primary financial statements is important for them. Some stakeholders suggested a specific disaggregation threshold, such as a mandatory quantitative threshold. These stakeholders said that without a quantitative threshold, the proposals could lead to disclosure of immaterial information.	The IASB decided to include in IFRS 18 principles and requirements for aggregation and disaggregation, updating them to reflect its decisions on the roles of the primary financial statements and the notes and including application guidance on the use of characteristics. The IASB decided to state the purpose of disaggregation more clearly in IFRS 18 and to strengthen its application, emphasising that a single dissimilar characteristic would be sufficient to require disaggregation of an item if the resulting information were material. The IASB decided to include in IFRS 18 application guidance on determining a more informative label than 'other' including using a label that is as precise as possible—for example 'other *operating* expenses'. The IASB clarified that a company is not required to disclose immaterial information, but if an item labelled as 'other' is sufficiently large that an investor might reasonably question what it includes, additional information to resolve that question would be material information. The IASB also decided to require a company to disclose the line items in the primary financial statements in which amounts disclosed in the notes are included. The IASB decided that IFRS 18 does not set a quantitative threshold for disaggregation. The IASB concluded that it would not be feasible to set a consistent threshold that would result in material information being provided by all companies. Whether (and what) disaggregated information would be material depends on each company's specific facts and circumstances.

Proposal	Feedback	Response
4.3—Presentation of operating expenses The Exposure Draft proposed requiring a company to present, in the statement of profit or loss, an analysis of operating expenses using either the nature of expense method or the function of expense method. The Exposure Draft proposed a company choose the method that would provide the most useful information to investors. The Exposure Draft proposed factors for a company to consider when deciding which method of operating expense analysis to use.	Some stakeholders agreed with the proposal in the Exposure Draft. They said that allowing a company to analyse operating expenses by both nature and function (a 'mixed presentation') would make it difficult to compare companies' financial statements. However, many stakeholders raised concerns about prohibiting a mixed presentation. In their view, prohibiting a mixed presentation: • would prevent companies from presenting useful information in the statement of profit or loss; and • would be inconsistent with the IASB's decision to retain from IAS 1 the list of line items to be presented in the statement of profit or loss, some of which are expenses classified by nature (for example, impairments). If a company classifies expenses by function, the presentation of those listed items would result in a mixed presentation. Some stakeholders raised concerns about diversity in the costs included in the line item 'cost of sales', which they said could be resolved if the IASB developed a definition of 'cost of sales'.	The IASB decided against prohibiting a mixed presentation, as it might also prevent a company from presenting operating expenses in a way that provides the most useful structured summary. Instead, it decided to provide additional application guidance to improve comparability and help ensure information is faithfully represented if a company classifies some operating expenses by nature and some by function. The IASB also decided to include in IFRS 18 application guidance on determining which line items to present by nature and which to present by function. The IASB concluded that it would be difficult to develop a definition of 'cost of sales' within a reasonable timeframe. Developing a definition could also have unintended consequences for the application of IAS 2 *Inventories*. Consequently, the IASB decided not to develop a definition of 'cost of sales'. However, the IASB decided to require a company that presents cost of sales to include in that line item inventory expense (as described in IAS 2), which would reduce diversity in the costs included in cost of sales and improve comparability.

Proposal	Feedback	Response
4.4—Disclosure of specified expenses by nature The Exposure Draft proposed requiring a company that presents an analysis of operating expenses using the function of expense method in the statement of profit or loss to disclose, in a single note, an analysis of its total operating expenses using the nature of expense method.	Companies said requiring a company that presents expenses by function to disclose an analysis of all its operating expenses using the nature of expense method could be overly complex and costly. For example, a company might not track all operating expenses classified by nature, or information about operating expenses by nature might be lost in the consolidation process. Companies said obtaining the information at the reporting-entity level would require fundamental changes to their reporting systems. Feedback from investors indicated that information about the amounts of employee benefits, depreciation, amortisation, impairments and write-downs of inventories included in each line item in the operating category is generally useful, regardless of the industry in which the company operates. Companies said that providing disaggregated information about those specific expenses would not be as costly as the Exposure Draft proposals. Feedback from companies indicated that it might be unduly costly to determine the amounts that were recognised in the statement of profit or loss during the period for these specific expenses.	The IASB decided to require a company, when line items are presented by function, to disclose in a single note the amount related to each line item in the operating category for: • depreciation; • amortisation; • employee benefits; • impairments within the scope of IAS 36 *Impairment of Assets*; and • write-downs of inventories. A company is also required to disclose, in the same note, the total of these specified expenses by nature and a list of any line items presented outside of the operating category that include amounts related to the total. The IASB concluded that information about these specific expenses would result in a better cost–benefit balance than the Exposure Draft proposals. Limiting the requirement to these items reduces costs for companies while providing information investors said is useful. In response to companies' feedback, the IASB also decided that IFRS 18 states that the amounts required to be disclosed do not have to be expense amounts. If the amounts disclosed include amounts recognised as part of the carrying amount of an asset, a company is required to give a qualitative explanation of that fact and identify the assets involved.

Proposal	Feedback	Response
4.5—Unusual income and expenses The Exposure Draft proposed introducing a definition of 'unusual income and expenses' and a requirement for a company to disclose unusual income and expenses in a single note. The Exposure Draft also proposed application guidance to help a company identify income and expenses that might meet the definition of unusual income and expenses.	Most stakeholders agreed that the IASB should define 'unusual income and expenses'. However, most disagreed with the proposed definition, either because of concerns about the scope of the items captured, or the inherent subjectivity in what kinds of income and expenses would be considered 'unusual'. Stakeholders had differing views on how the IASB should define 'unusual income and expenses'. Further discussions with stakeholders on alternative definitions did not resolve the diversity in views, which were expressed by all types of stakeholders, including investors.	The IASB decided not to proceed with any definitions or specific requirements for 'unusual income and expenses'. However, this decision does not change the IASB's view that information about unusual income and expenses is useful to investors. The IASB expects that other requirements in IFRS 18 will improve the disclosure of information about unusual income and expenses, such as: • the requirements relating to the disaggregation of items with dissimilar characteristics; • the requirement to describe items using labels that faithfully represent the characteristics of those items; and • the requirement to disclose information about management-defined performance measures, if income and expenses that could be considered unusual are adjusting items when a company calculates its management-defined performance measures.

5–EBITDA

Proposal	Feedback	Response
5—EBITDA The Exposure Draft did not propose defining 'earnings before interest, tax, depreciation and amortisation' (EBITDA) in IFRS 18. The IASB considered, but rejected, describing operating profit or loss before depreciation and amortisation as 'EBITDA'. However, the IASB proposed to make an exemption from the disclosure requirements for management-defined performance measures for a subtotal calculated as operating profit or loss before depreciation and amortisation.	Most respondents, including most investors, agreed with the IASB's proposal not to define EBITDA. These respondents said they agreed there was no consensus on what EBITDA represents and that it is not applicable to some industries. Some respondents, including some investors, disagreed with the proposal, saying the IASB should define EBITDA because it is a widely-used measure that would benefit from a clear definition.	The IASB decided that a measure calculated as operating profit or loss before depreciation, amortisation and impairments within the scope of IAS 36 *Impairment of Assets* provides similar information to many of the EBITDA measures that companies already provide. The IASB added impairments within the scope of IAS 36 to the definition of the measure in response to feedback that this would be closer to EBITDA measures already provided by companies. The IASB decided to include operating profit or loss before depreciation, amortisation and impairments within the scope of IAS 36 in the list of subtotals that are not management-defined performance measures.

6–Statement of cash flows

Proposal	Feedback	Response
6.1—Starting point for reporting operating cash flows The Exposure Draft proposed requiring a company to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.	Many stakeholders did not comment on this particular proposal. Of those who did comment, many agreed with the proposal, saying it would result in a consistent presentation that would enhance comparability between companies.	The IASB confirmed that IFRS 18 requires a company to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities.
6.2—Classification of dividend and interest cash flows The Exposure Draft proposed reducing the presentation alternatives currently permitted by IAS 7 *Statement of Cash Flows*, and requiring a company to classify, in the statement of cash flows: • dividends paid as cash flows from financing activities; • interest paid as cash flows from financing activities, including interest recognised as part of the cost of an asset (in accordance with IAS 23 *Borrowing Costs*); and • interest and dividends received as cash flows from investing activities. The Exposure Draft proposed that a company with specified main business activities classify dividends received, interest paid and interest received in a single category of the statement of cash flows—as cash flows from operating, investing or financing activities.	Many stakeholders, particularly investors, agreed with the proposals for the classification of interest and dividend cash flows. Some stakeholders were concerned about the lack of alignment between the statement of cash flows and the statement of profit or loss. Some stakeholders said the IASB should undertake a comprehensive review of IAS 7 as a separate project. These stakeholders said improvements are needed on topics including the alignment with the statements of profit or loss and financial position, how a statement of cash flows should be presented for entities that provide financial services, the definition of cash and cash equivalents and how to determine free cash flows.	The IASB decided to retain most of the proposals in the Exposure Draft but decided to require a company to classify dividends received from associates and joint ventures accounted for using the equity method (see Section 2) in the same way as the requirements for other dividends received. The IASB recognised demand for a comprehensive review of IAS 7 but decided that such work is outside the scope of this project. The IASB added a project on the statement of cash flows and related matters to its research pipeline through the Third Agenda Consultation.

7–Effective date and transition requirements

Proposal	Feedback	Response
7.1—Effective date The Exposure Draft proposed requiring companies to apply IFRS 18 for annual reporting periods beginning on or after 18–24 months from the date of issuing the Standard. The Exposure Draft proposed this effective date because: • the proposals affect presentation and disclosures and should be more straightforward to implement than changes affecting recognition and measurement; and • 18–24 months would allow enough time for companies to make any necessary updates to their systems, collect the information required to restate comparative periods and resolve any challenges that might be involved in applying the Standard. The Exposure Draft also proposed permitting early application of IFRS 18.	Although investors said they would like IFRS 18 to be effective as soon as possible, some companies said that they would need at least two years' transition time due to: • the need to change accounting and IT systems; • the requirement to apply the proposals retrospectively; • the time needed to discuss the requirements with auditors and regulatory bodies; and • the time needed to prepare for other reporting requirements, such as the IFRS Sustainability Disclosure Standards.	In response to this feedback, the IASB decided on an effective date for annual reporting periods beginning on or after 1 January 2027. The IASB concluded that this would give sufficient time for all stakeholders to prepare for IFRS 18. Some companies might be able to implement the requirements in IFRS 18 earlier, and thus early application is permitted.

Proposal	Feedback	Response
7.2—Transition requirements The Exposure Draft proposed requiring a company, in its first year of applying IFRS 18, to present each heading and subtotal required by IFRS 18 in condensed financial statements in its interim financial reports prepared applying IAS 34 *Interim Financial Reporting*. The Exposure Draft also proposed requiring a company to apply IFRS 18 retrospectively in accordance with IAS 8 *Basis of Preparation of Financial Statements*.[1]	A few stakeholders suggested that: • the transition requirements permit a company to apply new disclosure requirements prospectively without providing comparative information in its first year of applying IFRS 18; and • IFRS 18 should be applied prospectively because retrospective application would require a company to maintain two sets of data for each comparative period presented.	The IASB decided to require: • a company to apply IFRS 18 retrospectively. • a company to present each of the required headings and subtotals in IFRS 18 in its condensed interim financial statements in the first year of applying IFRS 18. • a company in its first year of applying IFRS 18 to disclose, in interim and annual financial statements, a reconciliation for each line item in the statement of profit or loss applying IFRS 18, and each line item presented by applying IAS 1. A company is required to disclose the reconciliation for the comparative period immediately preceding the period in which IFRS 18 is first applied.

1 Previously IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Important information

This Feedback Statement has been compiled by the staff of the IFRS Foundation for the convenience of interested parties. The views and opinions in this document are those of the staff who prepared it, not the IASB, and should not be considered authoritative in any way. The content of this Feedback Statement does not constitute advice.

Official pronouncements of the IASB are available in electronic format to subscribers of IFRS.org. All IFRS publications can be ordered from the IFRS Foundation website at www.ifrs.org.

Other relevant documents

IFRS 18 *Presentation and Disclosure in Financial Statements*—specifies requirements for presentation and disclosure of information in general purpose financial statements.

Basis for Conclusions on IFRS 18—summarises the IASB's considerations in developing the requirements in IFRS 18.

Illustrative Examples on IFRS 18—illustrates aspects of IFRS 18, without giving interpretative guidance.

Supporting Materials—includes flowcharts of key requirements in IFRS 18.

Effects Analysis on IFRS 18—describes the likely benefits and costs of applying IFRS 18.

Project Summary of IFRS 18—provides an overview of the project to develop IFRS 18.

Reference Materials—includes a table of concordance and a comparison of the requirements in IAS 1 and IFRS 18.

IFRS 18 on one page.

IFRS Foundation

Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

Tel **+44 (0) 20 7246 6410**
Email **customerservices@ifrs.org**

ifrs.org