



General Presentation and Disclosure

Exposure Draft — Responses

Comments received by the AcSB

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September 10, 2020

SENT ELECTRONICALLY

Kelly Khalilieh, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Sirs/Mesdames:

Exposure Draft ED/2019/7 – General Presentation and Disclosures (the “ED”)

Thank you for the opportunity to comment on the above ED.

We have attached our letter to the IASB as an appendix to this letter. We have reviewed the Exposure Draft issued by the AcSB and set out below our response.

The IASB has developed the proposed amendments in accordance with its due process for application around the world. Assuming the Exposure Draft proposals are finalized and approved by the IASB in accordance with its due process, do you think that the proposals are appropriate for application in Canada? If not, please specify which aspects of the proposals, and what circumstances, make the accounting requirements proposed in the Exposure Draft inappropriate.

The proposed new standard would apply to all entities that prepare financial statements in accordance with IFRS. In Canada, a wide range of entities prepare their financial statements in accordance with IFRS, including not-for-profit organizations, public and private entities, government business enterprises, government business partnerships and other government organizations.

MNP LLP (“MNP”) supports initiatives to improve how information about an entity’s performance is communicated in the statement of profit or loss and related disclosures. We agree that it is imperative to have a set of disclosure requirements that ensure sufficient transparency and disaggregation of information. However, we believe that the specific proposals within the ED would create implementation challenges for MNP’s small to mid-size clients within the entity groups described above. Specifically, we have concerns about the substantial time and cost that would be necessary for these entities to implement and comply with the new requirements. These entities generally have fewer accounting resources available and simpler accounting systems. We also expect that the proposed changes will result in higher audit fees charged to these entities.

IFRS compliant financial statements are becoming increasingly complex and difficult to follow for many users. Such IFRS financial statements contain a large volume of information which some users may not find relevant to their requirements. A significant portion of the notes to the financial statements include boilerplate and generic disclosures that have essentially become the norm, as entities pursue a checklist approach to disclosure. There is an issue of information overload, where additional information disclosed sometimes obscures or undermines more important and relevant information.



Canada has many small to mid-size entities who file financial statements prepared in accordance with IFRS with the SEC. For these entities, it is important that the SEC's regulations continue to allow IFRS compliant financial statements. We recommend that the IASB communicate with the SEC to identify and address any concerns they have with the proposed changes that could affect the ability of foreign issuers to file IFRS compliant financial statements with the SEC.

We would be pleased to offer our assistance to the AcSB in further exploring issues raised in our response or in finding alternative solutions to meet financial statement users' needs.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous, medical and legal professionals, not-for-profit organizations, municipalities and other public sector entities. In addition, our client base includes a sizable contingent of publicly traded companies.

Yours truly,

MNP LLP

Jody MacKenzie

Jody MacKenzie, CPA, CA
Director, Assurance Professional Standards Group



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Appendix – MNP’s response to the IASB

September 10, 2020

SENT ELECTRONICALLY

International Accounting Standards Board
IFRS Foundation
Columbus Building
7 Westferry Circus
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London E14 4HD
United Kingdom

Dear Sirs/Mesdames:

Exposure Draft ED/2019/7 – General Presentation and Disclosures (the “ED”)

Thank you for the opportunity to comment on the above ED.

The proposed new standard would apply to all entities that prepare financial statements in accordance with IFRS. In Canada, a wide range of entities prepare their financial statements in accordance with IFRS, including not-for-profit organizations, public and private entities, government business enterprises, government business partnerships and other government organizations.

MNP LLP (“MNP”) supports initiatives to improve how information about an entity’s performance is communicated in the statement of profit or loss and related disclosures. We agree that it is imperative to have a set of disclosure requirements that ensure sufficient transparency and disaggregation of information. However, we believe that the specific proposals within the ED would create implementation challenges for MNP’s small to mid-size clients within the entity groups described above. Specifically, we have concerns about the substantial time and cost that would be necessary for these entities to implement and comply with the new requirements. These entities generally have fewer accounting resources available and simpler accounting systems. We also expect that the proposed changes will result in higher audit fees charged to these entities.

IFRS compliant financial statements are becoming increasingly complex and difficult to follow for many users. Such IFRS financial statements contain a large volume of information which some users may not find relevant to their requirements. A significant portion of the notes to the financial statements include boilerplate and generic disclosures that have essentially become the norm, as entities pursue a checklist approach to disclosure. There is an issue of information overload, where additional information disclosed sometimes obscures or undermines more important and relevant information.

Canada has many small to mid-size entities who file financial statements prepared in accordance with IFRS with the SEC. For these entities, it is important that the SEC’s regulations continue to allow IFRS compliant financial statements. We recommend that the IASB communicate with the SEC to identify and address any concerns they have with the proposed changes that could affect the ability of foreign issuers to file IFRS compliant financial statements with the SEC.

Our responses to specific questions are provided, below. Where no comments have been provided for a question, this indicates our agreement with the IASB's view.

Question 2—the operating category

Paragraph 46 of the Exposure Draft proposes that entities classify in the operating category all income and expenses not classified in the other categories, such as the investing category or the financing category.

Paragraphs BC54–BC57 of the Basis for Conclusions describe the Board's reasons for this proposal.

Do you agree with this proposal? Why or why not? If not, what alternative approach would you suggest and why?

We do not agree with the proposal to require entities to classify in the operating category all income and expenses not classified in the other categories, such as the investing category or the financing category. Not all income and expenditure which are not classified in the investing, financing, or other prescribed categories arise from an entity's main business activities. For example, a bargain purchase gain or changes in the fair value of contingent consideration related to a business combination may not meet the criteria to be classified in the investing category for purposes of the statement of profit or loss and, if so, would be classified in the operating category. This is because it may be determined that these gains and losses are not from assets that generate a return individually and largely independently of other resources held by the entity.

One of the IASB's objectives for this ED is to increase the comparability of statements of profit or loss between different companies in the same industry. As noted in paragraph BC 56 of the ED's Basis for Conclusions, operating profit as defined by the ED includes unusual income or expenses. Unusual items could be significant and could result in operating profit not being comparable between periods and between entities. For this reason, we believe that entities should be able to define operating profit in a way that will provide the most useful information to users. The statement of profit or loss should provide transparent disclosure about the nature of the elements of operating profit.

We would support the development of non-authoritative guidance on the format of the statement of profit or loss. Guidance would be beneficial to financial statement preparers to improve how entities communicate information and to clarify whether certain formats can be used.

Paragraph 56 of the ED proposes that foreign exchange gains and losses be split between operating, financing and investing activities. As noted above, small to mid-size entities generally have simple accounting systems and accounting processes; therefore, this new requirement would be an administrative burden and costly for some of these entities to comply with. This would appear to require that receivables and payables would have to be assessed to determine the nature of the underlying income or expense and mapped to different foreign exchange gain and loss accounts depending on the nature. We believe that entities should be permitted to continue to present foreign exchange gains and losses as a single line item, instead of being required to split such gains and losses between operating, financing and investing activities.

Additionally, foreign exchange gains and losses could be significant and could distort operating profit. Similarly, hedging gains and losses can be material relative to operating results, and could result in incomparable operating profit. We believe that entities should be permitted to assess whether it is appropriate that these gains and losses should be included as part of operating profit.

Further, we believe that it will be confusing for users if the terms operating, investing and financing are used differently in the statement of profit or loss and the statement of cash flows. We suggest that different names be given to these categories.

Question 9—analysis of operating expenses

Paragraphs 68 and B45 of the Exposure Draft propose requirements and application guidance to help an entity to decide whether to present its operating expenses using the nature of expense method or the function of expense method of analysis. Paragraph 72 of the Exposure Draft proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes.

Paragraphs BC109–BC114 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

Many entities do not currently track operating expenses by nature; therefore, adding a requirement for entities to provide an analysis using the nature of expense method would create significant challenges for small to mid-size entities to implement. We are concerned about the considerable time and cost that would be necessary for these entities to implement and comply with this requirement. We believe that the cost of reporting operating expenses by nature will outweigh the benefits for many entities.

Question 11—management performance measures

(a) Paragraph 103 of the Exposure Draft proposes a definition of ‘management performance measures’.

(b) Paragraph 106 of the Exposure Draft proposes requiring an entity to disclose in a single note information about its management performance measures.

(c) Paragraphs 106(a)–106(d) of the Exposure Draft propose what information an entity would be required to disclose about its management performance measures.

Paragraphs BC145–BC180 of the Basis for Conclusions describe the Board’s reasons for the proposals and discuss approaches that were considered but rejected by the Board.

Do you agree that information about management performance measures as defined by the Board should be included in the financial statements? Why or why not?

Do you agree with the proposed disclosure requirements for management performance measures? Why or why not? If not, what alternative disclosures would you suggest and why?

For reporting issuers in Canada and SEC registrants in the United States, established and understood non-GAAP measures disclosure requirements are already prescribed by securities legislation. In these jurisdictions, securities legislation requires that management performance measure ("MPM") type disclosure be presented in other documents, such as the MD&A. Therefore, these proposed requirements could result in duplication of information. We do not believe it is necessary to introduce an MPM disclosure requirement for entities that are already subject to these requirements. We believe that an exemption should be provided for entities that comply with comparable requirements in securities law.

If a reporting issuer discloses non-GAAP financial measures in public communications outside its financial statements then we believe that the most appropriate place to include a description of the financial measure, and related disclosures, is in the same public communication, as currently required by Canadian and U.S. securities legislation. Financial statements may be provided to users separately from the public communications that disclose the MPM and we believe that it not necessary to require that MPM disclosure also be included in the financial statements.

Additionally, we strongly disagree with requiring private entities to provide MPM disclosure in their financial statements. Adding this requirement would create an additional burden for small to mid-size entities to comply with and, in many cases, may require the engagement of independent professional advisors to ensure compliance with the requirements on an ongoing basis resulting in significant additional cost. The primary users of financial statements of private entities, non-profit organisations government-business enterprises, government business partnerships or other government organizations are generally not external investors and instead may be owner-managers, members or creditors who have different information needs to external investors.

The auditor's report provides an opinion that the financial statements present fairly, in all material respects, the entity's financial performance in accordance with IFRS. To require entities to disclose information relating to non-GAAP financial performance measures in their financial statements appears contrary to the fundamental principle that the financial statements must be prepared in accordance with GAAP. Including non-GAAP measures in the financial statements would increase the prominence of these measures and may cause confusion among financial statement users as additional "non-IFRS information" disclosure can obscure or undermine information required to comply with IFRS.

We believe that the proposed requirements may promote the disclosure of additional non-GAAP measures, regardless of whether they are useful for financial statements users. Additionally, the disclosure of MPMs in the notes to the financial statements may increase financial statement complexity and reduce comparability across entities if entities choose to disclose MPMs that are entity-specific and not applicable to other entities in the same industry.

If the IASB decides to proceed with MPM disclosure requirements, we recommend that further guidance be provided regarding the following matters:

- The meaning of "public communications". Paragraph B79 of the Application Guidance for the ED refers to financial performance measures included in management commentary, press

releases and investor presentations. Do the MPM disclosure requirements apply to financial performance measures included in an entity's social media content or website? Which public communications are the MPM disclosure requirements intended to apply to for private entities, government business enterprises, government business partnerships and other government organizations or not-for-profit organizations? Do the requirements apply to oral communications (e.g. investor calls)? The Canadian Securities Administrator's proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* specifically excludes oral communications.

- The timeline and process for MPM disclosure. For example, if a not-for-profit organization decides to disclose an MPM such as adjusted EBITDA for its annual period in a fundraising communication or on its website, but this financial performance measure was not disclosed in its annual financial statements (and the organization does not prepare interim financial statements), what steps would be required?
- The proposed MPM disclosure requirements would not apply to cash flow measures. However, diversity exists in practice regarding whether the frequently used financial measure "funds flow from operations" (cash flow from operating activities before changes in working capital) is an income measure or a cash flow measure.

We would be pleased to offer our assistance to the IASB in further exploring issues raised in our response and in helping to find alternative solutions which meet the needs of the financial statement users.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous, medical and legal professionals, not-for-profit organizations, municipalities and other public sector entities. In addition, our client base includes a sizable contingent of publicly traded companies.

Yours truly,

MNP LLP

Jody MacKenzie

Jody MacKenzie, CPA, CA
Director, Assurance Professional Standards Group

September 30, 2020

Kelly Khalilieh, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

VIA Online Submission

Dear Ms. Khalilieh,

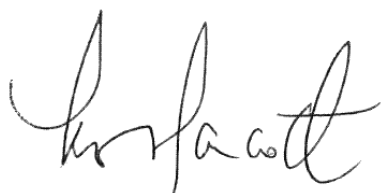
Re: IASB Exposure Draft ED/2019/7 – General Presentation and Disclosures

Intact Financial Corporation (IFC) is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America, with over CAN\$11 billion in total annual premiums, an estimated market share of 17% in Canada and a market capitalization of approximately CAN\$20 billion. IFC shares are publicly traded on the Toronto Stock Exchange (TSX: IFC). The quality of our financial disclosure is fundamental to us, as evidenced by our recognition by Brendan Wood International (BWI) as 2018 Global Top Gun Company for Transparency and Reporting, alongside four other insurance companies.

IFC welcomes the opportunity to provide comments on the Exposure draft ED/2019/7 *General Presentation and Disclosures* (the “ED”) and appreciates the fact that the AcSB is encouraging Canadian stakeholders to respond. Appendix A provides a copy of the letter that was sent directly to the IASB.

IFC believes that the ED developed by IASB in accordance with its due process for application around the world would be appropriate for application in Canada. The comments provided in IFC’s letter would be applicable for both international and Canadian stakeholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Louis Marcotte', written in a cursive style.

Louis Marcotte
Senior Vice President and Chief Financial Officer

Intact Financial Corporation
2020 Robert-Bourassa Boulevard
Montreal, Quebec, Canada H3A 2A5

APPENDIX A – Copy of IFC’s comment letter sent to the IASB

September 30, 2020

Hans Hoogervorst
Chairman, International Accounting Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

VIA Online Submission: commentletters@ifrs.org

Dear Mr. Hoogervorst,

Re: IASB Exposure Draft ED/2019/7 – General Presentation and Disclosures

Intact Financial Corporation (IFC) is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America, with over CAN\$11 billion in total annual premiums, an estimated market share of 17% in Canada and a market capitalization of approximately CAN\$20 billion. IFC shares are publicly traded on the Toronto Stock Exchange (TSX: IFC). The quality of our financial disclosure is fundamental to us, as evidenced by our recognition by Brendan Wood International (BWI) as 2018 Global Top Gun Company for Transparency and Reporting, alongside four other insurance companies.

IFC welcomes the opportunity to provide comments on the Exposure draft ED/2019/7 *General Presentation and Disclosures* (the “ED”). We acknowledge the IASB’s efforts to improve how information about performance is communicated in the financial statements and we believe the proposed ED will improve comparability and transparency regarding performance reporting.

While we generally agree with the proposal, we have three main concerns as detailed below.

Management performance measures (“MPM”)

We agree that the introduction of MPM increases transparency in the financial statements and we believe such measures are important in evaluating a company’s performance. We also share the view that audit will improve the quality and control over the disclosure of these measures. However, we propose that the IASB considers the following:

- We suggest a clear definition of the scope of public communications, as it is currently too broad and may be difficult to apply. We believe transcripts and oral statements should be formally excluded.

- We believe the IASB should consider disclosure effectiveness principles regarding the disclosures of MPM. Similar disclosures on these measures are currently required by some securities authorities and are provided in management commentary such as the management discussion and analysis (“MD&A”). We suggest the IASB introduce the option to allow disclosures related to MPM in the MD&A with cross-references to the financial statements. This concept is similar to specific disclosures in IFRS 7 – *Financial instrument* (“IFRS 7”) and will add clarity as information regarding these measures will be located in one place for entities that must disclose similar information in their MD&A.
- The definition of MPM only includes subtotals of income and expenses, while other metrics, such as financial ratios and measures of growth, are widely used in public communications outside of the financial statements, including in the MD&A. While we acknowledge that MPM need to comply with the general requirements for information to be included in the financial statements, we are concerned that creating two subsets of performance measures (MPM as defined in the ED and other performance measures used in public communications outside of the financial statements) might create confusion. Therefore, we believe the scope of MPMs should be expanded to include other metrics as well.
- We also suggest the IASB provide guidance on the relationship between MPM and IFRS 8 – *Operating segments* (“IFRS 8”) disclosures to avoid confusion.

Unusual income and expenses

We agree that defining unusual income and expenses will increase transparency and will provide consistent information to users. However, we have the following concerns:

- The definition of unusual income and expenses between the ED and regulation published by securities authorities are inconsistent and which may create confusion and disclosure ineffectiveness if not aligned. Therefore, we encourage the IASB to consider the comments provided by securities authorities to ensure alignment where possible.
- We believe additional guidance is required to clarify what constitutes unusual income and expenses, as the current definition is only forward looking. We believe the occurrence of an income or expense in prior years provides useful information on whether the item is unusual.

Categories in the statement of profit or loss

We are also concerned about the inconsistent definition of categories used in the statement of cash flows and the statement of profit or loss which may confuse users. While we recognize that the Board’s focus was on meeting the needs of the statement of profit or loss without aligning classification across the primary financial statements, we believe this may cause misunderstandings and we suggest the Board consider a project to address these issues.

Appendix I provides an elaboration on the above as well as additional comments as they pertain to the questions presented in the ED.

Earlier this year, the Canadian Securities Administrators (“CSA”) published for comment the proposed National Instrument and related Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosures*, which is similar to existing U.S. guidelines. The CSA’s proposal may be impacted by the amendments resulting from this ED. IFC has responded to the CSA in a separate letter and encouraged the organization to monitor the progress on the ED and to consider any changes to securities regulation as appropriate. Disclosure effectiveness is important to providing quality information to stakeholders and it is essential to consider industry and management commentary impacts to provide the most useful information to users.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Louis Marcotte". The signature is fluid and cursive, with the first letter of each word being significantly larger and more prominent.

Louis Marcotte
Senior Vice President and Chief Financial Officer

Intact Financial Corporation
2020 Robert-Bourassa Boulevard
Montreal, Quebec, Canada H3A 2A5

APPENDIX I – IFC’s responses to the questions raised in the Exposure Draft ED/2019/7

Question 1 – operating profit or loss

Paragraph 60(a) of the Exposure Draft proposes that all entities present in the statement of profit or loss a subtotal for operating profit or loss.

Paragraph BC53 of the Basis for Conclusions describes the Board’s reasons for this proposal.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal as a common operating profit subtotal for all entities allows users to evaluate an entity’s main business activities. In addition, it improves comparability amongst entities within the same industry and across industries.

Question 2 – the operating category

Paragraph 46 of the Exposure Draft proposes that entities classify in the operating category all income and expenses not classified in the other categories, such as the investing category or the financing category.

Paragraphs BC54–BC57 of the Basis for Conclusions describe the Board’s reasons for this proposal.

Do you agree with this proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal to classify the operating category as the “default” category which excludes income and expenses not classified in other categories. As a result, it will essentially represent an entity’s main business activities. We believe this will be practical for preparers to operationalize and will result in consistent presentation.

However, we believe clarification is required on the terminology “main business” and how it interacts with other standards. For example, IFRS 15 – *Revenue from contracts with customers* and IFRS 3 – *Business combinations* use the term “ordinary activity” and IFRS 8 use the term “business activities”. In addition, it is not clear if “main business” should be assessed at the segment level.

We are also concerned about the inconsistent definition of categories used in the statement of cash flows and the statement of profit or loss (please refer to our response to question 13).

Question 3 – the operating category: income and expenses from investments made in the course of an entity’s main business activities.

Paragraph 48 of the Exposure Draft proposes that an entity classifies in the operating category income and expenses from investments made in the course of the entity’s main business activities.

Paragraphs BC58–BC61 of the Basis for Conclusions describe the Board’s reasons for this proposal.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal. As an insurer, the majority of our investing activities are a part of our main business. Therefore, we believe including them in the operating category is relevant to faithfully represent the operating performance of certain entities.

Question 4 – the operating category: an entity that provides financing to customers as a main business activity

Paragraph 51 of the Exposure Draft proposes that an entity that provides financing to customers as a main business activity classify in the operating category either:

- income and expenses from financing activities, and from cash and cash equivalents, that relate to the provision of financing to customers; or
- all income and expenses from financing activities and all income and expenses from cash and cash equivalents.

Paragraphs BC62–BC69 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Not applicable to us.

Question 5 – the investing category

Paragraphs 47–48 of the Exposure Draft propose that an entity classifies in the investing category income and expenses (including related incremental expenses) from assets that generate a return individually and largely independently of other resources held by entity, unless they are investments made in the course of the entity’s main business activities.

Paragraphs BC48–BC52 of the Basis for Conclusions describe the Board’s reasons for the proposal

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal as it provides a common category to improve comparability. As an insurer, the majority of our investing activities will be presented in the operating category, whereas other investments not made in the course of our main business activities will be included in the investing category. We believe this would provide more useful information about what is considered to be the main performance of the entity compared to what is not.

Question 6 – profit or loss before financing and income tax and the financing category

- a) Paragraphs 60(c) and 64 of the Exposure Draft propose that all entities, except for some specified entities (see paragraph 64 of the Exposure Draft), present a profit or loss before financing and income tax subtotal in the statement of profit or loss.
- b) Paragraph 49 of the Exposure Draft proposes which income and expenses an entity classifies in the financing category.

Paragraphs BC33–BC45 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal as it is aligned with the idea of presenting separately insurance service results and insurance finance income or expenses.

Question 7 – integral and non-integral associates and joint ventures

- a) The proposal new paragraphs 20A–20D of IFRS 12 would define ‘integral associates and joint ventures’ and ‘non-integral associates and joint ventures’; and require an entity to identify them.
 - b) Paragraph 60(b) of the Exposure Draft proposes to require that an entity present in the statement of profit or loss a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures.
 - c) Paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft, the proposed new paragraph 38A of IAS 7 and the proposed new paragraph 20E of IFRS 12 would require an entity to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures.
- (a) Paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions describe the Board’s reasons for these proposals and discuss approaches that were considered but rejected by the Board.

Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal as we believe it will provide useful information to users on the performance of associates and joint ventures related to an entity’s main business and those that are not.

We also suggest the IASB clarify the interaction between impairment testing in IAS 28 – *Investment in associate and joint ventures* and the proposed definition of integral associates and joint ventures.

Paragraph 43 of IAS 28 states (emphasis added) “the recoverable amount of an investment in an associate or a joint venture shall be assessed for each associate or joint venture, unless the associate or joint venture **does not generate cash inflows** from continuing use that are **largely independent** of those from other assets of the entity”.

The ED defines integral associated and joint ventures as follows (emphasis added) “associates and joint ventures accounted for using the equity method that are integral to the main business activities of an entity and hence **do not generate a return individually and largely independently** of the other assets of the entity.”

Based on IAS 28 and the definition proposed in the ED, it appears that integral associates and joint ventures would not be assessed for impairment on an individual basis.

Question 8 – roles of the primary financial statements and the notes, aggregation and disaggregation

- (a) Paragraphs 20–21 of the Exposure Draft set out the proposed description of the roles of the primary financial statements and the notes.
- (b) Paragraphs 25–28 and B5–B15 of the Exposure Draft set out proposals for principles and general requirements on the aggregation and disaggregation of information.

Paragraphs BC19–BC27 of the Basis for Conclusions describe the Board’s reasons for these proposals.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal, as it clarifies information to be presented in the financial statements and in the notes.

Question 9 – analysis of operating expenses

Paragraphs 68 and B45 of the Exposure Draft propose requirements and application guidance to help an entity to decide whether to present its operating expenses using the nature of expense method or the function of expense method of analysis. Paragraph 72 of the Exposure Draft proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes.

Paragraphs BC109–BC114 of the Basis for Conclusions describe the Board’s reasons for the proposals.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We generally agree with the proposal. IFRS 17 – *Insurance contracts* (“IFRS 17”) essentially requires insurers to present expenses in the statement of profit or loss based on the function of expense method. We believe disclosing the nature of expenses provides beneficial information to users.

Question 10 – unusual income and expenses

- a) Paragraph 100 of the Exposure Draft introduces a definition of ‘unusual income and expenses’.
- b) Paragraph 101 of the Exposure Draft proposes to require all entities to disclose unusual income and expenses in a single note.
- c) Paragraphs B67–B75 of the Exposure Draft propose application guidance to help an entity to identify its unusual income and expenses.
- d) Paragraphs 101(a)–101(d) of the Exposure Draft propose what information should be disclosed relating to unusual income and expenses.

Paragraphs BC122–BC144 of the Basis for Conclusions describe the Board’s reasons for the proposals and discuss approaches that were considered but rejected by the Board.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We are generally supportive of the proposal as it will increase transparency and it will provide consistent information to users. We also agree with allowing disclosure of unusual income and expenses with MPM as this will allow for disclosure effectiveness. However, we are concerned with the definition for several reasons.

The definitions between the ED and regulation published by securities authorities are inconsistent which may create confusion and disclosure ineffectiveness if not aligned. Therefore, we encourage the IASB to consider the comments provided by securities authorities to ensure alignment where possible. For example, the CSA’s Proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosures* defines what is not usual as follows (emphasis added):

“[an entity] does not describe a reconciling item as “non-recurring”, “infrequent”, “unusual”, or using a similar term, if a loss or gain of a similar nature is reasonably likely to occur within the entity’s two financial years that immediately follow the disclosure, or has occurred during the entity’s two financial years that immediately precede the disclosure”

Whereas paragraph 100 in the ED defines unusual income as expenses as follows (emphasis added):

“Unusual income and expenses are income and expenses with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.”

We suggest the ED definition should consider both past and future occurrence, as past occurrence may be used to predict future reoccurrence. We agree that the ED allows for judgement in determining “several future reporting periods” rather than prescribing a fixed number of years. However, we are concerned with the guidance provided in paragraph B71 of the ED “an entity that undertakes a restructuring program spanning several reporting periods or that makes regular acquisitions that result in restructuring expenses would not classify these expenses as unusual”. Under this guidance, an entity that incurs restructuring expenses over three to four years may not consider it unusual as it will arise over several future reporting periods. However, the nature of the expense is unusual as it is not reoccurring.

Also, we believe the definition should be consistent with paragraph BC131 in the *Basis for conclusions* which allows an entity to evaluate unusual income and expenses based on “type **or** amount”, rather than “type **and** amount” as currently stated in paragraph 100 in the ED.

Finally, we suggest the IASB revise the wording of paragraph 101 which requires disclosure of “**all** unusual income and expenses” in a single note, “all” should be removed as it is not aligned with the concept of materiality.

Question 11 – management performance measures

- a) Paragraph 103 of the Exposure Draft proposes a definition of ‘management performance measures’.
- b) Paragraph 106 of the Exposure Draft proposes requiring an entity to disclose in a single note information about its management performance measures.
- c) Paragraphs 106(a)–106(d) of the Exposure Draft propose what information an entity would be required to disclose about its management performance measures.

Paragraphs BC145–BC180 of the *Basis for Conclusions* describe the Board’s reasons for the proposals and discuss approaches that were considered but rejected by the Board.

Do you agree that information about management performance measures as defined by the Board should be included in the financial statements? Why or why not?

Do you agree with the proposed disclosure requirements for management performance measures? Why or why not? If not, what alternative disclosures would you suggest and why?

We generally agree with the proposal as it will improve transparency and will provide discipline around MPM since reconciliations to the most comparable IFRS subtotal will now be audited. However, we have concerns over the definition, location and scope of the disclosures.

Paragraph 103(a) of the ED defines MPM as being used in public communications outside of the financial statements. We are concerned that this definition is too broad and may be difficult to enforce and apply. Therefore, we suggest limiting the definition to the examples provided in

paragraph B79 which include management commentary, press releases and investor presentations. We believe transcripts and oral statements should be excluded from this definition.

Many securities authorities require disclosures and reconciliations of “non-GAAP” measures which share characteristics with MPM as they both provide management’s view of performance. As a result, for some entities similar information is already presented in management commentary. Separating this information does not add value and reduces disclosure effectiveness.

For example, in our MD&A we present Net operating income (“NOI”) and provide a reconciliation to Net income under IFRS. NOI is the starting point to calculate other non-GAAP measures which are not considered MPM per the ED, such as Operating return on equity (“OROE”). Under the ED, NOI would be considered a MPM as it is comparable to the Net income subtotal and would be disclosed in the notes to the financial statements. However, this would result in separating useful information, as the starting point to other non-GAAP measures would be presented elsewhere.

We propose allowing the option to present disclosures on MPM in management commentary with cross-references to the financial statements. This is an approach that exists in IFRS 7 which allows specific disclosures on risks arising from financial instruments to be presented in management commentary with cross-references to the financial statements. Under this option, information will still be audited but will be provided in the context of other relevant non-GAAP measures, which will increase disclosure effectiveness.

We also suggest the IASB provide guidance on the relationship between MPM and IFRS 8 disclosures to avoid confusion between the two standards as both provide management’s view of performance.

Finally, we note that the definition of MPM only includes subtotals of income and expenses, while other metrics, such as financial ratios and measures of growth, are widely used in public communications outside of the financial statements, including in the MD&A. While we acknowledge that MPM need to comply with the general requirements for information to be included in the financial statements as stated in paragraph BC158 in the *Basis for conclusions*, we are concerned that creating two subsets of performance measures (MPM as defined in the ED and other performance measures used in public communications outside of the financial statements) might create confusion. Therefore, we believe the scope of MPMs should be expanded to include other metrics as well.

Question 12 – EBITDA

Paragraphs BC172–BC173 of the Basis for Conclusions explain why the Board has not proposed requirements relating to EBITDA.

Do you agree? Why or why not? If not, what alternative approach would you suggest and why?

Not applicable to us.

Question 13 – statement of cash flows

- a) The proposed amendment to paragraph 18(b) of IAS 7 would require operating profit or loss to be the starting point for the indirect method of reporting cash flows from operating activities.
- b) The proposed new paragraphs 33A and 34A–34D of IAS 7 would specify the classification of interest and dividend cash flows.

Paragraphs BC185–BC208 of the Basis for Conclusions describe the Board’s reasons for the proposals and discusses approaches that were considered but rejected by the Board.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposal to require operating profit or loss as a starting point for the indirect method, as it improves comparability. In addition, we agree with aligning interest and dividend cash flow classifications with the related income and expenses in the profit or loss for entities for which investing is part of their main business activities.

We are also concerned about the inconsistent definition of categories used in the statement of cash flows and the statement of profit or loss which may confuse users. We recognize that, as described in paragraph BC30 in the *Basis for conclusions* the Board’s focus was on meeting the needs of the statement of profit or loss without aligning classification across the primary financial statements. However, we believe this may cause misunderstandings, therefore we suggest the Board consider a project to address these issues.

Question 14 – other comments

Do you have any other comments on the proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions, including Appendix) and Illustrative Examples accompanying the Exposure Draft?

We suggest the IASB consider aligning the effective date of the standard with the adoption of IFRS 17, as insurers need to fully understand the impacts on the presentation in the statement of profit or loss and how it may impact the presentation required under IFRS 17.