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***Subject: Exposure Draft General Presentation and Disclosures (Primary  
Financial Statements)***

*Dear colleagues ,,*

I would like to thank you all , for the bright recognized efforts you performed in the exposure draft of General Presentation and Disclosures.

You may find my responses to the exposure draft on pages (2-13)

Kindly , if any additional further explanation is needed , in relation to the responses or suggested proposals , it will be my pleasure to respond to you using below contact.

Thanks

***Your sincerely ,,***

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### **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?**

### **Comment**

I agree with board proposal , the proposal will result in providing subtotal for operating profit or loss that will increase comparability between entities provided they apply consistently such subtotals .

### **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?**

### **Comment**

I agree with the board proposal , although Par. BC(55) states the board response to those stakeholders that have concerns related to operating income and expense definition and who require clear definition of operating category , the provided justifications based on simplicity and dynamic business activities nature are encouraged to be supported by more clarifications

The justifications in BC (55) may be encouraged to address the cautions of using such category as default , the following proposed alternative are suggested for further deliberations with other comments to support for such purpose :-

- 1- The methodology of definition of operating category by clarifying as a default category and adding exceptions from other categories may not be proper with objective of increase comparability between entities( Par Bc.53 ) . take into account, the considerations that most entities may not provide the diligence required when by default definition exist to appropriately include those related expense and income to such category. So comparability may be achieved by considering nature of main



activities, its essentials , substance of the business , frequency of activities and whether regulated in articulation and assessing for category's items whether affect to achieve the main activities objective , frequency of activity. these factors are examples that may be considered as characteristics which assist entity to differentiate its main activities . Accordingly setting examples for factors affect defining such category may enhance clarifying the category .

(for ex. Entities sometimes may add ,as required by regulation ,to its activities investing while that does not mean necessary that entities actively engage in such activities regularly so it is encouraged to specifically address definition of such category or propose change to basis of conclusion to demonstrate that entity should not use such category as default by indicating items that should be assessed to determine whether item belong to other categories.

### **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?**

#### **Comment :**

I agree with board proposal , the entities should not classify investment which is acquired in the course of its main business activities in investment categories ,instead the income of these investment should be matched to main activities expense. I believe this will support faithful representation and enhance users' understandability by raising matching within categories. In addition, this will be consistent with board objective to portrait income statement in form of sections which are relevant to activities and resources utilization by entity

### **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?**

### **Comment :**

I agree with the proposal as it support representation faithfulness because using arbitrary allocation method of cost related to fund raising to both related and unrelated items will be so subjective and impose undue cost and efforts for those institution which main activities is to provide finance to its customer , accordingly the significant and large composition of characteristics of these costs shall be related to this objective , and provide netting of such income and expense will provide more relevant data and enhance users understandability

### **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 the 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?**

### **Comment :-**

I agree with the proposal **with limited suggested points**, especially I appreciate what the board indicated in Par .BC .51 in which board mentioned that the purpose of presentation of investments' return is different from IAS 7 .i agree that in IAS 7 the investments returns include cashflow related to long live assets which may be used in operation or investing while for measure of performance, the P.P & E of entity represent performance layout in form of revenues , cost and operating expense which are mainly different from investing properties income and expense characteristics (as an example) accordingly board can not match such section identically with cashflow statement



The board may decide whether to carry these points for further assessment based on its materiality and further deliberations and analysis of other comments

- 1- I believe the definition of investing category is not clear , this will be resulted from the multiple residual and incremental approach used by board in the paragraphs (For ex. In reference to Par.47(b) in which the entity requires to classify incremental expense and income along with requirement to present information of those resources which are generated individually and independently from other resources ( which not classified as operating par.48 ) in investing categories ,
- 2- The repeating of many residuals in definition and clarifications (i.e the investing category ,basis of conclusion for consider cash and cash equivalent income and expense within financing )may result in undue cost and efforts and which the board objected in its basis of conclusion already .and in wording it is clearly demonstrated (i.e resources other than , and incremental expense and income ) .This will contradict with the board statement in par . BC.50 that " objective for the investing category is not to present the profit from an entity's investing activities, but to separate investing income and expenses from operating income and expenses without imposing undue cost or effort " the objective of the board may not be achieved because of previous points ,accordingly I recommend adding indication to the undue cost and efforts in relation to incremental expense and income if the board continue to have such paragraph by same requirements
- 3- The entity may have such direct cost that may not meet the criteria of incremental expense of investment and still directly related to investment category (in some cases it is material and not impose undue cost and efforts ) so the board may be encouraged to indicate that direct cost have to be separated in such circumstances and included in such category with incremental expense unless the entity will have undue cost and efforts doing so.

### **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 proposals? Why or why not? If not, what alternative approach would you suggest and why?**



## **Comment :-**

I disagree with board's proposal for the following justification

- 1- Par. BC39 the board clarified that excess of cash and investment over temporary needs is for investment while in BC 40( c) the board indicated that splitting cash for operation and for investing by using same methodology may impose undue cost and efforts on entities , accordingly we can not reach a conclusion in Par. BC(39) about excess cash , taking into account that , income from cash and cash equivalent items represent same unit of account with same characteristics and same nature of the accounts , so that I find assumptions which the board assume may depend on management's intention if it was assumed that short term ,high liquid investment generated expense or income should be seen as part of financing unless clearly evident .
- 2- The cash and cash equivalent items in cash flow statement in accordance to IAS 7 is not part of financing activities , in addition in accordance to IAS 1 Par.95 Cash flow information provides users with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows , so that the cash and cash equivalent change within period may be used for operating , investing and financing section and may not be represent consistently the methodology of investing excess cash
- 3- Most extensive utilization of change in cash and cash equivalent may be as result of operating activities , in the same time the cash inflows may be from operations such in wholesalers (the increase or a decrease in cash or cash equivalent will not always result in finance income or cost in comparison with financial debt or equity fund which reflect different characteristics of loan and risk .
- 4- **As an alternative** the board may classify cash and cash equivalents' finance income as operating category other income ,if entity's business model assume utilizing cash and equivalent as part of its cash operating cycle to achieve consistency this will be consistent and aligned with the large composition of cash and cash equivalents used to meet short term operating obligation, unless specified excess of cash and cash equivalent is used as source of finance without existence of other alternative sources of financing for at least specific recurring period (i.e three consequence periods) then entity may elect irrevocably such option to include cash and cash equivalent income in finance category .

## **Question 7—integral and non-integral associates and joint ventures**

**(a) The proposed 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.**

**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 proposals? Why or why not? If not, what alternative approach would you suggest and why?**

**Comment :-**

I do not support the change in the proposal for the following reason :-

- A- The definition of such non integral associate and join venture is not clear as in Par.210 which focus on nonintegral part of these entities in relation to expense and income only , and not clear whether the integration or non integration should reflect the dependency using items that might potentially affect income and expense in future such as real state contractor for those with activities of developing real estate for investor entities to sell or rent in future
- B- In reference to the above-mentioned note and example , the degree of subjectivity may result in various implementation which would be presented on face of the income statement and may mislead users of financial statements
- C- It is encouraged to have more comprehensive definition with adequate guide in such case if board intend to use such separation
- D- In reference to Par. BC.81 the board indicated that "an entity should not classify the share of profit or loss of integral associates and joint ventures in the investing category ,because such income and expenses are not largely independent from income and expenses classified in the operating category. In other words, they do not meet the definition of income or expenses from investments " such income and expense consider with different characteristics of other operating income and expense in same indicator as the company have different degree of influence over units of account which represent its own assets and liabilities and its share in net assets thar represent associates or joint ventures . This will be probably affect the users decision

**As an alternative** the investment in integral associate or join venture that considered to be part of operating categories should be well defined , that will enhance consistency and reduce variation in applying IAS 1



**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**

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

**Comment :-**

I agree with the proposals , I believe that the principles the board set in the paragraph complete and reflect the framework of financial reporting but it is encouraged to add " material " to the word " characteristics" and provide more clarification to the relevant information in 25(c )

Also

" 25. [IAS 1.29 and IAS 1.30A] An entity shall present in the primary financial statements or disclose in the notes the nature and amount of each material class of assets, liabilities, income or expense, equity or cash flow. To provide this information an entity shall aggregate transactions and other events into the information it discloses in the notes and the line items it presents in the primary financial statements. Unless doing so would override specific *aggregation* or disaggregation requirements in IFRS Standards, an entity shall apply the principles that (see paragraphs B5–B15):

(a) items shall be classified and aggregated on the basis of shared

Material characteristics.

(b) items that do not share material characteristics shall not be aggregated (see paragraph 27); and

(c) aggregation and disaggregation in the financial statements shall not obscure relevant information or ~~reduce~~ mislead the understandability of the information presented or disclosed.





(D) in assessing Relevant information which described in Par. 25(c) , such information shall not to override requirements of other IFRS and be completed and comparable as to items with material amounts in such class or aggregation "

The addition of such suggested Par. 25(d) will enhance the user decision in regard assessment of relevant information that may be obscured from users and accordingly affect their decision . in addition , I believe adding such Paragraph will reduce the boilerplates scheme in financial statement .Only those that affect completeness or comparability of material amounts should have to be disclosed and taking into account in aggregation and disaggregation

### **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?

### **Comment:**

I agree with the proposal , as leaving the option for company to elect whether to present by function or nature method is not appropriate because it would have resulted in loosing useful



information and presenting expense by its nature while requiring function disclosure is not practical

### **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?

### **Comment :**

I agree with the board , although the board basis of opinion regard not to present the unusual income or expense apart from from other performance indicator in income statement is justifiable , but it is encouraged for useful understanding for users to separate between unusual items as related to nature of expense or income comparing to those unusual in nature and infrequent , the first one is unusual income or expense and the second one is extraordinary .and board may refer to disclosure of those with material amount in extraordinary income and expense to reduce inconsistency and enhance understanding .



### **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?

### **Comment**

I disagree with board proposal ; I encourage the followings to be improved as alternative by further deliberation within the next phase of discussion of comments :-

The board's opinion regard using such measure and its importance to users without more restriction would permit the management to provide data useful to users but it may ,on the other hand , for audit purpose contradict with some results of audit(the board in basis of opinion that and provide type of piecemeal notes that affect external auditor scope , the auditor is required to include in audit such non IFRS measure ,even was reconciled to IFRS measure ,the auditor still with no assertions to provide assurance from relevant specific framework on these performance measures



Accordingly the following may be seen as alternative to limit the previous disadvantage :-

- 1- Modifying Par B79 to indicate "Only subtotals that management ~~uses in public communications~~ apply consistently in one of official public communications outside financial statements
- 2- Referring that primary source of these performance measure (for example , may be the regulatory requirements of such performance measure ) will enhance the consistency and reduce unverifiability of such data , and as a secondary source may include other measures provided it is used to faithfully present those measure relevant to users and which are verifiable.
- 3- As a transition phase, Labeling such note data to demonstrate that it is outside primary financial statement, this will enhance and encourage transition phase to understand the impact of using such performance measure with less implications on audit

### **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?

### **Comment**

I agree with the board proposal , the EBTIDA is well know to practitioners such as auditors , accountants , analysts but not all users and accordingly we do not have consensus among all users about the definition , beside it is not used or relevant in financing institution



### **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?

#### **Comment :**

I agree with board , all of the suggested changes are appreciated (the starting from operating profit (loss) and eliminate the option in regard ineterst , requiring dividends paid to be classified in finance activities . Because they conform with suggested presentation of income statement items and reduce variation that were rise with option of classifying cash outflow of interest.

### **14- Other**

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 Draf

#### **Comment**

No , thanks