สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์
FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

July 13, 2020

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

Dear Mr. Hoogervorst,

Response on IFRS Standards Exposure Draft ED/2019/7 - General Presentation and Disclosures

The Thailand Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to response on ***IFRS Standards Exposure Draft ED/2019/7 - General Presentation and Disclosures***. Overall, we support with the change in presentation and disclosure practices. We nevertheless have some doubts on the clarity of the changes as mentioned in our letter.

Please find our responses to the specific survey raised in ***IFRS Standards Exposure Draft ED/2019/7 - General Presentation and Disclosures*** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions of Thailand.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr.Somchai Supattarakul
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand

133 ถนนสุขุมวิท 21(อโศก) แขวงคลองเตยเหนือ
เขตวัฒนา กรุงเทพมหานคร 10110
โทร : 0-2685-2500
http://www.tfac.or.th

133 SUKHUMVIT 21 (ASOK) ROAD, KLONGTOEI NUA,
WATTHANA DISTRICT, BANGKOK 10110 THAILAND
TEL : 0-2685-2500
http://www.tfac.or.th

IFRS Standards Exposure Draft ED/2019/7 - general presentation disclosures

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?

TFAC: We agree with presenting a subtotal for operating profit or loss in the statement of profit or loss. Currently, our regulator provides guideline for preparing financial statements. The guideline is based on IFRS, current business practices and IFRS taxonomy. We agree that requirement will enhance comparability for users of financial statements to better understand, and more easily analyse companies' statements of profit or loss.

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?

TFAC: We agree with the procedures of classifying all income and expenses not classified in the other categories into the default operating category. Since the draft identifies income and expenses related to financing and investing activities as being presented in financing and investing categories while some industries shall classify those same types of income and expenses into operating categories (for example, when financing or investing activities are the main business of the entities in those industries), preparers and users of financial statements in those related industries face less unclear classification. However, the draft should also clarify whether shares of profit or loss of subsidiaries (equity method) are included into operating category when preparing separate financial statements.

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?

TFAC: We agree with the proposal. Some companies may apply this criteria when their income and expenses are from investments made in the course of their main business activities. By including all income and expenses from the main business activities in the operating category, it helps users of financial statements to easily understand the primary source of business income.

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?

TFAC: We agree with the proposal of an accounting policy choice to either (1) classify income and expenses from financing activities relating to provision of financing to customers in the operating category or (2) classify all income and expenses from financing activities and all income and expenses from cash and cash equivalents in the operating category. Even though the first choice provides more useful information to users of financial statements, it may be difficult in some cases for financial institutions to classify income and expenses that are not relating to provision of financing to customers. Therefore, providing two options are suitable solution though it may cause difficulty in comparability.

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?

TFAC: We support the classification of investing category mentioned in paragraphs 47-48.

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?

TFAC: Unwind time value of money from restoration liabilities will be clearly classified. In the case of interest income received or interest expensed accrued for post-employment benefits, the classification in this draft help consistent presentation. In addition, we agree on presenting a profit or loss before financing and income tax as it will help users of financial statement in comparing the performance of entity before impact of financing activities.

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?

TFAC: We agree with the propose amendment of IFRS 12 to define integral and non-integral associates and joint ventures in order to provide indicators to help entities apply those definitions and when a change occurs. For integral associates and joint ventures, the reasons for classifying in the separate specific part of profit or loss are accepted. The defined term of integral and non-integral associates and joint ventures is still unclear. However, for subsidiaries applying the equity method in the separate financial statement such as those in Latin America, the classification is doubtful. Though the parents have control power, the draft does not clarify the classification. For those integral associates and joint ventures, applying the equity method, those investment are classified out of operating category. Consequently, the draft should provide the criteria for classifying investment in subsidiaries applying the equity method and guidance for classifying clearly to define integral and non-integral associates and joint ventures. Moreover, we would like the Board to revisit the linkage of the statement of financial performance and the other related statements e.g. the category of investing activities and financing activities in the statement of cash flow.

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?

TFAC: We agree with proposed description of objectives and roles of the primary financial statements and notes and the principles and general requirements on the aggregation and disaggregation of information,where items shall be aggregated based on shared characteristics and shall not obscure information and understandability.

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?

TFAC: We support the presentation of operating expenses using either the nature of expense method or the function of expense method. Since most entities apply the function of expense method, they shall disclose the nature of expense information in a single note to financial statements in order to additionally provide useful information to users of financial statements.

We have some doubt with change in fair value of produce in agricultural industries shown in analysis of operating expenses by nature. Increasing or decreasing in fair value of produce should be income but they must be analysed by the nature of expense as changed in finished products.

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?

TFAC: We support the proposed unexpected income or expenses presentation and disclosure. Since the research on extraordinary items in the past resulted in the value relevance of these items, reconsidering the value relevance of the unexpected income or expenses may yield some interesting results. The criteria for defining unexpected income or expenses are based on the occurrence of income or expenses in the future which differs from the criteria for extraordinary items in the past.

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?

TFAC: We still doubt for management performance measures. The policy and strategy may cause the management performance measures, though having similar measurement, differ even among entities in the same industry. The information from these new measures may take times to communicate with internal users and external users. Without clear definition, it may cause more doubt applying the measures.

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?

TFAC: As said in the BC172, there is no consensus on what EBITDA represents and its calculation is diverse in practice. We agree with the Basis for Conclusions explaining the reasons for EBITDA and management performance measures and the subtotals that the Board proposed as long as those subtotals can be reconciled back to management performance measures.

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?

TFAC: We support the requirement of operating profit or loss as the starting point for the indirect method and specified classification of the interest and dividend cash flows. This is to ensure that all entities use the same starting point and enhance comparability of statement of cash flow between entities. In addition, the proposed new paragraphs 33A and 34A–34D of IAS 7 provide clearer classification of interest and dividend cash flow. The new paragraph of 34B is also in line with the practice of financial institutions.

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?

TFAC: We wonder the consistency of Chapter 3 the reporting entity in the Conceptual Framework and the draft of General Presentation and Disclosure. Since the reporting entity focused on the Statement of Comprehensive Income and the Statement of Financial Position, the element of financial statement in Chapter 4 are assets, liabilities, equity, income, and expense, the General Presentation and Disclosure include the statement of cash flows as a full set of financial statements. Consequently, we would like the Board to revisit this consistency of the Conceptual Framework including the related standards e.g. IAS 7 and the draft of General Presentation and Disclosure.