



WASHINGTON SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

902 140TH AVENUE  
BELLEVUE, WA 98005-3480  
(425)644-4800



LETTER OF COMMENT NO. 17

To: FASB  
Technical Director  
File Reference 1630-100

From: Washington Society of Certified Public Accountants,  
Accounting, Auditing and Review Standards Committee

RE: FASB Discussion Paper Preliminary Views on Financial Statement Presentation

Following is our response to several of the questions posed.

1. Would the **objectives of financial statement presentation** proposed in paragraphs 2.5–2.13 improve the usefulness of the information provided in an entity's financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the Boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this Discussion Paper? If so, please describe and explain.

*We believe the objectives of financial statement presentation proposed would improve the usefulness of the financial statements. It would allow users to separate financing activity from operations.*

2. Would the **separation of business activities from financing activities** provide information that is more decision useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?

*Yes, we believe separating the business and financing activities would be more useful than the current financial statement formats because the underlying strength of the business operation is made more transparent to the reader.*

3. Should **equity** be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36, and 2.52–2.55)? Why or why not?

*Our committee was not unanimous in our response. Some members believe information would be more useful if equity was its own section. Some members believe information would be more useful if equity was included as a category in the financing section.*

4. *No response*

5. The proposed presentation model relies on a **management approach** to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34, and 2.39–2.41).

- a. Would a management approach provide the most useful view of an entity to users of its financial statements?
- b. Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?

*Management classification of assets and liabilities becomes a very subjective classification (subject to manipulation) and reduces comparability between entities. We would like to see guidance regarding classification to reduce subjectivity and increase comparability.*

6. *No response*

7. Paragraphs 2.27, 2.76, and 2.77 discuss classification of assets and liabilities by entities that have **more than one reportable segment** for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.

*Entities should classify assets and liabilities at the entity level, and classification at the segment level could be done as disclosures. We are concerned that the financial statements will become too complex so that a user is not able to get an overall understanding of the entity, defeating the purpose of financial statements becoming more useful.*

8. *No response*

9. *No response*

10. *No response*

11. Paragraph 3.2 proposes that an entity should present a **classified statement of financial position** (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.
  - a. What types of entities would you expect **not** to present a classified statement of financial position? Why?
  - b. Should there be more guidance for distinguishing which entities should present a **statement of financial position in order of liquidity**? If so, what additional guidance is needed?

*We believe that most entities would present a classified statement of financial position and that there should be more guidance for distinguishing which entities should present a statement of financial position in order of liquidity.*

12. Paragraph 3.14 proposes that **cash equivalents** should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?

*We strongly agree that cash equivalents should not be presented or classified as part of cash. We would recommend eliminating cash equivalents as an asset description. Cash equivalents are most often short-term investments and should be presented and classified as such. Descriptions of short-term investments can be included in disclosure form.*

13. Paragraph 3.19 proposes that an entity should present its similar **assets and liabilities that are measured on different bases** on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?

*This information could be included in the disclosures, which reconcile to the financial statements. Again, we are concerned that the financial statements will become too complex so that a user is not able to get an overall understanding of the entity, defeating the purpose of financial statements becoming more useful.*

14. *No response*

15. *No response*

16. *No response*

17. *No response*

18. *No response*

19. Paragraph 3.75 proposes that an entity should use a **direct method of presenting cash flows** in the statement of cash flows.
- Would a direct method of presenting operating cash flows provide information that is decision useful?
  - Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?
  - Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

*We strongly support requiring a direct method of cash flows, as we believe this provides more useful information to the users of the financial statements. Certainly a reconciliation statement from net income to cash flows provided by operating activities would also be useful information.*

20. What **costs** should the Boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between oneoff or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?

*We recognize that there will be additional costs in capturing cash basis information, but believe the usefulness of the information exceeds those costs.*

21. *No response*

22. *No response*

23. *No response*

24. *No response*

25. *No response*

26. The FASB's preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users' attention to **unusual or infrequent events or transactions** that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.
- Would this information be decision useful to users in their capacity as capital providers? Why or why not?

- b. APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, contains definitions of *unusual* and *infrequent* (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column?
- c. Should an entity have the option of presenting the information in narrative format only?

*We would recommend that unusual or infrequent events or transactions not be shown separately, but be included in operations, consistent with presentation under IFRS. If we are moving towards convergence, we should converge with the IASB's guidance regarding presentation of unusual or infrequent events or transactions.*

27. As noted in paragraph 1.18(c), the FASB has not yet considered the **application of the proposed presentation model to nonpublic entities**. What issues should the FASB consider about the application of the proposed presentation model to nonpublic entities? If you are a user of financial statements for a nonpublic entity, please explain which aspects of the proposed presentation model would and would not be beneficial to you in making decisions in your capacity as a capital provider and why.

*We support consistency in financial statements between public and nonpublic entities. We would recommend that the proposed presentation be applied to nonpublic entities. We agree that application to nonprofit organizations and benefit plans should be considered separately.*

Respectfully,

Laura Lindal CPA  
Chair, WSCPA AARS Committee

On behalf of  
Accounting, Auditing and Review Standards Committee  
Washington Society of CPA'S  
902 140th NE  
Bellevue, WA 98005  
425-644-4800