

The Director general delegate

Paris, April 14th, 2009

FBF Response to the Discussion Paper "Preliminary Views on Financial Statement Presentation"

Dear Sir David.

The French Banking Federation (FBF) welcomes the opportunity to comment on the Discussion Paper "Preliminary Views on Financial Statement Presentation".

We appreciate the objectives of the Discussion Paper to improve the usefulness of information provided in an entity's financial statements.

However we are not convinced that the preliminary views of this discussion paper reach the objectives. We have doubt whether the proposed financial statements could provide decision-useful information to readers of financial industries statements as many requirements are not relevant for banks. Therefore we would like to bring the following key messages:

- Although we are in favour of the objectives of financial statement presentation
 proposed in the DP, we question whether they are met in the DP in order to present
 meaningful information. Multiple disaggregations presented in the face of financial
 statement at the line level would go against overall and readable financial statements.
- Requirements of the DP do not take into consideration disclosures of information that
 are already required by other IFRS's. Links should be considered to those standards
 as they constitute a whole with the financial statement presentation standards. This
 would avoid an overlap of detailed information. For example, IFRS 7 already requires
 relevant information in predicting future cash flows arising from liabilities.
- We are strongly opposed to a single statement of comprehensive income approach. Gains and losses included in net income should be distinguished from other comprehensive income to avoid confusion to users and investors as those statements are of different nature. Income statement shows the performance of the entity and the way operating activities are managed to generate returns to investors. Other comprehensive income do not relate to the core business results. We are in favour of the current option stated under IAS 1 of presenting one or two statements depending on the management approach and the relevance of the information to be provided.

Sir David TWEEDIE
Chairman
International Accounting Standards Board
30, Cannon Street
London EC4M 6XH
United Kingdom

We believe that this option was adopted because it mirrors the commonly accepted positions given by the responses to the Phase A of the Financial Statement Presentation Project (dated July 2006)

- We believe that the cash flow statement either using a direct method or an indirect method is irrelevant for the financial industries. Cash flow statement is scheduled to allow analysis of the investments of entities and their profitability while cash for banks could not be limited to an investment use as it is the product of the banks core activities in the same way as finished goods for manufacturers' entities. Moreover, other information, mostly under IFRS 7, is more useful in anticipating banks' liquidity and in evaluating banks' ability to generate future cash flows. We therefore recommend an optional presentation of the cash flow statement for entities that already provide in the notes more detailed and more useful information related to future cash flows, liquidity risks and financial flexibility.
- We are in favour of the management approach as it would allow providing relevant financial information and fitting the specificity of industries within the single framework of financial statements proposed. It would also allow allocating in a proper manner items within business activities and financing activities. As far as banks are concerned, most financial assets and financial liabilities would be classified in the operating category as they represent the core of their business. Additionally as the definition of the "management approach" described in the DP is not exactly the same as the one used in other standards such as IFRS 8, we recommend using of "business approach".
- We have doubt whether certain elements of the DP could be operational and whether
 the costs to comply with the proposed requirements would not far exceed benefits of
 providing data. We would like to mention for example the presentation of foreign
 currency transaction gains and losses in the same section and category as the assets
 that gave rise to the gains and losses and the use of a direct method to present
 operating cash flows.

Our answers to the discussion paper are detailed in the Appendix to this letter. We hope you will find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Pierre de Lauzun

Chapter 2: Objectives and principles of financial statement presentation

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.

Cohesiveness

We agree with the principle as it will help to present primary statements and their relationship in a clear and understandable way with a level of detail provided meaningful regarding the usefulness of information to be provided.

However, we would like to draw attention of the boards to avoid a too strict disaggregation of information which would lead to present detailed lines which might not be applicable or material for the entity. Moreover services providers manage fee-based activities for services rendered which might have no assets recognized in the statement of financial position but that generate income and cash (audit activities have no significant assets to work). In that case, it is not possible to identify a relationship between items across financial statements. Therefore, we disagree with presenting a cohesive set of financial statements at the line item level and we believe that management approach will be the best way to provide relevant, understandable and representative information of the business.

Disaggregation

We agree with this objective so that significant items with essentially different economic characteristics could be shown separately. However we question where to present this detailed information. We are not convinced that, as proposed in paragraph 2.10, adding line items on the face of the primary financial statements instead of in the notes would be helpful to users and make those statements more readable.

Liquidity

We agree with the objective of liquidity and financial flexibility. However, regarding banking industry, we do not support the analysis of assets and liabilities in a short term and long term manner as it is not the way assets and liabilities and risks associated are managed.

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?

We question whether that the separation of business and financing activities would help to provide better information as far as banks are concerned. As stated in the DP paragraph 2.79 near all of the information of financial services entities would be presented within the business activities as this operating category registers information about the way the business creates value and most of the transactions in the financial services industry are of an operating nature. Therefore financing section would be less important in the financial statement of the financial entities.

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?

We agree that the equity should be presented in a separate section apart from the financing section in accordance with the definition of IFRS standards.

4) In the proposed presentation model, an entity would present its discontinued operations in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?

We agree that discontinued operations should be presented in a separate section as it is useful for users of financial statements to have a view of discontinued operations isolated from the continuing operations as it is mentioned in paragraph 2.71 of the DP. This separated presentation is consistent with the current IFRS 5 objectives.

- 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?

The DP proposes a single model of financial statements which might not fit to all the industries in the same way without taking into consideration their specific characteristics. So management approach will permit to provide relevant classification in the proposed sections and categories of the financial statements in accordance with the way activities of the industries are planned, operated, controlled. As far as banks are concerned, this approach will allow a relevant breakdown of information in accordance with the best useful view of an entity to provide to users. So, differences that may occur in the presentation of similar assets and liabilities are justified by differences in the way assets and liabilities are used in the business. Whereas the management approach which is uses in the face of the Financial Statement presentation is much more a business approach as it refers to the specific nature and the cycle of life of the activities.

To our opinion, comparability will not be reduced as the approach describe in the DP provides sufficient guidance and as sufficient information related to the way assets and liabilities are allocated will be presented in the accounting policy notes.

6) Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the statement of financial position. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities? Why or why not?

We would like to draw to your attention that, in the banking industry, key financial ratios are usually calculated upon regulatory rules and based on regulatory data rather than accounting data. Furthermore a financial ratio is rather calculated on relevant subtotals rather on line by line basis as the proposed presentation could suggest. Regarding the split of the sections proposed banks activities would be mainly presented in the single section of "business activities".

For those reasons, we believe that the proposed presentation separated into sections and categories is not relevant for the banking industry and it will be of no help for users to calculate some key financial ratios

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.

We believe that assets and liabilities should be classified at an entity level in accordance with the management approach. Segment reporting should be out of the scope of the DP since it is defined by another standard.

8) The proposed presentation model introduces sections and categories in the statements of financial position, comprehensive income and cash flows. As discussed in paragraph 1.21(c), the boards will need to consider making consequential amendments to existing segment disclosure requirements as a result of the proposed classification scheme.

For example, the boards may need to clarify which assets should be disclosed by segment: only total assets as required today or assets for each section or category within a section. What, if any, changes in segment disclosures should the boards consider to make segment information more useful in light of the proposed presentation model? Please explain.

IFRS 8 already defines segment reporting and requires it at a disclosure level. The information to be provided focuses on the components of the business that "chief operating decision maker" uses to make decisions about the performance of the operating segments of an entity. Segment information that is not relevant for or not provided to the "chief operating decision maker" should not be disclosed. As mentioned in Question 5 we believe that management approach refers to two different topics. Thus, the management approach described in IFRS 8 is different from the one developed in the DP. However the management approach as referred in IFRS 8 should be retain only for information presented in the notes as IFRS 8 refers to disclosures and not to PFS. The DP deals with the DPS and disclosures are out of the scope of this DP. The management approach accepted in IFRS 8 is relevant as far as segment reporting is concerned. We believe that this information should be kept at a disclosure level and not at a presentation financial statement level and that segment disclosures should be assessed in a relevant standard. Therefore, there is no need for any amendments to the existing segment disclosure requirements.

9) Are the business section and the operating and investing categories within that section defined appropriately (see paragraphs 2.31–2.33 and 2.63–2.67)? Why or why not?

We appreciate that definition given by the DP relies on the management approach. Thus assets and liabilities would be allocated in the sections in accordance with the management views as related to the central operations of an entity. This approach will provide more useful information than would a narrow or prescriptive definition of operating and investing as explained in the DP.

We agree with the paragraph 2.64 which states that the operating and investing categories are based on a notion of « core » and « non-core » activities.

10) Are the financing section and the financing assets and financing liabilities categories within that section defined appropriately (see paragraphs 2.34 and 2.56—2.62)? Should the financing section be restricted to *financial assets* and *financial liabilities* as defined in IFRSs and US GAAP as proposed? Why or why not?

The DP limits the financing section to the financial assets and financial liabilities as they are defined by IFRS's. Thus, non-financial assets and non-financial liabilities are excluded and

financial assets or financial liabilities might be also excluded in accordance with management views. The link between the definitions of financial instruments given by the IFRS's and the purpose of the financing section to register the sources of financing is not so clear. To our opinion, the restriction proposed is not consistent with the financial industry management and it prevents management from allocating or excluding items in this section as it is possible regarding others items and others sections.

Chapter 3: Implications of the objectives and principles for each financial statement

- 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?
- a) The current presentation in order of liquidity is more relevant for the banking industry. Banks hold financial assets and financial liabilities with a wide range of maturity dates within a short term period. In addition a presentation in terms of liquidity reflects more the way banks manage their assets and liabilities and risks associated. Therefore we do not support a mandatory classification of asset and liabilities in a short-term and long-term manner.

Moreover, current IFRS require providing a maturity analysis and authorizing flexibility in presentation of financial position (IAS 1) in accordance with the DP propositions of management approach. Moreover, IFRS 7 requires disclosure about the liquidity risk of financial instruments for entities which are much usefully for users of bank financial statement.

- b) To our opinion no more guidance needs to be provided 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?

Cash does not cover the same concepts in financial and non-financial entities. The separation of the cash equivalents from the cash would give a better indication of the liquidity position of en entity although the definition of the individual elements of cash equivalents is not so precise. Cash equivalent for financial entities may be a financial instrument managed within the core business. Even cash has a specific function for financial industry. The cash held by a branch may be a stock held to provide the services customers are asking for because part of the bank activity is to held cash for the customers and to give it to them when needed (the cash of the cash dispensers is accounted as stock and not as cash). Therefore, we agree with the proposition of the paragraph 3.14 to consider cash equivalents as financial assets.

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?

To our opinion presenting on separate lines in the statement of financial position similar assets and liabilities but measured on different bases is consistent with the way the financial instruments and non-financial instruments are managed. Therefore it will be helpful to a better understanding of this statement.

14) Should an entity present comprehensive income and its components in a single statement of comprehensive income as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?

We are strongly opposed to a single statement of comprehensive income approach. We are in favour of the current option stated under IAS 1 of presenting one or two statements depending on the management approach and the relevance of the information to be provided. We believe that this option was adopted because it mirror the commonly accepted positions given by the responses to the Phase A of the Financial Statement Presentation Project (dated July 2006)

Aggregation in financial statements should be based on common characteristics of the information presented. Both income statement and other comprehensive statement are of different natures.

Changes in value of assets and liabilities should be presented in the same statement as these items present enough different characteristics and different accounting treatments to be separated from the income statement. The income statement is an indicator to measure the performance of the entity how operating activities can generate return to investors.

A single presentation would bring no benefit but add only confusion as it will focus readers of the financial statements on the bottom line of the single statement of comprehensive income and present a mixed result made of realized and unrealized or potential items.

15) Paragraph 3.25 proposes that an entity should indicate the category to which items of other comprehensive income relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?

We do not believe that disaggregation of other comprehensive income as proposed by category would be decision-useful. Other comprehensive income has no predictive value in terms of future cash-flows as they mostly relate to unrealised gains or losses over assets and liabilities. Furthermore, this will lead to add more lines in the OCI which will not help to make financial statements readable

16) Paragraphs 3.42–3.48 propose that an entity should further disaggregate within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses by their function, by their nature or both if doing so will enhance the usefulness of the information for predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?

The level of disaggregation by function or nature should be defined depending on the usefulness of the information in predicting future cash flows as it is explained in paragraph 3.48. On the matter of the ability of information to be useful for predicting the entity's future cash flows, we would like to draw attention on the fact that this predictive information could not be directly read on the face of financial statements. Financial statements provide accounting information related to a current situation, its evolution since last reporting date without a forecast view. Information in predicting the entity's future cash flows is more usefully defined under current IFRS 7 disclosure requirements.

As mentioned in paragraph 3.52 of the DP, banks usually disaggregate information by nature because disaggregating information by function is not relevant to the analyses of the performance of their business.

Moreover, disaggregating information by both function and nature would not be of any help to understand the entity performance. Therefore we suggest that the presentation of information by function should be left as an option and it should be required only if it enhances usefulness of this information.

17) Paragraph 3.55 proposes that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56–3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.

We agree with the proposed paragraph 3.55 which continues to apply the existing requirements. Allocating income taxes to each sections and categories of the statement of comprehensive income is not as simple as allocating a tax rate to transactions. It would be arbitral and we do not believe that it would allow comparability. Only gross amounts could be comparable as they do not include local tax effects. Moreover to our opinion, IAS 12 requires sufficient income taxes disclosure. Therefore, we do not support this additional disaggregated tax information.

- 18) Paragraph 3.63 proposes that an entity should present foreign currency transaction gains and losses, including the components of any net gain or loss arising on re-measurement into its functional currency, in the same section and category as the assets that gave rise to the gains or losses. (a) Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this information. (b) What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?
- a) Concerning banking industry, the presentation proposed by the DP does not represent the way that foreign currency transactions are managed. Exposure to the foreign currency risk is managed on a foreign currency basis instead of an individual financial instrument basis as at it may occur in industrial entities. Taking the example of a financial debt and a customer loan both denominated in USD, the margin of interest constitutes the gains and losses of the two transactions as both are held in the same currency without any foreign currency risk. Allocating the foreign currency transaction gains and losses in two separate sections or categories would not be meaningful for banks. Thus it would not provide any useful information for the users. In addition, we believe that the current disclosures provided in the notes to the financial statements are sufficient and adequate.
- b) Should the presentation be accepted, we are convinced that costs will exceed benefits of usefulness of such information. We have identified a non-limitative list of costs that would arise such as IT systems implementation costs, training costs ...
- 19) Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.
- (a) Would a direct method of presenting operating cash flows provide information that is decision-useful?
- (b) 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?

- (c) 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?
- a) The nature of cash flows and the nature of business of financial industries are far different from those of non-financial industries. The business of banks is a business of intermediation. Their performance is often based on their ability to manage the transformation of short term deposits into longer term credits. Although banks need cash for the same reasons as non-financial entities (investing, paying their obligation and providing returns to the investors), cash flows of banks are more interrelated and can be seen as banks products in the same way as finished goods for manufacturer industries. Cash flow statement gives information on the type of past transactions that provide or use cash. It therefore presents a restrictive view of the processes that create value in banks since the proportion of transactions settled by cash or via current account of customers is arbitrary between periods.

Users are looking for the information of banks' ability to generate future cash flows and anticipation of liquidity risks. Banks manage their liquidity risk on continuing basis. The cash flow statement provides information on the current period without much perspective for the next period.

Management of the banks does not use the cash flow statement — either based on the direct method or the indirect method — to run their business, nor are users of banking financial statements interested in the information provided by the cash flow statement. Adequate information related to the future cash flows and liquidity risk such as maturity of loans and borrowings is provided under the IFRS 7 requirements.

Direct method does not make sense for banks as is it not in line with the way the instruments are managed and particularly trading portfolio.

For those reasons, we believe that the cash flow statement based on a direct or an indirect method is irrelevant in the banking industry. We therefore strongly recommend an optional presentation of the cash flow statement for entities that already provide in the notes more detailed and more useful information related to their ability to generate future cash flows and related to their liquidity risks and financial flexibility.

b) Users are seeking information that allows them to understand current cash flows and to predict future cash flows. The direct method shows gross receipts and payments generated.

The cohesiveness objective means to establish a clear relationship between items across financial statements. In this way, direct method provides information on compete cash flows of the entity. However as far as banks and their payments processing function are concerned, it will overstate cash flows which does not meet the decision-usefulness principle.

- c) As we believe that the cash flow statement is not relevant for banks and the reconciliation schedule to the statement of comprehensive income is of no use and should not be required.
- 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 one-off 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?

Should the direct method be adopted, the boards must be aware that it implies fundamental changes to reorganize the existing IT systems configuration as it has not been developed to provide data related to flows on cash / bank accounts.

The direct method requires going to the original transaction and nominal amounts to trace the individual cash flows while the information required has no link with the way the transactions are managed. Given the example of financial instruments managed on an effective interest rate basis, complex modification of the systems would be needed to track the cash components of interest income.

Then on an ongoing basis, validity of the data would be subject to controls and checks. Therefore implementation and ongoing costs would far outweigh benefits of this disclosure

21) On the basis of the discussion in paragraphs 3.88–3.95, should the effects of basket transactions be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?

We do not believe that allocating basket transactions to related sections and categories is useful for the users. First, acquisitions and disposals are usually done at a higher level on portfolio basis rather than a detailed level of individual assets and liabilities. Then, the allocation proposed would be difficult to provide since the information needed is seldom available. In addition

For these reasons, we would prefer the alternative B which presents in the category that reflects the activity that was the predominant source of those effects and which is in line with the management approach.

Chapter 4: Notes to financial statements

22) Should an entity that presents assets and liabilities in order of liquidity in its statement of financial position disclose information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements as proposed in paragraph 4.7? Should all entities present this information? Why or why not?

We believe that existing provision of IFRS 7 should be taken into account to avoid overlap of requirements. IFRS 7 requires disclosure of information about the significance of financial instruments for entities and about notably the nature and the extent of the liquidity risk. As far as we are concerned, we consider IFRS 7 more relevant and do not support the classification of assets and liabilities in a short-term and long-term manner.

23) Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components: (a) cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments and (d) remeasurements that are not recurring fair value changes or valuation adjustments. (a) Would the proposed reconciliation schedule increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule. (b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit. (c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.

The proposed reconciliation schedule is connected with the statement of cash flows. We are not in favour of a cash flows statement either based on a direct or an indirect method because it does not provide any predicting information of the entity's futures cash flows. Components of the reconciliation schedule would not provide additional predictive information. Therefore we are opposed to this reconciliation schedule.

a) We do not believe that this additional schedule would increase the possibility for users to understand the future cash flows of an entity. It will result in numerous data that are detrimental to provide readable information.

Costs of implementing such reconciliation schedule outweigh benefits for the users without any comparison with the usefulness of information provided.

- b) We do not believe that this level of disaggregated information would be relevant for banks.
- c) As we believe it is not necessary to have a reconciliation schedule, this question is not applicable.
- 24) Should the boards address further disaggregation of changes in fair value in a future project (see paragraphs 4.42 and 4.43)? Why or why not?

We are opposed to the board addressing further disaggregation of changes in fair value in a future project

25) Should the boards consider other alternative reconciliation formats for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B paragraphs B10—B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?

As we do not support the direct cash flows method, we do not see the need to consider any other alternative reconciliation formats. Moreover reconciliation of information about transactions is already required in the current IFRS. We already disclose and explain the change in the statement of financial position. Part of these analyzes explain amounts of the P&L. All these discloses are useful and consistent without any reconciliation with the cash flow statement. Therefore we do not support the reconciliation matrix proposed in the appendix B of the DP.

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. (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not? (b) Opinion 30 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?

- a) We are not supportive of including unusual or infrequent events information in the reconciliation schedule as first we are not in favour of this reconciliation schedule itself (see responses to questions 23-25) and as secondly we believe the current requirements are sufficient.
- b) We agree with the definition provided and the option given in paragraph 4.51 to an entity to include events or transactions that do not meet the definition but "are similar to items that are unusual in nature or occur infrequently".

c) As already stated in the current IFRS, an entity is required to provide a narrative of significant transactions that should be communicated to users for a better understanding of financial statements. We do believe that these requirements are sufficient and do not need further details.

27 As noted in paragraph 1.18(c), the FASB has not yet considered the application of the proposed presentation model to non-public entities. What issues should the FASB consider about the application of the proposed presentation model to non-public entities? If you are a user of financial statements for a non-public 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.

Not applicable