



Memo

To: International Accounting Standards Board

From: Accounting Standards Board – Canada

Date: April 13, 2009

Re: Financial Statement Presentation

The following comprises the response of the Accounting Standards Board – Canada (AcSB) to the IASB's Discussion Paper on Financial Statement Presentation, dated October, 2008.

We **support** the underlying principles in the proposed model of financial statement presentation. The proposals are consistent with the objective of providing information about an entity that is useful in making economic decisions, and should significantly increase the value of financial statements to users. In particular, we support the proposed schedule reconciling cash flows to comprehensive income. This will provide significant information about income that is not currently available, including the impact of accruals and measurement changes, as well as cash flow components. In turn, this disaggregation provides information about the nature and persistence of elements of earnings, which makes it one of the most important parts of the proposals.

We are **concerned**, however, about the timing of these proposals. Firstly, a final standard based on these proposals is expected in 2011, which coincides with the initial adoption of IFRSs for many entities. Since these proposals will result in considerable implementation effort for these entities, such as learning requirements and systems changes, this will create significant

challenges for them. This, coupled with the educational requirements for converting to IFRSs, would create excessive and unrealistic demands for many entities. Secondly, aligning the timing of this project with the transition to IFRSs in a number of countries will be extremely challenging for educational systems, as well as users. Finally, certain key issues originally in the scope of this project and worthy of the IASB's attention, have been removed from the scope. In particular, we note that the project will now not address whether to maintain the separate presentation of some items of gain and loss in "other comprehensive income" (OCI) and the lack of a consistent rationale for what is classified as OCI. It will also not consider the appropriateness of recycling, an issue that might have a bearing on users' perceptions of the importance of fair value accounting. Therefore, for the aforementioned reasons, we **urge** the IASB to reconsider the importance of proceeding with this project according to the published timeline relative to the urgency of other projects in the work plan.

We are also concerned about the requirement to prepare a direct method cash flow statement. Although the Discussion Paper argues that the direct method of presenting cash flows provides more decision-useful information for users, it is obvious that preparers are extremely concerned with the costs of preparing it. We feel that the Discussion Paper has not successfully communicated the incremental benefits that it claims the direct method cash flow statement possesses. Therefore, we suggest that if the direct method of preparing cash flows is proposed, that it be better positioned in the proposals so as to demonstrate the incremental benefits of preparing it.

We would be pleased to elaborate on this in more detail if you require. If so, please contact Paul Cherry, Chair Accounting Standards Board at +1 416 204-3456 (e-mail paul.cherry@cica.ca) or Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca).

