



## Memo

To: International Accounting Standards Board

From: User Advisory Council of the Canadian Accounting Standards Board

Date: April 13, 2009

**Re:** Financial Statement Presentation

The following comprises the response of the User Advisory Council (UAC) of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's Discussion Paper (DP) Preliminary Views on Financial Statement Presentation, dated October 2008.

The UAC comprises 24 members with diverse backgrounds as financial statement users, including investors and investment professionals, credit granters in financial institutions, equity and credit analysts, and rating agency analysts.

The views expressed in this memo are those of the UAC members and do not necessarily represent a common view of the AcSB, its committees or staff, nor do the views expressed by the UAC members represent a common view of their respective organizations. Views of the AcSB are developed only through extensive due process.

We support the objectives of financial statement presentation proposed in the Discussion Paper and agree that it will improve the usefulness of the information provided in the financial statements which, in turn, will help users make better decisions. In particular, the cohesiveness objective is important to users because it increases the understandability of the information within the financial statements, and it provides further clarity on the interactions between these statements. This is essential since users spend considerable time estimating information that is not currently provided, understanding the relationships between the numbers in the various financial statements, and then fitting this information into an analytically useful format.

We recognize that the format of the financial statements, such as the separation of business, financing and investing activities can be important for certain users, such as for buyers who are assessing companies they plan to purchase. However, this distinction is not critical for many users, since most use multi-column and multi-row models to do their analyses. The more important matter is to have the information available in one place, and presented in such a way that the interrelationships between the numbers are easily identifiable. In addition, while we recognize that certain information can only be presented in note format, users generally find tables more useful.

We agree that the disaggregation of information in the statement of comprehensive income by function and by nature provides information that is decision-useful. However, for users the first priority is to obtain a disaggregation of information by function, and then by nature for the more significant categories, such as revenue and cost of sales, or for other items such as general and administrative costs, depending on the specifics of each individual company.

We strongly support the proposed reconciliation schedule since it provides significantly better information than what is currently available. This schedule is particularly useful to analysts who currently compile this information themselves. Currently, users struggle to understand how cash flow and valuation changes impact the income information currently provided. For instance, distinguishing the accrual, cash and valuation change contributions to accounting income presents significant challenges for users. Therefore, the additional disclosures and presentation requirements in the proposed reconciliation schedule would considerably reduce those challenges. Ideally, however, the most valuable reconciliation would be a balance sheet,



rather than an income statement one, since it would provide even more useful information, and would better align with the proposed cohesiveness objective.

In summary, we believe the proposed model for financial statement presentation is a marked improvement from the current model, since it provides better information, which in turn will help users make better decisions.

We would be pleased to elaborate on these points in more detail if you require. If so, please contact Robert Morgan, User Advisory Council Chair, + 1 514 954-9549 (email morgan@forbes-morgan.ca), Peter Martin, Director, Canadian Accounting Standards Board at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Grace Lang, Principal, Canadian Accounting Standards Board at +1 416 204-3478 (e-mail grace.lang@cica.ca).

