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LETTER OF COMMENT NO. 81

April 14, 2009

Mr. Robert Herz
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1630-100 -Discussion Paper-Preliminary Views on Financial Statement Presentation

Dear Mr. Herz:

The American Council of Life Insurers (ACLI)[1] is pleased to share with you our views regarding the questions contained in the Discussion Paper, *Preliminary Views on Financial Statement Presentation* (DP). In addition to our responses to the questions, we are including additional thoughts on specific sections that were not addressed in the questions.

Summary

The DP proposes major changes to the format and content of general purpose financial statements. Overall, we believe that some of the proposed changes will improve the usefulness of the information presented in the entity's financial statements. However, we do have concerns about certain proposals, such as presenting cash equivalents separately from cash and the reconciliation schedule, which are detailed in our comments. We also believe that the cost to provide certain disaggregated information especially in the reconciliation schedule far outweigh any benefits. Below is a summary of our major observations and recommendations followed by our responses to the individual questions asked in the DP.

- **Management approach**-We strongly support the expressed position that the presentation model rely on a management approach to classification of assets and liabilities and related changes consistent with the way the entity manages its business. This approach will improve the usefulness of the financial statements and improve the quality of financial reporting because it allows users to view the statements "through the eyes of management". While comparability may be compromised initially, we believe that over time there will be convergence as entities become acclimated to the new format.
- **Cash and cash equivalents**-We do not agree with the proposal that cash equivalents should be presented and classified separately from cash. Cash alone is not meaningful for financial institutions since one of its primary functions is to actively manage its investments including cash. For example, the entity will routinely manage its cash to a near zero amount by sweeping

[1] The American Council of Life Insurers represents 340 member companies operating in the United States, of which 332 are legal reserve life insurance companies, and 8 are fraternal benefit societies. These 340 member companies account for 93% of total life insurance company assets, 94% of the life insurance premiums, and 94% of annuity considerations in the United States.

any balances into a money market fund or overnight account. Cash and cash equivalents is a better indicator of a financial institution's "cash" to meet its immediate obligations.

- **Direct/Indirect Method of Cash Flows**-While we understand the decision to move toward the direct cash flow method to achieve cohesiveness, when combined with the expected level of disaggregation the changes will significantly increase the cost of preparation and maintaining the processes for compliance. We question whether the additional data will actually result in quality information to analysts. The current U.S. GAAP guidance (SFAS No. 95, *Statement of Cash Flows*), which provides a choice between the two methods with additional disclosures when the direct method is used should be retained.

- **Reconciliation schedule**-We do not believe that the reconciliation of the Statement of Comprehensive Income to the Statement of Cash Flows provides sufficient value to the users to justify the cost. The cost of implementation, ongoing costs to manage the changes including the internal controls needed to ensure the accuracy and quality of the information along with increased audit fees far outweigh any perceived value from this schedule. With the expectation that there will be greater disaggregation of information, users should be able to understand the effects of changes in accruals and changes in fair value without this schedule.

Conclusion
Presentation of financial statements in a way that reflects management's approach in an organized way by category-business, financing, taxes and discontinued operations, with a secondary objective of cohesiveness should enhance the usefulness of the statements. While increased disaggregation might be useful, we urge the boards to carefully assess the extent of disaggregation and reconciliation with the expected cost to achieve the objective. A comprehensive analysis detailing how the proposed standard will enhance the understanding and usefulness beyond that described in paragraphs 1.11-1.12 should also be a project objective.

Before moving to the next phase of the standard setting process, we encourage the boards to challenge analysts and other users, as part of the field testing, to demonstrate how the additional data, especially with respect to the reconciliation schedule and the expanded disaggregation within the statements, will provide them with useful information. We believe it is important to solicit feedback from a wide range of users and not limit the feedback to analysts' comments. In this way the boards should be in position to develop a standard that balances the needs of users with the added burden to preparers of the financial statements.

Sincerely,

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Michael M. Monahan
Director, Accounting Policy

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Preliminary Views on Financial Statement Presentation
Questions for respondents

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.

We generally agree that the concepts of cohesiveness, disaggregation and liquidity and financial flexibility are appropriate objectives for financial statement presentation. We believe the management approach should be the fundamental principle used for the preparation and presentation of financial statements. While we have no objection to cohesiveness as a guideline for the presentation of financial statements, the goal of improving cohesiveness between financial statements should not be given priority over management's communication of the unique information presented in each statement.

We agree that disaggregation of financial information into groupings that have essentially the same characteristics would provide decision useful information to financial statement users. The manner in which management chooses to run its business should dictate the appropriate level of disaggregation presented in the primary financial statements. The need for disaggregation should be balanced with the need for concise financial statements so that the user is not overburdened with excessive detail and understandability is lost.

We agree conceptually with the objective of liquidity and financial flexibility, but the long term nature of insurance contracts provides unique challenges in presentation. For insurance companies, which do not have a clearly defined operating cycle, it is more relevant to present assets and liabilities in the statement of financial position in order of liquidity rather than categorizing items as short-term or long-term.

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 believe that separating business activities from financing activities provides useful information and supports the principle of cohesiveness by improving consistency between the primary financial statements. The classification of a transaction as a business or financing activity in the financial statements should be determined based on management's view while taking into consideration the underlying substance of the transaction.

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 believe a clear distinction of equity from financing is appropriate in the financial statements and is best accomplished by presentation in a separate section rather than as a category within the financing section. The capital provided by lenders by its nature creates a financial liability that must be supported by the business activities of the entity before there is any benefit to the owners providing equity capital. Separation of financing and equity activities supports the principal of cohesiveness as debt servicing activities related to non-owners will be clearly presented in all statements.

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 believe it is useful to present a discontinued operation as a separate section and not to include its activities in the various reporting categories. Investors need a clear view of the continuing business activities of an entity undistorted by the activities of a discontinued operation. Discontinued operations by their nature distort the ongoing activities of an entity as the related one-time costs have different implications for future cash flows. Separate presentation of the discontinued operation also provides an understanding of the impact of the discontinued operations on the entity.

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?

The paper's definition of a management approach (classifying assets and liabilities in the business section and in the financing section in a manner that best reflects the way the asset or liability is used within the entity) would provide a useful view. As discussed in question 2, the separation of business and financing activities does provide useful information and support the objectives of financial statement presentation. Given that, management's view of how the assets and liabilities are used seems the most appropriate way to make the distinction.

(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?
We do not believe this presentation would reduce comparability. Segregating the unique aspects of a business could result in some initial issues with comparability. However, outliers would be more obvious than in the past, leading to additional disclosure and the evolution of improved comparability over time. This evolution would also lead to true comparability, rather than prescribed comparability, an improvement over past practices. Additionally, the inclusion of an entity's policy for classifying its assets and liabilities in the accounting policy note disclosure (paragraph 2.41) would provide the user of financial statements with information to enhance comparability.

To enhance comparability and ensure consistency, we recommend that the final standard include guidance about criteria resulting in a change in accounting policy. Our recommendation is:

- A change in the way management defines the content of a section or a category would be considered a change in accounting policy (with retrospective implementation)

- A change in an asset or a liability classification (e.g., a change in use of an asset or liability) would not be considered as a change in accounting policy and therefore would only apply prospectively

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?*

The change in presentation could allow key ratios to be calculated on one aspect of a company's business (e.g. return on business assets only), versus for the entire entity. This may be more meaningful to users. It could also facilitate the creation of more detailed analysis, including the development of new ratios. The presentation would allow a clearer view of where cash flow and profits are originating. If the user wanted to calculate a ratio at an entity level the information would still be available, but it may be slightly more difficult as data would need to be combined.

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.*

Given that the management approach to classification requires classification to be based upon on how the asset or liability is used, classification at the reportable segment level may be needed in some instances. If an entity has diverse segments that use similar assets or liabilities in different functions (operating versus financing) a classification policy at the segment level versus the entity level may be required. How this requirement should apply to classification at the reportable segment level (multiple classification policies, etc.) should be left to management's discretion.

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.*

The objective of requiring disclosures about segments of an enterprise and related information is to provide information about the different types of business activities in which an enterprise engages and the different economic environments in which it operates to help users of financial statements better understand the enterprise's performance, better assess its prospects for future net cash flows, and make more informed judgments about the enterprise as a whole. That objective is consistent with the objectives of general-purpose financial reporting.

Current segment reporting requires disclosure of a measure of profit or loss and assets by reporting segment. Current US GAAP also requires disclosure about other specified amounts by reporting segment, if those amounts are included in the measure of profit or loss.

We believe that segment reporting should continue to be provided as a disclosure item, rather than provided on the face of the financial statements. Because current segment reporting requires the disclosure of a measure of profit and loss by segment, as well as disclosure about other specified amounts within that measure of profit or loss by reporting segment, we believe that the existing disclosures are sufficient with regard to measures of profit or loss to meet the objective described above. Furthermore, we believe that management's judgment should be used to determine what level of segment assets should be reported in order to meet the financial reporting objectives contained within the framework of this Discussion Paper. Total assets provided in the segment disclosure should be reconciled to the Statement of Financial Position to ensure cohesiveness of financial reporting. We believe that the reconsideration of segment reporting is not required at this time since the objective of requiring segment disclosures in existing guidance is consistent with the principles of this Discussion Paper.

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 generally believe that the business section and the operating and investing categories are defined appropriately. However, we believe that management's judgment should be used to appropriately reflect the substance of the underlying transactions within these categories. Furthermore, we recognize that there may be some challenges in applying those definitions in certain industries and that the interpretation and practical application of those definitions may vary by industry. For example, life insurance companies utilize certain investment portfolios to support the cash flows of its underlying business, whereas companies in other industries may primarily use investment portfolios to generate a return that is not part of its primary revenue generating activities. This is one example of nuances that exist and such practical applications that should be explored further during field testing to ensure that further modifications or explanations should be provided in the guidance, as needed. We recommend that field testing be performed on an ongoing basis to encourage comparability of financial statements within an industry until industry practice develops.

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?*

We do not believe that the financing section should be restricted to financial assets and financial liabilities as defined in IFRS and US GAAP as proposed. We believe that companies should not be limited to the definition in existing GAAP and that the classification should be based on the substance of the underlying transactions, and that management's judgment should be the primary criteria, in accordance with the framework outlined in this Discussion Paper.

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?*

Those that do not have an operating cycle that can be clearly defined between short term and long term such as insurance should not be required to present a classified statement of financial position. We believe it is more relevant for insurance companies to present the statement of financial position using liquidity order.

(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?*

No additional guidance is needed. The decision as to the manner and degree of presentation should be left up to management. We expect industry practice will develop over time and entities will select a consistent presentation across industries. The choice of methodology and the reasons should be disclosed in the accounting policy footnote.

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 is commonly considered to consist of currency and demand deposits with cash equivalents as "short-term, highly liquid investments" that will mature within three months or less after being acquired by the holder. We support retaining cash equivalents in cash for cash flow statement purposes as well as the statement of financial position. Pure "cash" is a very small number as we typically hold cash balances in cash equivalents. Therefore, we believe the most relevant number for insurance entities is cash and cash equivalents and this combined amount would provide the most useful information to analysts.

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?*

Separately presenting assets and liabilities measured on different bases in the primary financial statements could significantly increase the number of line items. We believe that this expansion could result in a less readable and useable set of financial statements. While we have no objection to disaggregation for the purpose of providing more decision-useful information, we believe that with respect to different measurement bases, continuing to disclose such information in the footnotes may be preferable to adding a multitude of reporting line items to the primary financial statements.

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 agree with the board's recommendation supported by several research studies that presenting all components of comprehensive income in a single financial statement (i.e. in the same location as compared to bifurcation, which requires users to search for the remainder of the pertinent information) is preferable. We do believe it is essential that the net income line be preserved and clearly displayed since this is an important piece of information serving as an indicator of the entity's performance.

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?*

Since cohesiveness is important in the understanding of the financial statements, we support this concept with respect to the categories reported in other comprehensive income; i.e. other comprehensive income should be reported by the categories that gave rise to the income or loss, provided the category is reported separately on the balance sheet as well.

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 in 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?*

Disaggregation in the statement of comprehensive income should mirror the disaggregation in the statement of financial position and the statement of cash flows. We believe each financial statement should be disaggregated similarly so that it is possible to fully understand the impacts of the cash flows (or lack thereof) related to the disaggregated items. Disaggregation throughout the financial statements should be decided by management with the objective to provide decision-useful information to users. We are concerned that too much disaggregation may not produce the desired results, i.e., useful information to analysts and other users, and could possibly lead to added costs to preparers with limited benefit.

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 tentative conclusion stated in paragraph 3.55 that an entity should apply existing requirements for allocating and presenting income taxes in the statement of comprehensive income and not allocate taxes to operating, business and financing activities. The tax effects related to line items reported in other comprehensive income and discontinued operations should be reported separately with the item, however, so that the tax impact is separately distinguishable.

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 remeasurement into its functional currency, in the same section and category as the assets and liabilities 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?

Some benefit could be provided by reflecting the balances by category, but additional detail such as by line item would be costly to provide. In addition, providing detail could add volatility to the affected line items when the volatility is a result of the foreign currency transaction gains and losses, most appropriately reflected in sum total or by category total.

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?

We do agree presenting the statement of cash flows under the direct method could provide useful information, as it shows the actual cash receipts and payments during the period, and is more consistent with the proposed cohesiveness objective, as explained in paragraph 3.78 of the Discussion Paper. However, we do not believe the benefits of the direct method presentation outweigh the costs companies would incur to implement the necessary changes. Please see our response to Question 20 for further discussion of the costs. In addition, the indirect method presentation provides meaningful information by focusing on the differences between net income and net cash flow from operations, as acknowledged by the FASB in SFAS 95, *Statement of Cash Flows*. SFAS 95 requires entities using the direct method in the statement of cash flows to also provide a reconciliation of net income and net cash flow from operating activities in a separate schedule. The Discussion Paper continues with this approach by proposing a reconciliation schedule, which would show all the information currently provided in an indirect method presentation. Many entities currently prepare the statement of cash flows using the indirect method and management uses this information to make business decisions. If the information provided by the direct method of cash flows was considered sufficiently valuable to management to outweigh the preparation costs, entities would already be preparing direct method cash flows for internal reporting purposes.

For these reasons, we do not believe entities should be required to prepare a direct method presentation. We recommend the provisions of SFAS 95 be carried forward without change, allowing entities the option of preparing the statement of cash flows under either the direct method or the indirect method. Entities choosing to use the direct method should provide a reconciliation of net income to net cash flow from operating activities as described in SFAS 95. We do not believe the reconciliation schedule proposed in the discussion paper should be required (see Question 23 for further discussion regarding the reconciliation schedule).

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?*

The most significant costs will be the one-time implementation costs. In order to be able to track the level of detail necessary for an accurate direct method of reporting, companies currently using the indirect method would need to fundamentally redesign accounting systems and administration systems (e.g., insurance contract administration systems). These systems would need to be able to capture detail data in order to support the information needed for both the direct method of reporting and the proposed reconciliation schedule. This becomes more complex and costly for corporations that utilize multiple systems and/or functional currencies. In addition, new processes will need to be established to identify gross cash receipts and gross cash payments for transactions in which net settlement is used, such as reinsurance transactions with third parties. These additional implementation costs would come at a time when capital resources are already strained due to the current economic environment.

Additional ongoing costs will be encountered for (1) staff costs, as additional staff will be needed to classify new transactions, maintain the more complex and detailed systems, and perform internal controls testing and (2) external audit fees, which will increase due to the additional internal controls.

As previously stated in Question 19, we believe the implementation and ongoing costs that entities will incur to switch to the direct method presentation far outweigh the benefits the direct method will provide. Entities should be allowed the option to prepare the statement of cash flows under either the direct method or the indirect method, as currently permitted under SFAS 95.

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 the effects of basket transactions should be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows. Using the example provided in the Discussion Paper in paragraph 3.91, we do not believe allocating the gain or loss resulting from the sale of a group of assets between the operating and investing categories would provide value-added information to the users of the financial statements. We believe the effects of basket transactions should be presented in the category based on the predominate source of those effects.

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?*

For insurance entities, we believe that presenting assets and liabilities in order of liquidity on the face of the statement of financial position is more relevant. We also believe that an entity should present a maturity schedule of those assets and liabilities in the notes to financial statements and disclose maturity details of its short-term and long-term contractual assets and liabilities. This approach will provide users with information that is both reliable and relevant. The user will be able to assess an entity's ability to meet its financial commitments as they come due. However, the specific disclosure requirements should be detailed in other accounting standards, e.g., insurance and financial instruments, and not mandated herein.

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.

No, we believe that even though it might increase the users understanding, we believe that the costs overshadow the benefits. The preparation of this schedule may not even be practical for some companies. We believe that the information needed to complete the schedule is substantially the same as the information needed to prepare the Statement of Cash Flows on a direct basis. The costs associated with implementing the direct Cash Flows Statement will be significant. As stated previously, in order to capture the detail necessary to prepare the direct Cash Flows statement and proposed reconciliation schedule, there would need to be a redesign of current accounting systems. The recurring cost will be associated with the employees who prepare and validate the schedule and additional costs to maintain internal controls over the reconciliation.

In addition, if consistency is maintained between the indirect Statement of Cash Flows and the Statement of Comprehensive Income, users can see two of the major components of the reconciliation. In regards to fair value measurements and impairments, there are other disclosures that would give the user the same information. We believe that making the statements cohesive increases the users' ability to analyze data and gives further transparency to earnings reducing the need for a reconciling schedule. Therefore, we believe that the costs of preparing the schedule exceed the benefits that it would provide.

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?*

No, we believe this will make the statement more confusing. There would be little value added, because regardless of how fair value is calculated or bifurcated it can always fit into the categories of recurring and non-recurring. When there are changes to fair value rules it can be presented in a separate disclosure.

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?

Based on our response to question 23, we do not believe that the boards should consider alternative formats for the reconciliation of cash flows. We acknowledge that the alternative examples may provide more relevant information for some companies. However, the alternative formats would still impose reporting costs to financial statement preparers in excess of expected benefits to financial statement users. In addition, we believe the alternative formats are overly detailed and potentially confusing, and may obscure important information that could be useful to financial statement users.

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?

We note that the IASB does not support including information in the reconciliation schedule about unusual or infrequent events or transactions because there is no notion of unusual or infrequent events or transactions in IFRSs. We further note that the revised IAS 1 issued in 2003 prescribed that "no items may be presented on the face of the statement of income or in the notes as extraordinary items".

However, we believe that users may consider information about unusual or infrequent events and transactions to be decision-useful. Such information may enable users to identify recurring/sustainable trends and form expectations about future liquidity and financial flexibility. This seems to us to be a reasonable information need that could be provided in the notes to the financial statements.

We question whether this information can be provided in an objective manner and whether the use of a memo column in the reconciliation schedule is the best way to bring this information to the user's attention. We believe management should be allowed to use discretion in providing additional decision-useful information and we support a single disclosure that would include information about events that have affected individual lines in the statement of comprehensive income.

(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?

The DP notes (in paragraph 4.51) that an entity can include events or transactions that do not meet the definitions of APB 30 but are similar to items that are unusual in nature or occur infrequently. Producing a viable definition of terms such as "unusual" and "infrequent" events and transactions is always very difficult, especially when IFRSs represent a principle-based set of standards. We do not believe the definitions are too restrictive. However, we are not supportive of the reintroduction of extraordinary items by another name.

(c) Should an entity have the option of presenting the information in narrative format only?

We believe a narrative format would be a viable alternative to the memo column, if a reconciliation of cash flows is required. A narrative would meet the board's objectives of cohesiveness and disaggregation, while allowing greater flexibility to provide decision-useful information through the eyes of management.