

International Accounting Standards Board  
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LETTER OF COMMENT NO. 125

**Discussion Paper *Preliminary Views on Financial Statement Presentation***

We are pleased to comment on the IASB/FASB Discussion Paper Preliminary Views on Financial Statement Presentation (DP).

To assess the elements and relevance of the DP in details, we restated our 2008 Financial Statements (PL, OCI, BS, EQ, CF and selected notes) to the discussed Financial Statements Presentation. Such restatement shows a number of major problems and inconsistencies in the DP. We think our restated Financial Statements gives ***less decision-useful information*** than our Annual Report 2008 as there is too much information not focusing on the business and thus not on primary results and cash flow drivers.

Each entity manages its business with the aim of optimising return on investments for shareholders and secondly other financial investors granting loans etc. to the entity. Management would therefore always focus on maximising profit and free cash flow. Therefore, we believe this should be the primary focus in presenting Financial Statements. We believe that some of the thoughts and objectives in the DP are consistent with our belief, but is not achieved with the proposals in the DP.

In our opinion the objectives and ideas are not met with the detailed principles outlined in the DP and we suggest the principles are reconsidered with a specific focus on management of business and risks:

- We believe the classification into operating, investing and financial activities should be based on Managements approach in the daily business managing risk and opportunities. Usually, an Industry Entity would manage business and financial risks in two different ways. The management approach would usually start with business and financial results and/or free cash flow – while the management of the assets and liabilities would be secondary following the focus on profit/loss and cash flow. Therefore, in our opinion, Income Statement and Cash Flow Statement should focus on this management approach to business and risk and not on a primary classification of Balance Sheet Items. Such classification would be meaningful and provide relevant information based on the management approach in the daily business. Financial information would then follow and focus on the relevant elements based on identified risk and opportunities.
- We believe cohesiveness on a pragmatic high level will provide relevant information to users of the Financial Statements and – used correctly – could increase focus on the most relevant data in the Financial Statements for each reporting entity. However, we think the DP proposes too much and too detailed information moving focus away from the relevant areas.

- We do not support the proposed required use of the direct method in presenting the operating cash flow. A true direct presentation would require an additional set of registrations in the books ensuring that each transaction is registered twice – first based on recognition/presentation in Income Statement and Balance Sheet and secondly based on presentation in Cash Flow Statement. We believe that implementing the direct Cash Flow Statement would require a redesign of the financial systems in all European companies which would probably cost in excess of EUR 50m<sup>1</sup> per company plus add extra complexity requiring more employees in each company. We believe the indirect method can provide meaningful information and that the required disclosures (number of elements in the main Cash Flow Statement) should be assessed in stead.
- We do not support the proposed reconciliation schedule as it will be too detailed not providing meaningful information that is managed during daily business. Businesses are not managed with the focus on timing and other differences between recognition in Income Statement and Cash Flow Statement. We believe it would be more meaningful to require further disclosure on non-cash transactions and revaluations.

Our response to the questions presented by the Board is included below.

Should you have any questions or if you wish to discuss any of the issues raised in this response, please contact Tina Aggerholm.

#### **Question 1 – Objectives of financial statement presentation**

In para 2.5-2.13 the DP proposes significant new definitions and objectives for the Financial Statements, including a cohesive objective, disaggregation objective and liquidity and financial flexibility objective. We believe these objectives could be relevant as overall objectives for the Financial Statements but that the DP is not balanced between meeting these objectives with decision-useful information for investors and requiring detailed information. We suggest, that continuing the work with these objectives it is necessary to reassess all presentation and disclosure requirements with a view on how business are managed in order to optimise return on investments for shareholders and "redesign" all requirements in IFRS with the aim of requiring relevant information based on management approach to running the daily business – operational as well as financial.

#### Cohesiveness objective

Para 2.6 describes the cohesiveness financial picture as a clear relationship between items across financial statements and that an entity's financial statements complement each other as much as possible. We believe the objective would be relevant and provide decision-useful information if implemented on a pragmatic high level and this would enhance descriptions and explanations of development in the main areas – as defined by the individual business.

However, the DP proposes the cohesiveness objective should be implemented on a line-by-line approach requiring each line to be disclosed in the same order and with the same disaggregation through the main statements in the Financial Statement. This result in a number of inconsistencies in the classification as some transactions/financial items does not follow the same "path" through the three main Financial Statements, and we believe they should not be forced to through a cohesiveness objective as this, in our opinion, would lead to conflicts with the main approach and definition of each of the statements. Examples are:

- Post employment benefit plans. Post employment benefit plans could be in form of defined obligation or defined benefit plans. The choice between these plans could be required legally by national law but would otherwise be based on a financial decision on the best and most profitable (for the employees

<sup>1</sup> Price estimate based on our current Financial IT project.

and the company) way of financing the obligation. Besides, pension assets and liabilities are strictly ruled by the pension scheme and Management cannot manage and take decision on these pension assets and liabilities in their daily management of the business. Therefore, we believe that a classification of pension assets and liabilities as part of Business Activities would be misleading/-informing. In our opinion a pension liability should therefore always be presented as part of the Financing Activities which would then follow the way Management is managing the obligation (and the plan assets). This should also apply to a defined benefit plan required by law.

However, a classification of pension cost as part of Financing Activities would not provide correct and meaningful information about Business Income and Financial Expense in the Comprehensive Income. Therefore we believe that pension costs – whether they relate to a defined benefit or a defined obligation plan irrespectively – should always be presented as part of Business Income. Thereby all pension cost would be presented as part of employee cost in Business Income regardless of the financial choice on funding. This would lead to pensions being classified partly as Business Activities and partly as Financial Activities following the substance on the individual parts of such agreement and the management decision on each relevant part which we believe would provide decision-useful information.

- Associated companies. When associated companies and securities are classified as part of the Operating Business because the investment is related to the main activity (e.g. an Industrial Company investing in companies within the same business exercising significant management over the associated company as defined in the company's business strategy) and such a company is disposed off gain/loss on disposal should be recognised and disclosed as part of the Operating Business. Such gain/loss is not comparable with prior or future periods and therefore it should not be disclosed as part of the Total Business Income. We believe that such gain/loss either should be presented as Financial Income as divestment decision would usually be based on financial decision or in a separate category for non-recurring items outside the Total Business Income. Such presentation would provide decision-useful information and form basis for analysis between the years.
- Financial lease: In Illustration IA financial lease liabilities are shown as part of Net Business Assets (Operating Business). Even though the leased asset is classified as part of the Business Assets we believe that lease financing should be part of Financing Activities. When investing in assets Management decides which financing agreement would be best considering flexibility, interest rate, maturity etc. Such decision is a financing decision and should not be linked to classification of the asset. Following the proposal in the DP financing of the Company would be presented in more categories making assessment of the financial position and ability to repay debt difficult for Investors.
- Dividends payable. The DP proposes that dividends payable should be presented as a Financing Activity. We believe that cohesiveness in this area is difficult, but adhered to dividends payable should be classified as a transaction with owners. We believe that this classification would provide more useful information to Investors showing the total payout to Investors through a year in one category.

Specific requirements in other standards require certain elements to be presented in separate line items in the Comprehensive Income or Cash Flow Statement. As the DP requires a line-by-line cohesiveness this results in an extreme increase of the number of line items giving detailed/specific information in the Comprehensive Income and Cash Flow Statement which reduces the level of information in the statements as it is difficult to distinguish between relevant and irrelevant information in an analysis and decision-making. In reclassifying our 2008 Annual Report we experienced a detailed focus on line items that are not relevant to Investors and Financial Analysts (based on the fact that they never ask for or comment on these figures) and less focus on the business relevant information which we know is relevant for decision-making and in our daily management of our group.

In our opinion the DP moves focus away from the main items relevant in assessing the entity's performance and is not supporting Management's needs to disclose and explain major relevant developments throughout the year and/or at the balance sheet date supporting Investors and Financial Analysts needs. Requiring information which is not managed at such detailed level does not add value to businesses. This would therefore result in disclosing

information to Investors that are not managed and controlled in such details which therefor could lead to misunderstandings and non-correct analysis-conclusion.

Based on the above examples we suggest that a cohesive objective is implemented on a pragmatic high level and, that agreements (e.g. pensions and financial lease) are split in more elements based on the substance of each individual element of such agreements.

#### Disaggregation objective

The DP proposes a disaggregation of items based on differences in economic events and to explain components of its financial position, performance and cash flow, but also acknowledging that there is a delicate balance between having too much information and having too little information. We agree that this is a delicate balance and believe that the proposed disaggregation provides too much information resulting in extensive details and disclosing information on the face of the Financial Statement which is not managed in such details.

Besides, in our opinion disaggregation of fixed and variable cost does not necessarily provide decision-useful information. Terminating fixed cost (assets) is not necessarily more difficult and/or more expensive than adjusting variable cost. This could for instance be the case in countries where terminating employee contracts is very expensive.

In our opinion, any disaggregation should be based on further relevant disclosures needed to explain developments and/or financial positions and should always be disclosed in the notes thereby keeping the information and number of line items on face of the Financial Statements at a high level as described above.

#### Liquidity and financial flexibility objective

As described above we believe that the cohesiveness and disaggregation objectives as proposed in the DP results in too detailed and extensive information on the face of the Financial Statements. Following the liquidity and financial flexibility cannot be clearly described and presented as there are too many objectives and inherent conflicts between them that are not solved in the DP.

We believe the most informative Financial Position would focus on the financial flexibility while the more specific information on liquidity should be presented in the notes.

#### **Question 2 – Separation of business activities from financing activities**

The DP proposes that an entity should present information about the way it creates value separately from information about the way it funds and finances those business activities. Assets and liabilities should be classified based on the way each item is used in business or in the financing categories. This results in a number of assets and liabilities being classified as part of business activities even though they are not managed that way, e.g.

- Trade receivables and trade payables. Even though the business activities – sales and purchases – results in trade receivables and trade payables these items are usually not managed as part of the business but as a financial item. The financial management of these items includes among other payment terms for customers and to suppliers, sale of trade receivables to financial institution and management of currency exposures together with all other financial positions.
- Fair value of financial instruments hedging balance sheet items classified as part of Net Operating Assets. Disaggregating the fair value of financial instruments based on which item they hedge would result in a presentation that does not follow the management of the hedged risks. Financial risks are managed throughout the company (Group) to minimise the total risk and not based on classification in the balance.
- Pension liabilities, cf. answer to question 1.

We believe that assets and liabilities should be classified based on how they are managed and not on a theoretical relationship to business vs. financing activities. This would, as an example, result in trade receivable and trade payable being classified as part of Financing Activities as they are managed as such in stead of a Business asset/liability just because they flow from a sales/purchase activity.

On the face this would result in less cohesiveness but we think that a more relevant cohesive objective could be obtained through a management approach in the classification in the Financial Position and through the Comprehensive Income and Cash Flow Statement focusing on management of risks and possibilities in both the business and financial activities. Such an approach could solve the above listed problems with the classification and would result in Financial Statements focusing on business risk, management thereof and the ability of maximising profit and free cash flow to the benefit of Investors.

The DP proposes that the Business section is further disaggregated in Operating and Investing assets and liabilities. We believe that such disaggregation does not provide decision-useful information that should be presented on the face of the Financial Position. We believe that when such information is relevant to Investors it should be presented in the Segmentation disclosures (in accordance with IFRS 8) and not as a partial segmentation on the face of the Financial Position. In other situations we believe that further disclosures in the notes would be appropriate.

#### **Question 3 – Equity**

We believe that equity and other financing by nature are very different and that Equity-holders and others providing financing to the entity have very different needs for information. Besides, the financial position depends on an entity's possibilities of meeting its financial needs, including repayment of debt. Therefore equity and non-owner financing should be presented separately in the Statement of Financial Position.

#### **Question 4 – Discontinued Operations**

We believe that presentation of discontinued operations in a separate section provides decision-useful information as the Financial Statements then form basis for comparison with future Financial Statements.

If the classification in operating, investing and financing assets and liabilities are kept – even though we disagree in such separation, cf. above – we believe discontinued operations should be presented as a total and not per category. As the presentation in a separate section should provide a basis for future comparison there are no needs for specifying discontinued operations per category.

The DP discusses both discontinued operations and assets held for sale. In para 2.37 the DP refers to discontinued operations while Illustration 1A specifies Assets held for sale. In our opinion only Discontinued Operations (as defined in IFRS 5) should be presented separately as assets held for sale is an ordinary cause of business. Besides, we propose other ways of presenting Discontinues Operations are assessed, e.g. presentation of two columns in PL and CF – one showing continuing operations while the other shows discontinued operations.

#### **Question 5 – Management approach**

As described in the answer to question 2 we believe that a management approach should be used in the classification of asserts and liabilities and related items in Comprehensive Income and Cash Flow Statement. However, we do not believe that the classification proposed in the DP provides relevant decision-useful information. We believe a true management approach based on how each asset and liability is managed will provide the necessary decision-useful information based on business risk and opportunities, operating and financial results, cash flow (and the possibility of generating future cash flows) and the financial position. Please refer to the answer of question 2 for further description.

Even though classification based on management approach could result in different classification between similar companies, we believe that such differences are appropriate as they are a result of the management in the business and will form basis of decisions affecting the operating and financial results as well as the cash flows. Investors should therefore always receive the relevant and necessary information through the management approach.

#### **Question 6 – Statement of financial position**

We believe that IFRS should elect one financial presentation – either having both assets and liabilities in the same categories or separating them as today – and stick to that decision throughout the Financial Statements. We believe that having assets and liabilities presented in the same category should be further discussed as to which extend items of same nature should still be presented in two different line items or should be presented net in one line. This could e.g. apply to fair value of financial instruments which has the same nature but could also be relevant for other items.

We believe that today's presentation has advantages as it allows for calculation of a number of essential financial ratios. Therefore, we believe that this classification should also be used in the future. When assets and liabilities are managed together as might be the case for some financial items further information on the financial position could be disclosed in the notes.

#### **Question 7 – More than one reportable segment**

In our opinion there is a fine line between segmentation at entity and reportable segment level. For most Groups there should be no need to distinguish between the two levels. However, for some conglomerates it would be relevant to classify assets and liabilities at segment level to present relevant information for each segment based on the management approach. Therefore we believe that assets and liabilities should be classified at reportable segment level.

#### **Question 8 – Consequential amendments to existing segments disclosure requirements**

As described above we believe that Business should not be disaggregated into Operating and Investing assets and liabilities as such information belongs to the Segment information. When investing activities are material they should be presented as a separate segment. We suggest that a specific threshold for specifying investing activities is included in IFRS 8 as some of the current thresholds do not apply directly to investing activities.

Besides we suggest that financing activities that are managed at segment level are disclosed in the segment reporting. The management approach on the area should be described as well. Tax should not be segmented as it is almost always managed at Group level.

We believe that a number of main categories (e.g. subtotals) in the Cash Flow Statement should be reported in the segment reporting. The minimum requirement should be aligned with the requirement on disclosure of items from the Comprehensive Income. Examples could be Cash flow from Operating Activities, Net Cash from Financing Activities, Investments in long term assets and cash flow from equity transactions.

#### **Question 9 – Business section and the operating and investing categories**

As described above we believe that the operating and investing assets and liabilities should not be disaggregated in the Statement of Financial Position as such information should be disclosed as part of the segment information when relevant.

Restating our Annual Report 2008 we experienced that the investing category would easily be considered as the "left-over" category. If business assets and liabilities are classified strictly according to the definition some items would be left over and they would probably often end up as investing activities as Management might prefer to keep them out of the business category. Therefore if both categories are kept – we believe they should not – they

should have strict classifications. It should be considered if other IAS/IFRS's need to be revised to support the classification.

**Question 10 – Business section and the financing assets and financing liabilities categories**

As described in answering question 1 and 2 we believe that the classification should be based on a management approach to business and financing which is not in line with the current proposal. We believe such classifications should apply to both financing assets and financing liabilities based on management and not on the definitions of financial assets and liabilities as they are today.

We believe that financing assets and liabilities would result in a broader definition which is aligned with the management approach and therefore support decision-useful information for Investors. As described above this is among other relevant for classifying financial lease liabilities and pension liabilities as part of financing liabilities which we believe is necessary to provide relevant decision-useful information on all of the proposed categories in the Statement of Financial Position.

**Question 11 – Classified statement of financial position**

We would always present a classified Statement of Financial Position and believe that classification should be based on current/non-current as required today as this provides better information on the business cycle in the entity (segment) and the management of the individual items. If significant current assets and liabilities mature more than one year from the balance sheet date that should be disclosed in the notes. If that is basic knowledge based on the type of business, only that fact should be disclosed without any financial figures to support the information.

**Question 12 – Cash equivalents**

As described we believe that management approach in classification provides more relevant information to investors. Following that, we also believe that cash equivalents could be presented as part of cash in the Statement of Financial Position. However, that classification should only be applied when Management actually manage such equivalents as part of cash on a day-to-day basis. In our opinion this would present the actual financial position, liquidity and the possible future cash flows in the entity more appropriately.

**Question 13 – Assets and liabilities that are measured on different bases**

We believe that the Financial Statements should present aggregated information on a pragmatic high level in order to ensure focus on relevant and significant information. Answering question 1-2 we described the need to reduce the disclosures significantly compared to the proposal in the DP. Therefore we believe it is necessary to require some assets and liabilities measured on different basis to be presented in the same line item in the Financial Statements. We believe that this would also apply to items in Comprehensive Income and Cash Flow Statement.

To avoid extensive information in the notes that are not decision-useful we suggest that such items are only specified in the notes (including Description of Financial Policies) when this is necessary to understand the financial position, liquidity, operating or financial result and/or cash flow for the year. We believe that recent year's development in IFRS and in the entities business and financial complexity (which was not foreseen when issuing IAS's) have increased the disclosure requirements significantly and beyond what is needed for Investors and Financial Analysts to understand and assess the entity's financial results and position. Therefore we believe that IASB needs to reconsider former year's approach to financial information and reduce disclosure requirement to ensure that information is not included just because of different characteristics but because it provides useful and needed information. This would reduce complexity and make each Financial Statement more oriented towards Investors and Financial Analysts.

**Question 14 – Single statement of comprehensive income**

The DP proposes that Comprehensive Income should be presented as one single statement comprising, but still presenting, a subtotal for Net Result for the year. We believe that the combination of today's Income Statement and Statement of Other Comprehensive Income requires further discussion on classification on items in Income Statement or directly in Equity. We believe such discussion is necessary if part of today's disclosure in total Equity should be permanently moved to income. In the past these discussions have been postponed a number of times..

A number of items recognised directly in Other Comprehensive Income are items which do not constitute an income item and never will. Therefore we believe that such items should not be presented as an income for the year as such disclosure and information may mislead Investors and Financial Analysts. Such items are among others

- Foreign exchange adjustments on foreign entities and related net investment hedges. Such items are by nature fluctuating – sometimes significantly – from year to year and will only constitute an Income if they are realised through a disposal of the entity.
- Share-based payment. It is still not clear whether share based payment should be disclosed directly in Comprehensive Income or in Equity as a transaction with shareholders.
- Fair value adjustment on step acquisition on the part of the acquired entity that was owned before the transaction resulting in control of the entity.

We believe that realised Profit/Loss for the Year is so important and necessary in decision-making that today's Income Statement should not be mixed with Other Comprehensive Income.

**Question 15 – Other comprehensive income**

Following the arguments stated above we do not believe that it provides useful decision-relevant information to indicate which category the items of Other Comprehensive Income relates to as such classification would not be a simple and straight-forward and as some items could relate to more categories.

**Question 16 – Disaggregate by their function, by nature or both**

The DP proposes that an entity should disaggregate within each section and category in the Statement of Comprehensive Income its revenues, expenses, gain and losses by their function and by nature

We support the proposal on disaggregation by function in the Statement of Comprehensive Income and further disaggregation of these functions by nature in the notes. However we believe that entities should be allowed to choose a combination of disaggregation by function and nature on the face of the Statement of Comprehensive Income when this supports the objective of disclosing significant high-level decision-useful information. This would e.g. allow for presentation of gain/loss on disposals and other income/expense not related to the primary business.

However, we believe that only disaggregation by nature at a pragmatic high level provides decision-useful information and only when the information is disclosed in the notes and aggregated at such high level as managed by the entity – e.g. supported by internal management reporting. We believe that disaggregation by nature should be based on a management view and not through specific requirements in the standard. Using a management approach, we believe, the information will focus on relevant income/cost elements as well as risks and possibilities and support such explanations disclosed by Management to highlight developments in current year and threats/possibilities in the future on results as well as cash flows.

Using a management view also provides the possibility of disaggregating Cost of Goods Sold in an appropriate way when a standard-costing model is used being able to focus on a combination of nature and production flow. We believe such information is more relevant than a strict disaggregation by nature as such disclosure would not be supported by day-to-day registrations and management of the production costs.

Using a management approach in disaggregation, we believe, the information and disclosure can be tailored to the individual entity and thereby avoiding detailed requirement on disclosing too much data not providing relevant information. There is a difficult balance between requiring specific, detailed information on each area (typically required in item specific standards) and allowing Management to decide which information is relevant and decision-useful. We believe recent year's extensive increases in disclosure requirement have resulted in a number of detailed information and too much data moving focus away from the relevant areas and the risk and opportunity picture relevant for the individual entity. Therefore we believe that the DP should focus on management view when disaggregating by nature.

#### **Question 17 – Income taxes**

The DP proposes that Income Taxes should not be allocated between the business (operating and investing) and financing activities. We agree in this.

However, the DP proposes that income taxes should (still) be allocated between each of the items in Other Comprehensive Income either by disclosing the items net of tax or presenting the gross amount and related tax in the notes. We believe that such specification does not provide decision-useful information as tax on each individual item often depends on tax optimisations across the items. Therefore we believe tax should not be allocated to each individual item in Other Comprehensive Income but should be presented as total tax for these items. As tax is managed and optimised as one total position for each entity the disclosure should follow this approach to ensure consistency between management decisions and disclosures.

#### **Question 18 – Foreign currency transaction gain and losses**

The DP proposes that foreign currency translation gains and losses are presented in the same category as the assets and liabilities that it arises from. We do not support this proposal as it provides no decision-useful information compared to the level of disclosure required today.

#### **Question 19 – A direct method of presenting cash flows**

The DP proposes the use of required direct cash flow method. It is our opinion that true direct cash flow is not consistent with how Management views the performance of an entity and does not support the overall objectives of the DP. Had the Management of businesses required information at this level of detail it would already have been part of standard Management reporting throughout Europe today.

In excess of the unjustified cost addressed under question 20 we believe the indirect method provides meaningful information, and if presented with enough detail provides more and better decision-useful information. It is our suggestion that the required disclosures (number of elements in the main Cash Flow Statement) should be assessed in stead.

#### **Question 20 – Costs**

If IFRS requires a true direct method as proposed in the DP it would require redesign of the systems in all entities not already using a true direct method. We believe this would be applicable to most entities throughout Europe. Based on our current SAP-redevelopment project we believe that most companies would need a complete redesign of their systems as a change from indirect to direct cash flow statement cannot just be added/adjusted in the IT-system. We estimate such redesign would cost in excess of EUR 50m for most companies as it would require a full redesign of the systems and related processes. Furthermore it will increase daily cost by a number of employees for each entity to handle more complex daily book-keepings, more controls and reporting requirements. Depending on the structure of the entities we believe this would typically require 1-2 person per subsidiary – for most Groups this would result in 100-200 new employees to handle this requirement.

Alternatively entities could use an indirect-direct method. However, such method would not support the proposed reconciliation between line in Statement of Comprehensive Income and Cash Flow Statement. Using an indirect-direct method could possibly be implemented in some companies without major changes to systems and would be less expensive. However, we estimate that such changes would cost at least EUR 25m. Furthermore it would require more personnel to handle day-to day business and to control and report the figures. This would probably be almost as time-consuming as using the true direct method.

As stated above we do not believe that the direct method provides better decision-useful information than the indirect method. Taking the considerable cost into consideration we believe that cost is much too high to require such model and information.

#### **Question 21 – Effects of basket transactions**

We believe that effects of (significant) basket transactions should be presented so it provides decision-useful information. Since basket transactions in their nature are not possible to allocate they should be presented so it best reflects Management's decisions with explanatory disclosures in the notes for significant transactions.

#### **Question 22 – Maturities of its short-term contractual assets and liabilities**

As described above we believe the Statement of Financial Position should be disaggregated based on current and non-current items while significant current items maturing more than one year after the balance sheet date should be presented in the notes. We believe such information provides decision-useful information about future cash flows and believe that entities should include information about items with a maturity significantly different from what would be expected based on the classification in the balance sheet. However, we do not support a strict and detailed disclosure of maturity for all items as such details are not decision-useful but provide too much data and results in lack of focus on material items.

#### **Question 23 – Reconciliations schedule**

The DP proposes a line by line reconciliation between Statement of Comprehensive Income and Cash Flow Statement to explain the cohesive relations between the two statements.

Such information is not managed by the entities today as management of operating business and cash flows usually are two very different tasks. Therefore such reconciliation would add significant complexity in daily business and still provide information in the Financial Statement that are not managed and/or controlled by the entities. The entities would have to increase management and controlling of items that are not business relevant and do not provide useful information in managing a business with the objective of optimising investors return on capital and/or cash flow to repay debt. For example information on accruals in each individual item is not relevant information as it tells nothing about the expected future cash flow and nothing about performance in the business as the amount of accruals would be influenced by closing procedure (faster close more accruals), billing procedures agreed with suppliers and customers and business developments.

We believe the proposed reconciliation adds a significant amount of data to the Financial Statement without adding any relevant information but reducing the total information level due to lack of focus on relevant items.

We believe that the link between Statement of Comprehensive Income and Cash Flow Statement should be described verbally and when necessary supported by figures and specifications of significant non-cash transactions. We believe such information provides decision-useful information to Investors and Financial Analysts as this would focus on relevant items and transactions based on the business and the development throughout the year. We believe this would support the understanding and analysis of the development in cash flows and keep the level of information in the Financial Statements at a pragmatic high level ensuring focus on all relevant areas in the business and financial developments.

**Question 24 – Changes in fair value**

As stated above we believe that disclosure and presentation on the face of the Financial Statement and in the notes should be based on a management approach and by management of the risks and possibilities in the entity. This would result in a broader definition of Financing Activities as the items included would be every item managed as a financial item irrespective of its origins from an activity in the business or from financing the activities. Thereby financial instruments hedging financial risks, e.g. interest rate risk, foreign currency exchange risk and credit risk, would be presented as Financing Activities in the Statement of Comprehensive Income – this could be as part of Net Profit or as Other Comprehensive Income.

Regardless of disclosing as proposed in the DP or by us, we believe there should be no further requirements on disclosing changes in fair values. If there are such needs we think the primary disclosure (allocation) requirement does meet investors need for decision-useful information as further disclosures by nature in it selves should not be the primary need. Therefore we also think that if the proposed disclosure is implemented a reassessment of the presentation requirement in IFRS 7 is needed.

We believe that any discussion on recognition in Net Profit and Other Comprehensive Income should be part of a reconsidering of the recognition and measurement required in IAS 39.

**Question 25 – Alternative reconciliation formats**

The DP proposes reconciliation formats which in our opinion add complexity and a number of data/information which do not provide decision-useful information. We believe the reconciliations are based on a control objective that should be dealt with in each entity during its control procedures and not a disclosure in the Financial Statement.

We believe such information provides too many data which reduces information in the Financial Statements as it moves focus away from significant, relevant and decision-useful information describing business and financial developments, liquidity and financial position. The specific required amount of data and information should be reduced while at the same time requiring enhanced description – with or without specific figures disclosed – of developments, significant transactions etc. that allows Investors and Financial Analysts to understand the development in the specific entity. This would consist of a management approach and tailor information to the relevant items and areas in the entity. Therefore we believe that the entity should not provide requirement on further reconciliation formats.

**Question 26 – Unusual or infrequent events or transactions**

We believe that it provides decision-useful information when unusual and infrequent events – the so-called special items – are presented in a separate line item in the Statement of Comprehensive Income. This provides relevant information for Investors and Financial Analysts in assessing the business and financial performance of the entity and thus provide a base line for year-on-year analysis of the business developments.

We believe such information is significant and decision-useful and therefore should be presented on the face of the Statement of Comprehensive Income the Standard should provide specific guidance on presentation.

Furthermore we believe the standard should provide guidance on typical events and transactions that could be special by nature but allow for a management view on how to determine special items for the specific entity. Such management approach should be disclosed in the Accounting Policies.

**Question 27 - FASB**

Not relevant

Yours sincerely

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