



International Accounting Standards Board 30 Cannon Street LONDON EC4M6XH United Kingdom

Paris, April 14 2009

Re: Discussion Paper Preliminary Views on Financial Statement Presentation

Dear Sir/Madam

The Association nationale des Directeurs Financiers et de Contrôle de Gestion (DFCG), the French Association of Financial Executives, appreciates the opportunity to comment on the IASB/FASB Phase B financial statement presentation project discussion paper *Preliminary Views on Financial Statement Presentation*.

The discussion paper deals mainly with the following issues:

- implementation of the cohesiveness principle,
- classification of items into operating, investing, and financing categories, which starts with the classification of assets and liabilities and is then applied to related income, expense and cash flow items.
- adoption of the direct method in the statement of cash flows, and
- introduction of a new reconciliation schedule, which would reconcile cash flows to comprehensive income whilst disaggregating income into its cash, accrual and other remeasurement components.

Financial statement presentation is an issue of fundamental importance to financial executives. Hence DFCG is pleased that the IASB has decided to address this topic and DFCG supports the decision to do the work as a convergence project with the FASB.

In our view the discussion paper contains many good ideas and we are broadly supportive of its proposals. Our main concern is that preparers are given enough time to adequately implement the changes from current practice. Our detailed comments are set out in the appendix to this letter.

We hope you will find our comments helpful. Should you have any questions, do not hesitate to contact us for further details or explanations.

Yours sincerely.

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Appendix

Question 1 Would the **objectives of financial statement presentation** (cohesiveness, disaggregation, helping users to assess an entity's liquidity and financial flexibility) 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.

Question 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?

Question 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?

DFCG supports all three proposed objectives, in particular the cohesiveness objective. Nevertheless we would like to mention that further work is needed to precisely define how it should be applied.

We consider that the separation of business activities from financing activities does indeed provide useful information to users. Furthermore this approach is in line with the way our constituents generally look at their businesses.

Though equity and financing liabilities both are sources of funds, their nature is widely different in the view of our constituents. Hence, we consider equity has to be presented as a section separate from the financing section.

Question 5 The proposed presentation model relies on a **management approach** to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34 and 2.39–2.41).

- (a) Would a management approach provide the most useful view of an entity to users of its financial statements?
- (b) Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?

If it is clear that once management has decided how assets and liabilities are used in the business, this decision commands the classification of those assets and liabilities in the statement of financial position, we support the proposed approach.

So understood (that is, if the discretion of management is in the business decision, not in the accounting classification), the management approach will not, in our view, reduce the comparability of financial statements.

Question 7 Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have **more than one reportable segment** for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.

We consider the classification of assets and liabilities according to their use should be done at the reportable segment level, any other solution would not be consistent with the management approach.

Question 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?

DFCG considers that eliminating the option to prepare two separate statements will result in an improvement in financial reporting for all the reasons set out in the discussion paper. In our response to the 2006 exposure draft on the revised IAS 1 Presentation of financial statements, we indicated that we definitely were in favour of a single statement of comprehensive income.

Question 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?

Some of our constituents have an experience in using both the indirect method and the direct method of presenting operating cash flows. The indirect method is used in the presentation of the statement of cash flows within IFRS financial statements. The direct method is used internally for indepth analyses of cash flow generation or consumption, that are not feasible under the indirect method. Consequently we tend to consider that the direct method provides information that is decision useful and we would not object to this method becoming mandatory.

Nevertheless we would like to emphasize that the direct method is currently not widely used even for internal purposes. Implementing it will require time and efforts (adapting the accounting and reporting software, training staff, setting up control procedures, ...). We insist that enough time is given to do so in an orderly manner.

Question 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.

In our view, the proposed reconciliation schedule is absolutely necessary if the direct method of presenting operating cash flows is retained and we consider the proposed format to be well thought. However, we reflect that the resulting very detailed schedule is difficult to read. Moreover it may convey many numbers that have little informational value by themselves though they are needed for reconciliation's sake.

Hence, for the schedule to be appropriately analyzed and fully understood, management will have to highlight large and significant items as well as to provide appropriate explanations. We therefore suggest that the standard to be developed from this discussion paper should include a specific requirement in this respect.