



LETTER OF COMMENT NO. 153

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Project Manager  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Submitted via Open to Comments page at [www.iasb.org](http://www.iasb.org)

Dear Sirs:

**Re: Discussion Paper – Preliminary Views on Financial Statement Presentation**

Thank-you for the opportunity to comment on the proposals outlined in the *Preliminary Views on Financial Statement Presentation* Discussion Paper.

EnCana Corporation is a leading North American unconventional natural gas and integrated oil company which is listed on both the Toronto Stock Exchange and the New York Stock Exchange. EnCana reports under Canadian generally accepted accounting principles (“GAAP”), which will converge with International Financial Reporting Standards (“IFRS”) in 2011.

We support the International Accounting Standards Board’s and the Financial Accounting Standards Board’s objective of making financial statements more useful for end users. However, we have significant concerns regarding the cost/benefit of preparing a direct method cash flow statement and reconciling cash flows to comprehensive income. Our concern is compounded when taking into account the disaggregation of revenues and expenses by nature. In our view, the benefit of these proposed financial statement presentation requirements does not outweigh the significant systems, process and resource costs that would be required to comply.

EnCana’s responses to certain questions outlined in the Discussion Paper are attached in the Appendix to this letter.

We would like to thank you for your time and consideration. If you have any questions, please do not hesitate to contact me or Corine Bushfield at 01-403-645-5824 or by email at [corine.bushfield@encana.com](mailto:corine.bushfield@encana.com).

Sincerely,

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## Appendix – Response to Invitation to Comment

### **Question 16**

*Paragraphs 3.42 – 3.48 proposes 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 for 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?*

We agree that the disaggregation objective should lead to sufficient but not excessive disaggregation. We believe that the principle should focus on the usefulness of information and not on further prescription as to how revenues and expenses should be disaggregated by function and by nature. We suggest that the revenues and expenses be disaggregated by function, by nature or by both function and nature as determined by “management’s approach”. This approach would be consistent with the classification of assets and liability into sections and with the presentation of operating segment disclosures. We recognize this raises the potential for reduced comparability; however, this is inherent in utilizing a “management approach” as noted in the Discussion Paper.

### **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?*

We believe that the cost of presenting a direct method cash flow statement significantly outweighs the possible benefits it provides. We are concerned the direct method does not provide information that is more decision-useful than the indirect method. Although the direct method may be more consistent with the proposed cohesiveness and disaggregation objectives than the indirect method, we believe this is secondary to useful presentation. We recommend that the indirect method cash flow statement continue to be permitted.

### **Question 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?*

As noted above, we believe that the cost of presenting a direct method cash flow statement significantly outweighs the possible benefits it provides. To prepare a reliable direct method cash flow statement, we believe we would require underlying transactional detail. The Company would incur significant systems, process and resource costs to implement the changes that would be required. We believe that these changes would increase the ongoing cost of managing the increased scale and scope within the Company’s systems. We do not believe it is possible to create a reliable direct cash flow statement at a disaggregated level by starting with an indirect method.

**Appendix – Response to Invitation to Comment**

**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.*

We believe the cost of the proposed reconciliation schedule would significantly outweigh the possible benefits of providing this disclosure. To prepare this reconciliation would require significant systems and process changes in order to capture the underlying detail. The ongoing maintenance and analysis required to prepare the reconciliation would be costly as well. We are uncertain as to how users would find the accrual information useful.