

WORLD CLASS





ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

ALA Response to the LASB/FASB Financial Statement Presentation Project Discussion Paper Preliminary Views on Financial Statement Presentation

Submitted: 20 April 2009

Introduction

These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank Mr Bob Greenwood for his input in this response.

About AIA

AIA is one of six statutorily Recognised Qualifying Bodies (RQBs) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the European Union and in other major financial centres around the world.

The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines.

The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK.

AlA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

AIA's Response

Whilst AIA supports the underlying objectives of the project – to improve the usefulness of the information provided in an entity's financial statements to help users make decisions in their capacity as capital providers, there are several issues which AIA would like to raise.

If the implementation of the cohesiveness principle is to provide useful, meaningful information through an entity's financial statements complementing each other, AlA does not think information should be shown in the same order and disaggregated to the same extent nor should all be provided on the face of the financial statements.

It would be more beneficial to preparers and users if disaggregated information highlights the drivers (e.g. marketing expenses) of past results thereby allowing users to formulate their expectations of future results.

AlA supports an approach to classifying the various assets and liabilities to reflect how each of those assets and liabilities are used in the business; however we are not in favour of an approach to classification that gives management substantial or total discretion as to how the assets and liabilities are classified in the statement of financial position.

AIA considers that the information needed to compile the indirect method of presenting operating cash flows in the statement of cash flows is more accessible and therefore the costs to implement a direct method cash flow statement would not provide information that is more decision – useful than an indirect method to justify the additional cost that would usually be involved.

AlA believes it is a good idea to introduce a new reconciliation schedule which would reconcile cash flows to comprehensive income and disaggregate income into its cash, accrual and re-measurement components.

However, we believe that the proposed reconciliation schedule will result in too many numbers being disclosed, only some of which will have informational value to justify the cost of preparing the schedule in the form proposed.

In AlA's view it would probably be more pragmatic if the schedule adopted a management by exception approach of focusing on re-measurements and the largest non-cash items.