

**OICV - IOSCO**



LETTER OF COMMENT NO. *2060*

Organización Internacional de Comisiones de Valores  
International Organisation of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organizaç o Internacional das Comiss es de Valore

April 28, 2009

Discussion Paper: Preliminary Views on Financial Statement Presentation  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

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

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Discussion Paper, *Preliminary Views on Financial Statement Presentation* (the Discussion Paper or the Paper), which was part of a joint project by the IASB and the US Financial Accounting Standards Board (the Boards).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 (SC1) seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of SC1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

### **General Observations**

We believe that the Boards' preliminary views on financial statement presentation will result in improvements to financial reporting. The Boards initiated this project to address users' concerns regarding multiple acceptable alternative presentation formats, insufficient disaggregation, and inconsistency in presentation among the statements. The goal of the proposed guidance is to

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present financial information in a manner that maximizes its usefulness to investors and other users. That goal is one that we fully support. We appreciate the significant efforts of the Boards in developing these preliminary views and the added effort that will be necessary for the Boards to develop an exposure draft and ultimately a final standard. We present below our general observations on the primary issues in the Discussion Paper. Our responses to the specific questions posed in the Paper are in Appendix 1.

### ***Significant Improvements Resulting from the Preliminary Views***

As indicated above, SC1 members are supportive of the goals of the Boards' preliminary views on financial statement presentation and we believe that certain of the recommended changes will result in significant improvements in financial reporting. These significant improvements include:

#### ***A Single Statement of Comprehensive Income***

SC1 members believe that requiring a single statement of comprehensive income is an improvement over the existing guidance in IAS 1 and in US GAAP as it will result in all components of comprehensive income being presented with a similar degree of prominence on the same financial statement. This approach at least acknowledges that items of other comprehensive income are components of economic income during the period. Retaining a separate section in the single statement for items of other comprehensive income appears a reasonable compromise at the current time and another step towards a more integrated model for comprehensive income. The disclosure for items of other comprehensive income of the section and category to which they relate will enable users to prepare an integrated statement of comprehensive income if they so choose.

#### ***Disaggregation in the Statement of Comprehensive Income***

SC1 members agree with the preliminary views that require the classification of income and expense items into each financial statement section and category and within each category by function and nature to the extent that the further disaggregation will enhance the usefulness of information in predicting an entity's future cash flows. While the "by function or by nature" disaggregation requirements do not appear to significantly change the profit and loss presentation requirements under IAS 1, they could result in incremental disaggregation in the statement of cash flows. Further, these requirements could significantly increase disaggregation in the income and cash flow statements under US GAAP.

#### ***Reconciliation of Cash Flows to Comprehensive Income***

Some SC 1 members support the requirement to present the reconciliation of cash flows to comprehensive income, which they believe is consistent with users' requests and will enable users to better separate components of comprehensive income that have differing implications for future profit or loss or cash flows. Other SC1 members believe that while the reconciliation provides certain useful information, the useful information is obscured by a significant amount of line item detail that does not itself have incremental value. Those members suggest that the useful information, such as the disclosures regarding the changes in fair value and other remeasurement components of comprehensive income be instead separately presented in the footnotes to the financial statements.

### *Management Approach to Presentation*

In the Discussion Paper, the Boards have expressed a preliminary view that assets and liabilities should be classified in a manner that best reflects the way the items are utilized within the entity. This classification principle is referred to as the “management approach”. SC1 members are generally supportive of this approach because presentation of the financial statements utilizing “management’s view” of the business appears likely to provide the most useful information for making informed investment decisions. It also allows for a principles-based approach to classification that accommodates both financial and nonfinancial enterprises under one model. However, SC1 members also wish to point out that presentation and measurement are separate issues and that support for a management approach to classification does not imply support for a management-intention based approach to measurement; the latter is a matter that SC 1 did not evaluate in formulating its comments.

### *Certain Implementation Concerns regarding the Preliminary Views*

While supportive of the Boards’ goals in this project, SC1 members have some implementation concerns regarding lack of clarity or the potential ramifications of certain preliminary views. These concerns include:

#### *Intercompany Comparability*

While SC1 members are generally supportive of the management approach to classification proposed in the Discussion Paper, we are concerned that the approach, when combined with unclear definitions, (see comments below under *Unclear Definitions of Certain Sections and Categories*), may lead to a significant decline in financial statement comparability between companies. SC1 members suggest that the Boards clarify the definitions of the financing section and investing category to reduce the potential lack of intercompany comparability that may arise from the application of the preliminary views.

#### *Discretionary Subtotals*

Consistent with the management approach, the Discussion Paper appears to provide management with significant discretion to include additional subtotals in comprehensive income if it concludes that an additional subtotal is helpful in understanding changes in the entity’s financial position. While SC1 members support providing information that is helpful to users, we have generally discouraged subtotals that are used to recharacterize profit and loss in a manner that differs from GAAP profit and loss. Management may conclude that there are certain income or expense items in the statement of comprehensive income that do not meet its own views of what should be included in profit and loss and then it may add a subtotal to segregate such items from the remainder of profit and loss. SC1 members believe there should be some parameters to limit the discretion to provide subtotals, particularly those that attempt to recharacterize profit and loss or are potentially misleading, for example because they exclude unusual losses and expenses but include unusual gains.

#### *The Classification Basis*

SC1 members believe that in any future exposure draft, the Boards should consider establishing a clear and consistent basis for classification of all elements of the financial statements. The Discussion Paper indicates that the classification of changes in assets and liabilities for all statements is based on the classification of the related asset or liability in the statement of

financial position. We are concerned that, while the Boards express this principle, they seem to be looking through the assets and liabilities to the changes in those assets and liabilities to determine the classification. We are also concerned that the principle for classification of changes in equity is not consistent with the principle for changes in assets and liabilities, because the classification of a change in an equity instrument is not necessarily determined by the classification of the instrument on the balance sheet. For example, if a company issues a stock option that is classified as equity, it is not clear based on the guidance in the Discussion Paper (paragraph 2.36) how one concludes that the expense side of the entry goes into the business - operating category other than by applying a general default to the operating category if classification is otherwise unclear. Further, within the existing classification scheme, the classification of dividends as a non-equity financing transaction appears nonintuitive.

SC1 members are also concerned that a strict adherence to the statement of financial position-based classification model may lead to illogical answers where more than one type of expense or income item is associated with an asset or liability. For example, consider the situation of expenses related to certain long-term liabilities, such as pensions, other post-retirement benefits, and asset retirement obligations. Because the liabilities are nonfinancial, they cannot be classified as financing under the Discussion Paper. However, it is not clear that certain of the expenses associated with these liabilities, such as the interest component of the pension cost or the accretion on the asset retirement obligation, would not be better classified as financing expenses. While we understand that some of the classification issues related to changes in these liabilities are due to how the liabilities or expenses are characterized in existing standards, nonetheless, we do not believe the Discussion Paper model adequately addresses this type of situation.

#### *De-emphasis of Liquidity Information and Certain Ratios*

SC1 members are concerned that the required presentation format for the statement of financial position with classification into current and noncurrent assets and liabilities within numerous sections and categories may have the consequence of deemphasizing liquidity information more than is appropriate. The information for computing what are often considered to be important solvency ratios, such as the current ratio, the quick ratio, and certain other debt and leverage ratios, will be scattered throughout the statements of financial position with subtotals or totals being required only in the footnotes. At a minimum, to mitigate the effects of this dispersion of information, we recommend that the subtotals for current and noncurrent assets and liabilities and total assets and liabilities be required on the face of the statement of financial position, not just in the footnotes.

#### *Unclear Definitions of Certain Sections and Categories*

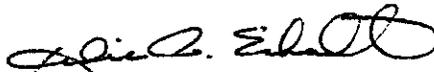
SC1 members are concerned regarding the lack of clarity surrounding the definitions of the investing category and financing section. Particularly, the Discussion Paper indicates that any business assets or liabilities that management views as unrelated to the central purpose of the business should be included in the investing category (paragraph 2.33). The guidance also describes assets in the investing category as not used in its primary business activities but instead being used to generate a return in the form of interest, dividends, or increased market prices. Regarding this guidance, SC1 members believe it is unclear whether financial statement elements should be classified in investing based on a central purpose distinction (core/noncore)

or on the nature of the revenues and expenses, e.g., interest, dividends and capital gains. In addition, SC1 members are concerned that the definition of "financing" is not sufficiently precise for determining what assets and liabilities should be included in that section. The Discussion Paper (paragraph 2.34) states that financing liabilities are interchangeable with other sources of financing. This guidance seems difficult to apply since most sources of financing are interchangeable. We suggest that the definitions of the investing category and the financing section be clarified in any exposure draft so that differences in classification of assets and liabilities actually reflect differences in how these items are used in the business and not the lack of clarity or inconsistent guidance in the definitions.

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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,



Julie A. Erhardt  
Chairman

IOSCO Standing Committee No. 1

## APPENDIX 1

### Questions for respondents

**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.**

SC1 members believe that the stated objectives for financial statement presentation — cohesiveness, disaggregation, and liquidity and financial flexibility — are appropriate and likely to lead to improvements in the usefulness of financial statements. Users are likely to find any added disaggregation of information resulting from the new presentation format highly useful. The cohesiveness objective will result in greater consistency in presentation among the financial statements and thus may enable users to more precisely separate items with different degrees of predictability. It may also enable users to more precisely calculate certain key ratios such as return on operating assets.

**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?**

While it appears that users are generally able to identify business and financing activities within the existing financial presentation framework, the separation of these activities required by the new framework may provide investors with information that is more precise than previously available and hence may be more decision useful.

**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?**

Separating equity from financing transactions appears to be important to both equity investors and lenders. Whether this separation is accomplished by having separate sections or separate categories does not appear to matter to its usefulness.

**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?**

The presentation of discontinued operations in a separate section from continuing operations appears useful because users do evaluate continuing operations of the entity separately when preparing analyses and forecasting earnings and stock prices.

**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?**

Please refer to our general comments above under *Management Approach to Presentation: Significant Improvements Resulting from the Preliminary Views* and *Certain Implementation Concerns regarding the Preliminary Views: Intercompany Comparability*.

**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?**

Please refer to our general comments above under *Certain Implementation Concerns regarding the Preliminary Views: De-emphasis of Liquidity Information and Certain Ratios*.

Further, SC1 members believe that while the presentation format of the Discussion Paper may reduce the difficulty and increase the precision of calculating certain financial ratios (for example, turnover or return on operating assets ratios), it may increase the difficulty of computing other key ratios (for example, certain liquidity and leverage ratios). The implication appears to be that these latter ratios are less important, although basis for this determination is unclear. We believe that evaluation of the effects of the new presentation format on ratio analysis must also consider the increased variability across companies in ratios that may arise from the management approach. Assets or liabilities considered business-operating by management of one company may be considered business-investing or financing by management of other companies, which could result in increased noncomparability of turnover or return ratios, for example.

**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.**

SC1 members believe that the classification of the assets and liabilities at the reportable segment level is most likely to be useful to users. However, SC1 members are concerned that if the classification is done at the segment level, then intercompany items that are eliminated in consolidation may introduce implementation issues. IFRS 8 guidance requires that if intercompany assets and liabilities are reported in the segment footnote, they must be reconciled to the consolidated total. Given that the consolidated total is no longer required to be included on the face of the statement of financial position, it is less clear which totals should be subject to reconciliation. We also are concerned about how corporate assets and liabilities would be considered if the classification is done at the segment level.

**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.**

To be consistent with the overall model for financial statement presentation, SC1 members believe that it is reasonable to expect that total assets and liabilities for each of the sections and categories should be presented for segment disclosure purposes. However, given that the presentation for the segment disclosures is based on information that is utilized by the chief operating decision maker (CODM), the subtotal disclosures for each section or category might have to be presented on a supplementary basis to the segment disclosures prepared on a CODM basis.

**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?**

Please refer to our general comments above under *Certain Implementation Concerns regarding the Preliminary Views: Unclear Definitions of Certain Sections and Categories*.

Regarding the definition of the investing category, the guidance indicates that an entity may decide to present all the activities of a particular subsidiary in the investing category. Paragraph 2.64 indicates that operating and investing categories are based on a notion of ‘core’ and ‘non-core’ activities. SC1 members are concerned this approach may lead to practices that are inconsistent with a broader view of what constitutes management of operations. Under this guidance, it appears that management may place a “noncore” operating business that is being actively managed as a business rather than as an “investment portfolio”, in the investing category. In this regard, we believe that the Boards should consider placing some parameters around what might be construed to be a “non-core” business that may be included in investing, for example by indicating that the entity must use its investing assets to generate a return in the form of interest, dividends, or increased market prices. We also believe the guidance should be clarified to indicate at what level the core versus noncore decision should be made, that is, whether the decision is made at the segment or at the entity level. The Discussion Paper appears to provide conflicting guidance on the latter issue, for example, in paragraphs 2.40 and 2.66.

**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?**

Please refer to our general comments above under *Certain Implementation Concerns regarding the Preliminary Views: Unclear Definitions of Certain Sections and Categories*.

As noted in our general comments, the guidance in the Discussion Paper (paragraph 2.34) that financing liabilities are interchangeable with other sources of financing seems difficult to apply since most sources of financing are interchangeable. That is, a company’s inventory can be financed with accounts payable or short-term bank debt. Should accounts payable and short-term bank debt be included in the financing category as they are interchangeable? Further, the examples provided of applying the criteria for financing are confusing (paragraph 2.40). It is not clear in the example of a manufacturing segment, why all the financial liabilities used to fund the ongoing operations are included in the financing category. If the financial liabilities in question are accounts payable, it seems more logical to classify them as operating liabilities.

**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? (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?**

SC1 members believe that the entities that would most likely provide an unclassified statement of financial position are financial institutions and real estate entities. These entities do not present a classified statement of financial position either because their assets and liabilities are predominantly financial in nature with varying maturities or because their assets and liabilities tend to be predominantly long-term such that classification into current and noncurrent has not historically been found useful. SC1 members would encourage the Boards to provide more guidance for distinguishing which entities may present a balance sheet in order of liquidity. We suggest that only companies with characteristics similar to those described in paragraph 3.6 of the Discussion Paper be permitted to provide a statement of financial position in order of liquidity.

**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?**

Classifying and presenting cash equivalents in a manner similar to other short-term investments appears reasonable. SC1 members believe that given the guidance in IAS 7 on when it is acceptable to net cash flows in the cash flow statement, there should not be an undue increase in the amounts of gross cash flows presented because of the change in treatment of cash equivalents.

**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?**

The Discussion Paper guidance that will require separate line item presentation in the statement of financial position of similar assets and liabilities with different measurement bases appears likely to provide information that will be useful to investors for predictive purposes. Users have generally indicated a preference for presenting income statement amounts that represent changes in fair value separately from those on other measurement bases. Thus, it appears likely that users would prefer a similar presentation for the assets and liabilities that gave rise to such changes. However, because this may significantly increase the number of line items in the statement of financial position, we believe providing this information in the footnotes should be considered as an alternative.

**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?**

Please refer to our general comments above under *Significant Improvements Resulting from the Preliminary Views: A Single Statement of Comprehensive Income*.

**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?**

Please refer to our specific comments above under *Significant Improvements Resulting from the Preliminary Views: A Single Statement of Comprehensive Income*.

**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?**

Please refer to our specific comments above under *Significant Improvements Resulting from the Preliminary Views: Disaggregation in the Statement of Comprehensive Income*. With regard to the disaggregation by nature, SC1 members believe it is not entirely clear how detailed the presentation of income and expense items by "nature" should be and additional guidance in this regard would be helpful.

**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.**

The proposal to allocate income taxes between profit and loss from continuing operations, discontinued operations, and other comprehensive income appears reasonable and responsive to user requests.

**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?**

SC1 members believe that the classification of foreign currency transaction gains and losses in the appropriate section or category appears most consistent with the cohesiveness principle and likely to be most useful to investors.

**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?**

A majority of members of SC1 agree with the preliminary views that require the use of the direct method of presenting cash flows as that method appears most theoretically supportable and enables users to compare more directly and precisely individual components of profit and loss and cash flow from operations. Other SC1 members believe that users do not uniformly prefer the direct method of presenting cash flows and question whether the benefits of requiring the direct method will exceed the costs. SC1 members believe that the Boards will be in a better position after the field tests to assess whether the benefits of the direct method for users compensate for the costs of the direct method to preparers.

**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?**

Please refer to our specific comments above on question number 19.

**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? Chapter 4: Notes to financial statements**

SC1 members believe that while the disaggregation of basket transactions appears most consistent with the cohesiveness principle, users may prefer that the effects of large nonrecurring transactions be separately presented within the sections and categories of the statements of comprehensive income and cash flows.

**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?**

SC1 members believe that the information about the maturities of short-term contractual assets and liabilities should be presented for entities that present assets and liabilities in order of liquidity. Further, we would support extending the requirement to all entities as we believe the information would be useful, whether the entity presents a classified statement of financial position or presents assets and liabilities in order of liquidity.

**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.**

Please refer to our general comments above under *Significant Improvements Resulting from the Preliminary Views: Reconciliation of Cash Flows to Comprehensive Income*.

Those SC1 members that support providing the reconciliation believe that the usefulness of the information could be improved if changes were made to the columns that disaggregate the differences between cash flows and comprehensive income. For example, the accrual column includes purchases and sales of property and borrowings and repayments of debt, as well as typical accruals, such as accounts receivable and payable and accrued expenses. We believe separating the normal accruals from the transactions in property and borrowings would provide more useful information to users. We also believe that having a column to highlight unusual items could be helpful to users as it might allow management to highlight items that might be difficult to separately present in the income statement if it is presented by function and nature.

In determining what should be included in the columns that disaggregate comprehensive income, we are also concerned that the definition of remeasurement is confusing because it refers to changes both in price and changes in estimates. It may lead to implementation issues on which items should be in the "accruals" column and which items should be classified in the "other changes from remeasurement" column since both include changes in estimates.

**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?**

SC1 members believe that the existing guidance on income statement presentation of changes in fair value is unclear. Guidance should be developed to provide information disaggregating such changes to respond to concerns of users about loss of information when items are carried at fair value through profit and loss.

**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?**

Given that the issue about whether statements of cash flows are useful for entities in the financial services industry has been a question debated in the past, SC1 members believe that the Boards should further consider whether users would find a statement of financial position reconciliation more useful for such entities.

**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? (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? (c) Should an entity have the option of presenting the information in narrative format only? Question specific to the FASB**

Please refer to our general comments above under *Significant Improvements Resulting from the Preliminary Views: Reconciliation of Cash Flows to Other Comprehensive Income*. Regarding definitions of "unusual" and "infrequent," the Boards may want wish to allow more flexibility than would be provided if the existing definitions under US GAAP were used.

**27 As noted in paragraph 1.18(c), the FASB has not yet considered the application of the proposed presentation model to non-public entities. What issues should the FASB consider about the application of the proposed presentation model to non-public entities? If you are a user of financial statements for a non-public entity, please explain which aspects of the proposed presentation model would and would not be beneficial to you in making decisions in your capacity as a capital provider and why.**

We do not have comments about application of the proposed model to non-public entities.

**Other Comments**

*Changes in Classification of Assets and Liabilities*

The Discussion Paper (paragraph 2.41) indicates that a change in the entity's approach to classification of an asset or liability and related changes in such elements is to be treated as a change in accounting policy. SC1 members believe that changes in management classification of certain assets and liabilities may occur frequently resulting in frequent changes in accounting policy. Considering such changes in classification as changes in accounting policy appears appropriate because under IAS 8, management will be required to provide the reasons why applying the new policy is reliable and more relevant than the prior accounting policy.

We also noted that taken as a whole the discussions of classification decisions, changes in accounting policy, and changes-in-use in paragraphs 2.40-2.42 paragraphs of the Discussion Paper appear inconsistent. Paragraph 2.40 indicates that management should classify assets and liabilities based on "how the entity *uses* those financial instruments in each reportable segment." Paragraph 2.41 indicates that a change in classification policy is a change in accounting policy. Since assets and liabilities are to be classified based on how they are used (see paragraph 2.40), a change in classification policy implies a change in use. However, paragraph 2.42 indicates that the Boards have not determined how a change in use of an asset or liability should be presented. The Boards should reconcile these inconsistencies in any exposure draft.