



LETTER OF COMMENT NO. 1

March 10, 2009

Financial Accounting Standards Board Attn: Technical Director - File Reference No. 1630-100 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1630-100

Discussion Paper "Preliminary Views on Financial Statement Presentation"

Dear Technical Director, Board Members and Staff,

The Accounting and Auditing Committee of The Ohio Society of Certified Public Accountants is pleased to express its views on the discussion paper, "Preliminary Views on Financial Statement Presentation."

In general, we concur with the views expressed in the discussion paper, with the exception of the excerpted paragraphs below:

## Chapter 2: Objectives and Principles of Financial Statement Presentation

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.

We concur that financial statement presentation objectives should be to convey a view of an entity's profitability, cash flow, assets and obligations that provide a stakeholder with the ability to assess financial performance capabilities and financial position. This presentation best meets the needs of financial statement users when they can discern between operating and non-operating activities for the business in a framework that is reasonably consistent between financial statements. The relative liquidity of assets and liabilities, and the ability of the entity to generate cash flow is also a critical element in that assessment.



Other objectives that should be considered in presentation include:

- Ease of use/understandability by a broad range of financial statement users
- The cost of preparation and audit versus the benefits obtained by incremental detailed financial statement presentation
- Consistency in the form and content to promote comparability between entities
- Consistency and Ease in historical comparison between years presented in a set of financial statements for an entity.

Financial statement presentation formats crafted to meet the perceived needs of a narrow range of financial statement users for very large publicly owned companies will likely result in formats that may be costly to achieve and maintain, and may not be beneficial in the long term for the wide range of companies that will be impacted by these financial statement format requirements. While we understand the desire of analysts to put as much detail into the financial statement formats themselves, complexity and cost /benefits should be viewed in the context of all companies that will be impacted by any presentation requirements.

We believe in instances where detailed information or breakouts may be required, financial statement footnotes (as opposed to the financial statement formats themselves) continues to represent the most understandable and cost/beneficial manner in which to address unique disclosure needs that may be desired by the users of financial statements for very large publicly held companies.

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?

We believe it is useful to separate operating business activities from the financing activities associated with an entity. In financing a business, the alternative uses of debt and equity can result in financial leverage that impacts the relative total profit or loss as reported by an entity. In comparing financial statements between entities, it is important for the user of those statements to be able to identify the impact of financial leverage on reported results.

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?

Based on current accounting standards, as long as line item presentations within the section are visible and equity versus debt elements are distinguished for the financial statement user, it is not critical to separately break the financing section into two subsections.

However, the Financial Accounting Standards Board is considering potential areas where the relative definitions of debt and equity may be changed in future accounting standards. Those changes could potentially be significant based on current accounting practices today. If future major changes are potential in the traditional definitions of debt versus equity, then we believe that visible separation of equity and debt components within the financing section is prudent in financial statement presentation.

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?

We believe discontinued operations should be presented as a separate section and not be commingled within the continuing operations of the business. This separation most easily permits a financial statement user to identify the relative impact of the discontinued operation, and permits the user to assess the past performance, current position and future potential for the continuing elements of the entity.

- 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?

We believe this approach would result in subjective definitions being embodied in the body of the core financial statements, and would greatly impede the ability of the financial statement users to assess performance in terms of both consistency and comparability over time and between entities.

To the extent that segment disclosures are deemed beneficial to users for diverse business entities, we believe this need is best met in supplemental footnote disclosures and not directly within the financial statement formats.

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?

A management approach definitely would significantly impact financial statement users by reducing financial statement comparability. As noted above, the potential for subjective definition and changes in such definitions over time will present a major challenge to most financial statement users. Assuming such issues are addressed by retroactive application in multi-year comparative financial statements, this format within the core body of financial statements will be costly to prepare and to audit as well.

We suggest segment disclosures are really beneficial only in the case of very large companies with diverse business activities. Meeting the needs for incremental disclosures for a narrow range of companies and financial statement users is best met through supplemental footnote disclosures.

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?

Most financial statement users will run financial ratios based on the consolidated statement of financial position view, unless legal or other regulatory issues would argue for separate ratio analysis for business components of an entity.

Descriptive captions on assets and liabilities, along with appropriate supplemental disclosures where needed, enable a financial statement user to distinguish the operating versus financing nature of these items. It is not clear that additional visual separation within a statement of financial position will add significant benefit.

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.

As noted in question 5, we do not believe a management approach should be used within the core financial statement formats based on our concern for reduced comparability and increased complexity for financial statement users. Supplemental footnote disclosures are a better means to meet what arguably is an incremental benefit in the case of highly diverse, large publicly held companies. Accordingly, we do believe separation of assets and liabilities by reportable segment should be undertaken directly within the financial statement format.

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.

Existing segment disclosure requirements by business segment includes assets, sales, income, depreciation and capital expenditures diverse business activities. In addition, geographic break-outs are required for sales and for long lived assets.

The key question is whether these disclosures are adequate to support the ability to assess its profit performance and related cash flow from operations for a business segment, and to identify the nature of the assets invested in support of that business segment. For a business segment, consideration should be given to separate disclosures of current and long lived assets, separate disclosure of a gross profit or comparable measure, and an operating profit net of applicable operating expenses for the segment and on a pre-income tax basis. With these changes, all the critical elements needed to assess assets invested, relative cash flow, and the profitability by business segment are more fully available to the reader of financial statements. We believe the most effective manner to communicate this information is through supplemental footnote disclosures, and not directly in the core financial statement formats.

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?

The definitions are appropriate and are consistent with current interpretations and applications today.

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 U.S. GAAP as proposed? Why or why not?

The definitions are adequate as to the financing section, financing assets and financing categories. The financing section should be limited to financial assets and liabilities, as this represents the most liquid and discretionary areas under management control. Assets that are not financial assets per se are either current operating assets or are long term assets that are non-discretionary in nature and part of the investment an entity makes in order to operate its core business activities. The financing section represents information that permits a financial statement user to identify how an entity chooses to fund its initial and continuing investment to operate its core business operations.

## 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?

If an entity has minimal investments in property, plant and equipment or intangible assets, there could be an argument that a classified balance sheet might not be relevant. In that case, a balance sheet based on relative order of liquidity might be an alternative presentation on a statement of position.

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?

Presenting a classified statement of position should be the normal expected format for entities to use. Any exceptions to this format should be specifically defined by the Financial Accounting Standards Board and should not be left to the discretion of the entity.

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?

Yes, we agree. Currently, there are fine lines and diversity in practice in distinguishing between what is defined as a cash equivalent and a short term investment. Some of the current guidance in this area is coming outside of the published accounting standards (i.e., through the Center for Audit Quality). In this manner, diversity in this area is being dealt with through "practice" perspectives shared (and defined) by the very large national CPA firms.

Paragraph 3.14 offers an opportunity to achieve uniformity within published accounting standards, and we believe most financial

statement users will understand and factor this change into their use of information. We recommend that within short term investments, there should be incremental disclosure or separation to distinguish between those investments having relative immediate liquidity (as cash equivalents do) versus short term investments that might require more time to convert into cash.

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?

Identifying on what basis asset and liability amounts are presented (historical cost, fair value, lower of cost or market, etc.) in a financial statement is meaningful information to the user of financial statements. This separate identification is also useful to leading that financial statement user to other supplemental disclosures (i.e., as with Statement of Financial Standard No. 157 disclosures) to assist in their assessment of risk in potential impact of market volatility on the amounts presented in a statement of position.

In addition, the user of financial statements should understand to what extent reported profit or loss for the entity in a period reflect the impact of fair valuation changes during the period versus transaction based activity.

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?

We support consolidating all elements of reporting on income into a single statement format; a key element in this format is the necessity of separating other comprehensive income elements into a separate section within that format and in providing a discrete and visible measure of profit or loss based on items reported before inclusion of the other comprehensive income items. This step achieves efficiency in presentation and also serves to more clearly highlight elements to the user of those financial statements. In such a discrete measure, the key open question is how earning per share will be presented—on a "before other comprehensive item basis" and/or "after other comprehensive income item basis"?

We support the separation of items comprising operating income, investing income, net financing expense or income, income taxes and discontinued operations. However, we do note significant concern over the proposed use of "functional descriptions" to further highlight and detail expense line items within traditional summary metrics on cost of goods sold and in selling/general/administrative expenses. While this detailed view might be beneficial for the management team of an entity, our concerns on such functional detail includes: (1) it can lead to interpretation, confusion and inconsistency in comparisons between years and in comparing different entities; (2) it will significantly increase both the cost of preparation and audit related review of these presentations; and (3) it is unclear for many entities that such detail will provide a benefit to the financial statement user that justifies the cost. As a uniform requirement for all publicly held companies, we believe use of such a format approach will likely result in "detail overload" for the financial statement users and will pose many more challenges and questions than it will resolve, and may leave many users being "lost in the forest because of the trees".

Line item detail should be retained at the summary level (i.e., cost of goods sold; selling/general/admin expense, etc.) and no detailed functional expense reporting should be permitted or required. Any major area, where further detailed reporting is seen as beneficial for all entities should be evaluated as to the need for any further supplemental footnote disclosures. In this regards, we do not believe detailed functional expense reporting is prudent within the statement of comprehensive income or in a supplemental footnote form.

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?

We concur with the recommendation of highlighting the category to which other comprehensive income items relate. This provides the financial statement user with a view of where/how those elements either are or will eventually impact information presented in the operating, investing and financing sections of the income statement.

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?

As noted in our response in Question 14 above, we do not believe the detailed presentation proposed by function, nature or both within cost of goods sold or within operating expenses is beneficial to external financial statement users. Beyond issues of interpretative description, consistency and comparability, we believe such an approach will result in excessive cost to prepare and audit financial statements and will likely leave many users puzzled and inundated with "information overload". In addition, providing the detail sought in the proposed view will effectively result in a lot of "plugs" and undermine the usefulness of such information. In this case, less is actually more—by providing summary level financial statement presentations with appropriate supplemental footnote disclosures, the user is enabled to efficiently review and understand the financial position, the financial performance, and the cash flow environment of an entity.

Summary level reporting will benefit most users, and should be required of all reporting entities without any option to provide "detailed break-out by function, nature, etc." Where appropriate based on the overall needs of financial statements users, the Financial Accounting Standards Board should carefully and selectively evaluate when and where supplemental footnote disclosures are truly needed and benefit all statement users, instead of seeking to benefit a narrow range of users who seek "nice to have" detailed views.

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.

Income tax expense is largely driven by the position of the entity as a whole in its function in different national or local tax jurisdictions. We believe that existing accounting standards on income tax reporting call for separation of income tax expense for discontinued operations and other selected comprehensive items. With regards to profit or loss outside of those areas, we concur with the proposed format which leaves remaining income tax expense reported as a discrete section of the Statement of Comprehensive Income.

- 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 re-measurement 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 decisions-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.

In managing currency risk, there are alternative approaches that can be used by entities. Depending on the approach used, this could significantly impact the way in which these currency transaction costs may be reflected in separate sections of the financial statements. In addition, supporting a detailed breakout as proposed for foreign currency transaction gains and losses will not contribute to the financial statement users' enhanced view of these currency gain and losses. If an entity is operating in foreign environments, a consolidated view of the gains and losses related to foreign currency gains and losses should be uniformly presented as a component of operating income and not allocated to either investing or financing income elements within the Statement of Comprehensive Income.

Further, it is not clear that existing general ledger and financial reporting systems today are designed to provide this sub-reporting proposed in this area without re-design and modification of those reporting systems. As such, the cost of compliance could be a significant concern as well in this area. 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?

We recommend the Financial Accounting Standards Board undertake a survey of the large multi-national companies within the SEC 'large accelerated filer' category and specifically request their feedback on the issues and difficulties associated with reporting net foreign currency transactions gains and losses in different sections and categories as proposed.

- 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?

We do not believe the direct method of cash flow presentation effectively is superior to the indirect method commonly used today by most entities in their financial statement presentation. In understanding operating, investing and financing cash flows, we believe both methods are equally effective in supporting the user of financial statements.

It is unlikely many information systems in use today are designed to provide data in the format required under the direct cash method. Accordingly, there may be significant costs in modifying those systems (particularly where you have entities with foreign subsidiaries) in order to support this approach. It is not obvious that the incremental effort and costs of changing to a direct cash method approach is justified by benefits potential to the user of financial statements.

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?

As noted earlier, we do not believe detailed disaggregation by function or nature of expenses is needed or justified within the body of a Statement of Comprehensive Income. Similarly, a move within the Cash Flow Statement to similarly disaggregate down to a detailed functional view of

cash flows is not necessary or cost/benefit justified. Beyond "interesting" information, it is not clear that further detail will truly add to the stakeholders' ability to assess the financial statements of an entity.

c. Would the information currently provided using an indirect method to present operating cash flows is provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

We believe the Cash Flow statement should be based on continued use of the indirect method to present operating cash flow. The costs of preparation for issuers of the cash flow statement as proposed would be very significant, and these costs outweigh the potential incremental benefits of such an extensive reconciliation statement.

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?

The major costs involved we believe will be one-time implementation costs to enable existing information systems to capture and present information in the detailed fashion proposed in this financial statement format. On an ongoing basis, this approach will result in increased costs each year both in the preparation of and in the external audit and/or review associated with these financial statements. These incremental costs will be repeated over the course of the year in both interim financial statements as well as in the annual financial statements as prepared and filed with the Securities & Exchange Commission and provided to financial statement users. In addition, educating existing financial statement users on the change from a fairly simple approach to a much more detailed approach will be a challenge and entail costs initially to do so. Implementation of this approach should result in retroactive application in historical comparative statements, and there will be both internal costs incurred to do so, as well as incremental audit costs to validate such retroactive restatements of information using the direct cash method approach.

Increased complexity in presentations that benefit only a limited number of users will result in increased management costs to translate and convert these presentations into more useful, summarized information when publicly owned entities are engaged in investor relations and other supporting activities.

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?

We concur with the premise that the effects of basket transactions should be allocated between sections, but do not believe it could practically be done on a consistent and objective fashion.

Accordingly, our recommendation is that the effects of a basket transaction should be presented in a single section, and the investing section may be the appropriate area to report such a transaction.

## **Chapter 4: Notes to Financial Statements**

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?

Similar to our response in Question 11, we believe very few entities should be exempted from a requirement to provide a classified statement of financial position. Where exceptions are permitted for an unclassified balance sheet, those exceptions should not be at the choice of the entity but rather based on specific criteria as established by the Financial Accounting Standards Board.

For all entities, a disclosure in supplemental footnote form to the financial statements should be required to disclose relative maturities of its short term contractual assets and liabilities. Such information provides beneficial information to the user of financial statements in assessing the near term liquidity and related issues for an entity.

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.

As noted in earlier responses to questions posed, we believe the overall formats for the Statement of Comprehensive Income and the Cash Flow statement as proposed is far too costly to prepare, support and to audit or review on an annual and interim basis for the entities issuing these financial statements.

We believe a Cash flow statement with sections consistent (with the Statement of Financial Position and Statement of Comprehensive Income) should simply lead to reconciliation from beginning cash to ending cash for the entity. No further reconciliation is required. The desire to highlight valuation adjustments due to fair value changes should be disclosed via supplemental footnotes as determined by appropriate accounting standards. Further, the "roll forward premise" applied to assets and liabilities behind the reconciliation schedule will not effectively result in significant incremental value to most users of financial statements.

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.

As noted above, we do not believe changes in assets and liabilities should be disaggregated into components as described in paragraph 4.19.

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.

No, this guidance is not practically based....it is theoretical at best. As concept not borne out in the real world, the end result is a reconciliation format that is too difficult and costly

to maintain (in both internal resource costs as well as external audit costs) and with little effective value to many users of financial statements.

We need to move back to the simple, but effective concept of a cash flow statement as enabling a user of financial statements to assess the source, consistency and quality of cash flows for an entity....and to reconcile beginning and ending cash.

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?

A user of financial statements should be able to easily distinguish the impacts of changes in fair value versus the effects of transaction based activities. Accordingly, we believe further review should be consideration on the adequacy of disaggregation and supplemental footnote disclosures involving changes in fair value.

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 B.10-B.22? 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?

We believe consideration should be given to eliminating the additional Reconciliation Schedule as part of the financial statements and related footnote disclosures, based on the concerns expressed in response to Question 24 above.

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?

Understanding unusual or infrequent events or transactions is a critical element for financial statement users. However, we believe existing guidance under APB 30 adequately calls for such costs when appropriate to be separately included as a line item within the view of operating income or loss for an entity.

This approach should be continued as part of the Statement of Comprehensive Income, and it is not necessary for it to be separately highlighted in a Reconciliation Schedule.

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?

We believe the criteria laid out in APB No. 30 is appropriate and is not too restrictive and would propose no changes in its application within the Statement of Comprehensive Income.

c. Should an entity have the option of presenting the information in narrative format only?

There should be no option to use a narrative format to highlight unusual or infrequent events. If material, any such event as permitted and defined under APB No. 30 should be treated as a line item element within Operating income or loss in the Statement of Comprehensive Income.

## Question Specific to the FASB

27. As noted in paragraph 1.18(c), the FASB has not yet considered the application of the proposed presentation model to nonpublic entities. What issues should the FASB consider about the application of the proposed presentation model to nonpublic entities? If you are a user of financial statements for a nonpublic 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 believe the issues and concerns as outlined in our responses above about the relative complexity and costs, and the incremental cost/benefits would be broadly expressed and shared by many issuers and financial statement users of these nonpublic entities.

Further, the relative costs/benefit in adopting these financial statement format changes for user of financial statements will be out of sync to a much greater extent for these nonpublic entities. As an example, applying this report presentation for small companies that needs a compilation for a license or loan is not practical. We also note that International Financial Reporting Standards (IFRS) for private entities has already exempted private companies completely from this type of reporting format requirement. This same approach for private companies in the United States makes sense as well, and this should be addressed by the Financial Accounting Standards Board.

We appreciate the opportunity to provide feedback to this discussion paper and welcome any additional opportunities to further discuss or otherwise support the efforts of the FASB in this area.

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