April 14, 2009



Russell G. Golden, FASB Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Discussion Paper - Preliminary Views on Financial Statement Presentation

Dear Mr. Golden:

I appreciate this opportunity to respond to the Discussion Paper *Preliminary Views on Financial Statement Presentation*. The Board and the FASB staff are to be commended for working with the International Accounting Standards Board (IASB) to develop a consistent global financial statement reporting model.

Generally, I agree that the proposed financial statement presentation will improve the usefulness of an entity's financial statements and help users make better decisions. I fully support the separation of financial statement information into sections and categories that are consistent across all financial statements presented. Additionally, I support use of the management approach and believe the benefits to users will far outweigh the reduced comparability among entities. I strongly support the presentation of comprehensive income in a single statement of comprehensive income rather than the options currently allowed under U.S. generally accepted accounting principles (U.S. GAAP).

However, there are a few items in the document with which I take exception or have additional observations. The specific questions and my responses are outlined below.

## Chapter 2

4. Categorical information regarding discontinued operations could be presented in the footnotes. I do not think presenting the information in the various applicable categories on the face of the statements will provide users with better information with which to make decisions. Additionally, separating this information into separate categories would affect categorical comparative analysis of the entity by users.

## Chapter 3

- 13. Similar assets and liabilities measured on different bases should not be required to be presented on separate lines. This information is already in the footnotes for a number of items and could be required for any of those that are not currently disclosed as such.
- 16. Disaggregation of revenues, expenses, etc. by function and/or nature should be optional. Because of the subjective nature of these classifications, comparability

from year-to-year and entity-to-entity might be negatively affected by such disclosures, however.

- 17. The presentation of income taxes in the statement of comprehensive under exiting requirements should be retained. I do not believe allocating this information to sections, categories, functions, etc. provides information that is useful for decision making purposes.
- 19. (b) The direct method of presenting the statement of cash flows should not be required as I do not believe it provides information that is any more useful than that presented using the indirect method. Information presented using the direct method will in all likelihood simply be accrual information adjusted for the effects of the accruals. State and local governments have been required to present the statement of cash flows on the direct method since the effective date of GASB Statement No. 34. The amounts presented by almost all state and local governments do not represent the actual cash inflows and outflows because to do such would require significant modification to existing software and additional staff time to code transactions into these categories.
  - (c) The information in the proposed reconciliation schedule is, in the vernacular, a train wreck. Financial statement users are presumed to be somewhat knowledgeable and I would hope that includes a working knowledge of accrual and cash basis accounting. The information appears to be little more than the accrual to cash basis worksheet, sectioned and categorized, and is much the same information currently required in the reconciliation of net income to cash from operations. As such, I do not believe the reconciliation provides any additional useful information for those using the financial statements of public or private entities. Additionally, I believe there will be an incremental increase in preparation as well as auditing costs if this reconciliation is required for full disclosure under U.S. GAAP.
- 20. Initial costs to implement the proposed reconciliation would include software modifications as well as related staff time to develop, test, and implement the changes. Additional audit fees would likely be incurred initially as well. Ongoing costs would include staff time to code transactions into cash inflows and cash outflows and periodic audit costs. These costs could be significant in smaller entities.

## Chapter 4

- 23. See comments under Chapter 3.
- 24. Further disaggregation of fair value changes should be a future project of both boards working together as I believe it will provide useful information for decision-making. However, with the recent changes in fair value standards, I am not sure disaggregation would provide useful information if many inputs are

unobservable. There would be additional auditing concerns with any further disaggregation of fair value information.

25. I do not believe the proposed reconciliation should be required. However, if it does become a required component for financial statement presentation, I adamantly oppose additional memo column disclosures. The types of transactions mentioned are already disclosed under existing requirements. I do not believe the current definitions of unusual and infrequent under APB Opinion No. 30 are too restrictive. Relaxing these definitions would create earnings management situations that were severely curtailed with APB Opinion No. 30.

## FASB Specific Question

27. The reconciliation of the statement of cash flows to the statement of comprehensive income should not be required of nonissuers. Additionally, if function and/or nature information of revenues, expenses, etc. is required, nonissuers should be exempt from this requirement.

Again, I appreciate the opportunity to provide my comments on the above noted proposed staff position. Should you have any questions, please feel free to contact me at <a href="mailto:lkmdennis@cfl.rr.com">lkmdennis@cfl.rr.com</a> or <a href="mailto:ldennis@bus.ucf.edu">ldennis@bus.ucf.edu</a>.

Sincerely,

s/Lynda M. Dennis

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