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International Accounting Standards Board 30 Cannon Street London EC4M 6XH UNITED KINGDOM

LETTER OF COMMENT NO. 180

Advance copy by electronic submission via www.iasb.org

Attention: Mr Alan Teixeira

Dear Alan

DISCUSSION PAPER PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION

- 1. Please find attached the Securities Commission's submission on Discussion Paper Preliminary Views on Financial Statement Presentation.
- 2. If you wish to discuss further any of the matters raised in our submission, please Senior contact Lay Wee Ng, Accountant Financial (lay.wee.ng@seccom.govt.nz).

Yours sincerely

Jane Diplock AO

Chairman

СÇ Ms Patricia McBride

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SECURITIES COMMISSION'S SUBMISSION ON DISCUSSION PAPER PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION

General comments

- 1. The Securities Commission supports the work of the International Accounting Standards Board (IASB) in seeking to improve the presentation of information in financial statements. The Commission supports the proposed model for presenting information in the financial statements that is designed to make an entity's financial statements more useful by requiring entities to provide all necessary information organised in a manner that clearly communicates an integrated (cohesive) financial picture of an entity.
- 2. The Securities Commission, like other similar market regulators, has an interest in ensuring that markets receive all material and relevant information so that market participants are not misled. We consider that, in general, the proposals in the Discussion Paper *Preliminary Views on Financial Statement Presentation* (DP) will assist in this regard.
- 3. The project on financial statement presentation is an important one and the Commission commends the IASB's efforts to improve the manner in which information presented in financial statements is communicated to users of that information.
- 4. The Commission supports the direction and proposals that are set out in the DP. We agree with the principle that financial statements should reflect how management views and manages the entity and its resources. We agree that it is useful to present a cohesive set of financial statements and, where practical, for information to be disaggregated, labeled and totaled similarly in each financial statement. We think that in general the proposed model should result in decision-useful information.
- 5. The proposed presentation model represents a significant change from the existing model. We note the comment in paragraph 1.3 of the DP that a number of entities are participating in a field test during the comment period of the DP. In addition, the Financial Accounting Standards Research Initiative (FASRI) will study investor use of financial statements prepared using the proposed presentation model by conducting a series of controlled tests. We commend the IASB on these initiatives.
- 6. We consider that "road-testing" the proposals with the prudent but non-expert investor to be important in order to determine whether the proposed model is more or less useful and/or understandable to those users. In addition, users and preparers will need to be given sufficient education on the proposed model if they are to reap the maximum benefit from it. We consider that a reasonable transition period should also be given to entities and users when a standard is finalised to allow them to familiarise themselves with the model.
- 7. We agree that a balance needs to be struck between the need to disaggregate information and the need to aggregate and present only material information. We strongly support the comment in the DP (paragraph 2.10) that "...it is important that

application of the disaggregation objective should lead to sufficient but not excessive disaggregation." We note that this is consistent with the discussion on aggregation and materiality in IAS 1 *Presentation of Financial Statements* (paragraph 30) which states:

"Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes.

An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes."

- 8. We consider that the proposal to disaggregate information will be useful for analysts and expert users. In the medium to longer term, the needs of analysts and expert users are likely to be further enhanced when entities move towards the presentation of XBRL-enabled financial information.
- 9. However, we are not certain whether the proposal to disaggregate information will, in all instances, necessarily better meet the needs of the prudent but non-expert investor. In our view, an IFRS on financial statement presentation should continue to be geared towards the needs of a prudent but non-expert investor.
- 10. In relation to placement and format of the information, we consider that it should be possible for management to disclose some of the information in the notes rather than on the face of the primary financial statements to prevent information being "lost" in the detail. Prudent but non-expert investors may view such detail on the face of the financial statements as being too complicated for them. This will be contrary to the objective of financial reporting being aimed at capital providers (which includes the prudent but non-expert investor).
- In relation to the cohesiveness objective, we support the principle that information should be allocated and presented in a manner that accurately reflects the economic reality of the transaction/event and the manner in which management operates the business. This is consistent with the proposed management approach to financial statement presentation.
- 12. We strongly support the move to eliminate options in IFRS and, to this extent, agree with the proposed requirement for the direct method of presenting operating cash flows and the removal of the indirect method. We also support the proposed move to require entities to present a single statement of comprehensive income and the elimination of the option of presenting components of income and expense in an income statement and a statement of comprehensive income (two-statement approach). We consider that the elimination of these options will help to improve the comparability of information presented by entities.
- 13. Our responses to the questions from the IASB Discussion Paper follow.

Responses to IASB questions

Chapter 2: Objectives and principles of financial statement presentation

Question 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 agree with the objectives of financial reporting proposed in paragraphs 2.5–2.13. In principle, they should help to 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.

We note that the DP sets out the link between the proposed objectives for financial statement presentation and the cash-flow aspects of the decision-usefulness objective of financial reporting¹. Paragraph 2.4 of the DP states that, although not stated, the financial statement presentation objectives "should help to achieve the stewardship objective of financial reporting". We suggest that for completeness and to better support the financial statement presentation objectives, the link to the stewardship aspect of the decision-usefulness objective should also be explicitly stated.

In general, we agree that it will be useful to align descriptions and labels across financial statements. We note the comment in the DP (paragraph 2.10) that "...it is important that application of the disaggregation objective should lead to sufficient but not excessive disaggregation." We agree with this statement. We are concerned that if the information is too detailed, it may not be useful to the capital providers, many of whom are prudent but non-expert investors. We consider that there is a need to balance disaggregation with aggregation/materiality considerations. (Refer to our comments in paragraphs 7 to 9 under General Comments.)

In relation to decision-useful information, we consider that the objective to have cohesive information across the financial statements of an entity should not over-ride the usefulness of the individual financial statements. We note the proposal in paragraph 2.23 that an entity should present subtotals and related headings for each section and category within a section in the statements of financial position, comprehensive income and cash flows. An entity may also present additional subtotals and headings if such presentation is helpful to understanding its financial position and changes in its financial position and if those subtotals and headings are presented consistently in the three statements.

However, it is proposed in paragraph 3.22 that an entity should disclose total assets and total liabilities <u>either</u> in the statement of financial position or in the notes to the financial statements. While subtotals may be useful, we consider that total assets and total liabilities

As set out in the IASB's exposure draft An improved Conceptual Framework for Financial Reporting: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information (Framework ED), published in May 2008.

are equally, if not more important, for a user to determine the overall position of the entity. To this extent, we consider that those totals should be required to be presented on the face of the financial statements, at the end of the statement of financial position. We consider that the usefulness of the statement of financial position will be further enhanced if such fundamental information about an entity is included within the statement.

Ouestion 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 agree that the separation of business activities from financing activities will provide information that is more decision-useful than that provided in the financial statement formats used today.

While investors look to the overall performance of an entity (including how it structures its finances to maximise its overall returns), the core business activities of the entity must still be viable in order for an entity to survive. Separating the information from the entity's business activities from its financing activities will help users determine whether, based on its core business activities, the entity is viable.

Question 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?

Our preference is for equity to be presented as a section separate from the financing section.

Although both categories reflect capital funds, equity funds usually have an element of residual interest in the entity whereas other capital funds from other than equity holders usually do not have that residual interest element. It is important for users to be able to determine what funds are from owners and what funds are from outsiders, and their associated and relative costs.

Question 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 agree that with the proposal for an entity to present its discontinued operations in a separate section.

We think that this presentation will result in fewer line items on the face of the financial statements. In addition, such a presentation makes it easier for a user to determine the total amount attributable to discontinued operations.

Ouestion 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?
- (a) We agree that the management approach as proposed in the DP will provide a useful view of an entity to users of its financial statements. This is because while financial reporting standards can be written to capture individual transactions and events and their effect on the entity, they cannot always cater to or reflect all the different business models or the manner in which management uses the resources available to it. Information presented from management's perspective helps in this regard. In addition, presenting information based on a management approach contributes to the stewardship objective of financial reporting.
- (b) On the contrary, if financial reporting standards are too prescriptive and impose only one view of how an entity is to report, they may result in financial statements that are not meaningful to users. Historically, some discretion has always been given to management in the presentation of information, for example, formats are usually not prescribed. Less standardisation allows information to better reflect the reality/substance of the entity's operations. In this respect, the management approach should result in more useful and comparable information in terms of how businesses are run.

Question 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?

We consider that the proposed presentation, by requiring the separation of business and financing activities in the statements of comprehensive income and cash flows should make it easier for users to calculate those key financial ratios that are based on an entity's business activities or its financing activities.

Question 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.

We agree that entities that have more than one reportable segment for segment reporting purposes should classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level. In general, we think that it should result in assets and liabilities (and related changes) being classified in the same section or category at the entity level where a consistent management approach has been used for the classification. We think that the classification will also generally be consistent where transactions are with parties outside the group. The example in paragraph 2.4 of the DP illustrates this.

However, it may be useful if the proposed exposure draft includes further clarification on how the proposal will apply in relation to segments that only engage in activities with other components or segments of the entity.

Question 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.

We have no specific suggestions to make. However, any changes will need to take into account whether all the sections and categories are material in the context of the entity's segments and whether the resulting information will be confusing to users when comparing the equivalent line item information in the financial statements to those in the segment report given that IFRS 8 Operating Segments allows an entity to use of non-IFRS measures for segment information.

Question 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 proposed definitions for a business section and the operating and investing categories appear to be appropriate. We note the comment in paragraph 2.43 that the Boards have yet to discuss how management should classify an asset or liability that has more than one function in the entity's business activities. We look forward to the Boards' clarification of this issue.

Question 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?

We agree that the financing section and the financing assets and financing liabilities categories within that section are appropriately defined.

Chapter 3: Implications of the objectives and principles for each financial statement

Ouestion 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?
- (a) We would expect that a financial institution would not present a classified statement of financial position. We agree with the comment in paragraph 3.6 of the DP that for such entities, liquidity information about their assets and liabilities is more important than the arbitrary short-term and long-term split.
- (b) We consider that the discussion/guidance in the DP on this issue to be sufficient for distinguishing which entities should present a statement of financial position in order of liquidity.

Question 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?

We agree that it is a simpler concept to require cash equivalents to be presented and classified in a manner similar to other short-term investments and not as part of cash. It avoids the problem of having to arbitrarily define cash equivalents.

We note a reference to on-demand deposits in paragraph 3.17. If demand deposits are intended to be part of cash, we suggest that this be explicitly stated.

Question 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?

We agree that similar assets and liabilities that are measured on different bases should be separately disclosed. However, we do not think that it is necessary for this information to be on the face of the financial statements. It will add more detail to the face of the statement of financial position. We suggest that this information be disclosed in the notes.

Question 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 the elimination of options in Standards. As such, we support the presentation of comprehensive income and its components in a single statement of comprehensive income as proposed, for the reasons stated in the DP. (Refer to our comments in paragraph 12 under General Comments.)

Ouestion 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 support the proposal (and note from Illustration 1A) that the link from the statement of financial position to each line of other compressive income in the statement of comprehensive income is made through a bracketed reference. This appears straight-forward.

In relation to foreign currency translation adjustments that relate to assets/liabilities that are classified in more than one category, the proposal is that the adjustment be broken down into separate lines in order to make the appropriate reference to the statement of financial position categories. The disaggregation principle here may result in the statement of comprehensive income becoming too detailed. We suggest that it may be more useful for any detailed breakdown in the information to be disclosed in the notes rather than on the face of the statement of comprehensive income.

Ouestion 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?

We suggest that entities be required to disaggregate within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses either by their function or by their nature depending on the method that management considers will best enhance the usefulness of the information. Management should then have a choice of further disaggregating by nature/function within the method chosen. This will ensure that at least one method is chosen and, at the same time, give management some flexibility in their choice, and within their choice, about what additional information to give.

Question 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.

We agree with the proposal that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements.

Question 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?
- (a) We agree 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. This should provide decision-useful information by linking the foreign currency transaction gains and losses arises to the transactions that gave rise to them.
- (b) We have no comment to make on this question.

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?
- (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?

We support the elimination of options in Standards and the elimination of the indirect method of presenting cash flows from operating activities. (Refer to our comments in paragraph 12 under General Comments.)

New Zealand has had a long history of requiring only the direct method (together with a reconciliation of operating cash flows to reported profit/loss) on the basis that it provides more useful information. The indirect method was deleted from NZ IFRS on adoption of IFRS 7 Statement of Cash Flows. We have no comment to make on the indirect method as we have no recent experience of the method in New Zealand.

1.1

Ouestion 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?

See our comments to Question 19 above.

Ouestion 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?

On the basis of the discussion in paragraphs 3.88–3.95, we suggest that the effects of basket transactions not be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows. We do not think that it achieves the cohesiveness principle if the information has to be arbitrarily allocated.

We prefer that the effects of a basket transaction be classified as a single item, whether in the operating category (Alternative A of paragraph 3.94) but separately disclosed from other operating items or in another separate section (Alternative C of paragraph 3.94). We think that it is important to separately disclose the information and highlight the fact that no allocation is possible. We are not in favour of Alternative B as it is too arbitrary, may be subject to manipulation and will not add to decision usefulness to any great extent.

However, if the IASB decides that the effects of basket transactions should be allocated, then an entity should classify the effects based on actual allocations where this can be determined before using any other arbitrary method (including proportionate fair value allocation).

Chapter 4: Notes to financial statements

Question 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?

We consider that all entities (not just those presenting assets and liabilities in order of liquidity in their statement of financial position) should disclose information about the maturities of their short-term contractual assets and liabilities in the notes to financial statements as proposed in the DP.

It is important for a user to have equivalent information about the maturities of the short-term assets and liabilities of an entity that uses a classified statement of financial position, particularly if the disclosure bands of "on demand, three months or less and three to 12 months" are used by an entity that presents its assets and liabilities in order of liquidity.

1.4

In addition, we consider that all entities should be required to present an expected maturity analysis of all their contractual assets and liabilities where there is a significant difference between the expected maturities and the contractual maturities. While under most circumstances, there is likely to be little difference between contractual and expected maturities, in a tight liquidity situation or in a deteriorating market, the expected maturity information will be crucial and most useful to users.

It may also be useful, in Appendix A, Illustration 2 (on p 136) to also include an example of an expected maturities schedule in addition to the contractual maturities schedule.

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.
- (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.
- (a) We think that the proposed reconciliation schedule will provide useful information to users in terms of the relative cash versus non-cash components of the items in the statement of comprehensive income. However, the reconciliation per se may not necessarily give users information about the timing and uncertainty of an entity's future cash flows: information about accruals, remeasurements (whether recurring fair value changes or not) and/or valuation adjustments may not give information about the timing and uncertainty without information on timeframes for realisation. The information required is very detailed and preparers might object to the costs of preparing and including the information in their financial statements.
- (b) We think that this may be useful for changes in assets and liabilities to be disaggregated into the components described in paragraph 4.19. (See our comments to Question 23(a) above.)
- (c) We think that the guidance provided in paragraphs 4.31, 4.41 and 4.44—4.46 is clear and sufficient to prepare the reconciliation schedule.

Question 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?

If the feedback from constituents about the disaggregation and reconciliation schedules proposed in the DP is positive and not considered to be too onerous, the Boards should explore the further disaggregation of changes in fair value in a future project.

Question 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?

The Boards should consider other alternative reconciliation formats for disaggregating information in the financial statements if it is considered that alternative formats will provide more useful information to users.

Question 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?
- (a) We think that additional information about unusual or infrequent events or transactions is useful to and necessary for users to gain an understanding of the operations of an entity for the period.

However, we consider that such information should be presented in the notes to the financial statements (as is currently required under IFRS) and not as an additional column to the reconciliation schedule. Presentation as an additional column to the reconciliation schedule will add to the complexity of the schedule. Moreover, the importance of the information about the unusual events, and indeed of the information in the reconciliation schedule, may be lost or downplayed when they are presented together. Users may also not read the information if the information is seen or perceived to be too detailed or complicated. In addition, we think it is cumbersome for

- a note to the financial statements to require its own explanatory notes as proposed in paragraph 4.50.
- (b) We agree in general with the definitions of *unusual* and *infrequent* as repeated in paragraph 4.51. We also suggest that the IASB considers whether such events being beyond the control of management should be an added consideration.
- (c) As stated in our response to Question 26(a) above, the information should be presented as a note to the financial statements, rather than as part of the reconciliation schedule. This information could be narrative and/or quantitative information, depending on the information to be imparted. We would expect that in most cases, they will include both narrative and quantitative information to be useful.