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International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

Dear members of the International Accounting Standards Board,

Petro-Canada is one of Canada's largest oil and gas companies, operating in both the upstream and the downstream sectors of the industry in Canada and internationally. We are listed on both the Toronto and New York stock exchanges.

We have reviewed the joint IASB/FASB discussion paper *Preliminary Views on Financial Statement Presentation* and have prepared some general comments for your review.

In its present form we would not support the level and scope of change described in the discussion paper. Our concerns, which follow, address the perceived usefulness of information presented under the objectives outlined in the discussion paper.

1. Timing

Our most significant concern is with the potential timing of these changes.

Canadian public companies are required to converge with IFRSs for the start of 2011. We are concerned with the pace of change, for financial statement preparers, were a significant change in accounting policies be followed immediately by a significant change in financial statement presentation.

We also question whether financial statement users would be overwhelmed by two significant changes implemented so closely together, or even simultaneously, as the case may be in the United States.

2. Objectives of the Discussion Paper

While we agree that pursuing the objectives of disaggregation and cohesiveness may improve the general quality of information presented in financial statements, we are concerned that the narrow focus on these objectives will result in lengthy, cumbersome detail that threatens to make the statements on the whole, less useful.

The discussion paper should include a more extensive set of objectives, such as comparability or understandability, which consider how large financial statements can get before less sophisticated users can no longer understand them. We believe that judicious use of the financial statement notes, including segmented data, for certain disclosures such as disaggregating expenses by function and nature or disaggregating assets and liabilities by measurement basis, would reflect a more useful prioritization of objectives.

3. Prescriptive Guidance or Management Approach

We support the concept of a management approach as outlined in the discussion paper and believe that it provides a useful view of an entity. However, we are concerned that this approach is not embraced throughout the entire discussion paper.

Prescriptive guidance, such as the following examples from the discussion paper, disregards the potential desires of management to present financial information in a manner it deems most useful:

- i) Capital expenditures are to be shown as an operating activity rather than an investing activity;
- ii) Financing elements in pension and lease liabilities are to be shown as a business activity rather than a financing activity; and
- iii) Conversion of cash into short-term investments are to be shown in the cash flow statements as a use of cash rather than cash generated.

We believe the discussion paper should attempt to limit its level of prescriptive guidance, instead allowing industries with special characteristics, such as extractive activities, adapt and evolve toward a presentation method that is compliant, but still able to focus on financial information important to that industry.

4. Costs and Benefits

The costs of converting to the direct method of cash flow statement cannot be underestimated. Companies have more sources of cash than just revenues and more uses of cash than just expenses. Our company may receive or pay cash to the same customer or vendor for many different reasons, so modifying existing systems to differentiate line items in receivables and payables subledgers is no small undertaking.

Similarly, designing an intricate series of equations to back into amounts for the direct method is not as straight forward as the discussion paper implies. Inevitably these equations will be strained each month by non-routine transactions, resulting in tedious back-checking and recalculation, leading to delays in the preparation and analysis of financial information, and possibly the use of significant estimates to balance the statements.

Petro-Canada Response to Discussion Paper Preliminary Views on Financial Statement Presentation

Furthermore, the discussion paper does not present a convincing argument supporting the incremental benefits of the direct method cash flow statement over the indirect method. Comparing the two methods in the example financial statements provided in the discussion paper is awkward because the two statements are also presented with different classification methods.

We appreciate the opportunity to respond to you on this important matter.

Yours truly,

Jolienne Guillemaud Assistant Controller, Corporate