



**International
Accounting Standards
Board**



**Financial Accounting
Standards Board**

This document is provided as a convenience to observers at IASB/FASB joint international working group meeting on performance reporting, to assist them in following the working group's discussion. It does not represent an official position of the IASB or the FASB. IASB and FASB Board positions are set out in their respective Standards.

Note: These notes are based on the staff paper prepared for the IASB/FASB working group. Paragraph numbers correspond to paragraph numbers used in the staff paper. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

**MEETING: JOINT INTERNATIONAL GROUP (JIG) ON
PERFORMANCE REPORTING, JUNE 2005, NEW YORK**

TOPIC: SEGMENT A UPDATE (AGENDA PAPER 2)

PURPOSE & SUMMARY

1. This memorandum describes decisions made at the April 21, 2005 joint FASB and IASB Board Meeting, the May 17, 2005 IASB Board Meeting, and the May 25, 2005 FASB Board Meeting. [...].
2. Segment A focuses on convergence on the required financial statements. On the Segment A topics, the FASB and the IASB (collectively, the Boards) decided:
 - a. A full/complete set of financial statements includes:
 - i. A statement that shows (at a point in time) balances of assets, liabilities, and equity as of the beginning of the period—referred to as a *Beginning of the Period Statement of Financial Position*.
 - ii. A statement that shows (at a point in time) balances of assets, liabilities, and equity as of the end of a period—referred to as the *End of the Period Statement of Financial Position*.
 - iii. A statement that shows (for a period of time) the changes in assets and liabilities other than from transactions with owners in their capacity as

owners—referred to as a *Statement of Earnings and Comprehensive Income*.

- iv. A statement that shows (for a period of time) the changes in assets and liabilities accompanied by changes in equity and the changes within the classes of equity that do not affect assets and liabilities—referred to as a *Statement of Changes in Equity*.
- v. A statement that shows (for a period of time) inflows and outflows of cash—referred to as a *Statement of Cash Flows*.

(Note: A complete set of financial statements also includes notes to the financial statements. A full set of financial statements does not include notes to the financial statements.)

- b. That each statement in a full/complete set of financial statements shall be shown with equal prominence.
- c. That the Statement of Earnings and Comprehensive Income shall be a single statement that includes a required total for comprehensive income and subtotal for net income/profit or loss.
- d. To require comparative information consisting, at a minimum, of a full set of financial statements for two annual periods (the current and prior annual period). This decision, when combined with the decision to include a Beginning of the Period Statement of Financial Position in a full set of financial statements, means that each reporting entity would provide three statements of financial position and two of each of the other required statements (the statement of earnings and comprehensive income, the statement of changes in equity, and the statement of cash flows).
- e. To allow entities to voluntarily present financial statements in addition to the required minimum (for example, an entity could voluntarily provide a Statement of Earnings and Comprehensive Income for three periods; the current annual period and the two preceding annual periods).
- f. Not to amend the current requirements found in IAS 33, *Earnings per Share*, and FASB Statement No. 128, *Earnings per Share*, in the context of the single Statement of Earnings and Comprehensive Income. The Boards agreed that:

- i. Presentation of basic and diluted earnings per share (EPS) on the face of the statement of earnings and comprehensive income will continue to be required (paragraph 66 of IAS 33 and paragraph 36 of Statement 128).
 - ii. Disclosure of basic and diluted comprehensive income per share (CPS) in notes to financial statements will continue to be permitted but not required (paragraph 73 of IAS 33 and paragraph 37 of Statement 128).
 - iii. Disclosure of the weighted average number of shares used as the denominator in calculating per share metrics in the notes to financial statements will continue to be required (paragraph 70 of IAS 33 and paragraph 40(a) of Statement 128).
 - g. That this project would not develop guidance on the form and content of information contained in the notes to the financial statements (other than consequential amendments).
 - h. That the IASB would not consider, as part of this project, possible changes to the form and content of information in interim financial statements (other than consequential amendments).
 - i. That the FASB would consider, as part of this project, the impact of decisions reached on the financial reporting for interim periods.
 - j. To issue a common Exposure Draft for the following Segment A issues:
 - i. The definition of a full set of financial statements and their prominence in a financial statement package;
 - ii. Requirements for the statement of earnings and comprehensive income; and
 - iii. Required number of full sets of financial statements for annual periods.
- 3. Segment B focuses on a more fundamental reconsideration of presentation and display issues for all financial statements, including recycling and disaggregation issues. On Segment B topics, the Boards have decided:
 - a. To develop a common standard under Segment A and Segment B that would apply broadly to all business entities. The scope of the FASB Statement would exclude not-for-profit organizations.

- b. To first develop a display model for Segment B that would apply broadly to all for-profit entities other than financial institutions. Second, to consider the application of that model to financial institutions.
- c. To select financial institution members for a subgroup of the Joint International Group (JIG) on performance reporting. This subgroup will be formed from nominations received during the JIG nomination process in 2004, as well as from existing members of the IASB's working groups on financial instruments and insurance.
- d. To include in Segment B (rather than Segment A) consideration of IAS 7, *Cash Flow Statements*, and FASB Statement No. 95, *Statement of Cash Flows*, including whether to require use of the direct or indirect method of disaggregation and categorization issues.

- 4. [Not reproduced in Observer Notes]
- 5. [Not reproduced in Observer Notes]
- 6. [Not reproduced in Observer Notes]
- 7. [Not reproduced in Observer Notes]
- 8. [Not reproduced in Observer Notes]
- 9. [Not reproduced in Observer Notes]
- 10. [Not reproduced in Observer Notes]
- 11. [Not reproduced in Observer Notes]
- 12. [Not reproduced in Observer Notes]
- 13. [Not reproduced in Observer Notes]