

## AUSTRALIAN BANKERS' ASSOCIATION INC.

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LETTER OF COMMENT NO.

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Sir David Tweedie Chairman International Accounting Standards Board First Floor, 30 Cannon Street London EC 4M 6XH UNITED KINGDOM

Dear Sir David

## Discussion Paper: Preliminary Views on Financial Statement Presentation

The Australian Bankers' Association (ABA) is the industry association representing 25 Australian banks, including all major retail banks. The ABA works with its member banks to provide analysis, advice and advocacy on public policy matters impacting its member banks.

The ABA appreciates the opportunity to comment on the Discussion Paper on financial statement presentation. While the ABA supports the aim to improve the presentation of information in the financial statements, it considers the proposed model is inappropriate for the banking sector - the proposed presentation does not reflect the business of banking and how performance in the banking industry is evaluated by management, shareholders, analysts and other users. The requirements to produce banks' financial statements in a completely different way, which does not reflect our underlying business, could result in significant costs for our source, aggregation and reporting systems and processes. In addition, the proposed implementation does not improve the usefulness of the information presented and does not provide a better communication framework to users of banks' financial statements.

Since the implementation of IFRS, considerable effort has been made by entities to educate and inform users about the form and content of financial statements prepared under IFRS. Whilst the adoption of IFRS has undoubtedly been beneficial it has taken users of financial statements a considerable period to understand the new accounting framework, the nuances of IFRS and the changes from previous GAAP. It is only recently that there is a strong understanding of IFRS amongst financial statement users and therefore we question whether wholesale change to the presentation of financial statements is either warranted or appropriate at this stage.

The ABA considers that the proposed changes do not represent a better model than current requirements. We are concerned that the proposals will result in financial statements that are overly cluttered and complex and will be more impractical for users to read and understand. We also question whether financial statements will be more decision-useful simply because they are cohesive at the line item level across the primary statements. The imposition of a rigid line item disaggregation will not always result in information that is decision-useful and may in fact impair the ability to present information that is relevant, understandable and faithfully representative of the activities of banks.

The proposals will require significant operational and system changes to be made. For example, currently banks disaggregate income and expenses by nature and the requirement to further disaggregate such items by function will result in additional complexity and require significant judgement to be made by management in determining an appropriate allocation of items across functional categories. The costs of implementing these proposals, in our view, far outweigh the potential benefits.

As noted, the proposed presentation model is inappropriate for banks. The majority of transactions of banks are operating in nature, therefore we question whether a separate financing section is meaningful to banks as very few transactions would in practice be categorised as financing. Furthermore, in the banking industry cash flow statements do not provide information that is useful for assessing the entity's ability to generate future cash flows and manage liquidity risk. So the requirement for banks to prepare a cash flow statement is itself of questionable relevance. It is our view that the requirements of IFRS 7 provides more useful information which enables users to assess the liquidity risks arising from banks' financial assets and financial liabilities.

In summary, of the ABA does not support the proposals in the DP as they will unnecessarily complicate the way users read and analyse banks' financial statements, and will result in the imposition of significant additional costs for little or no apparent benefit.

If you have any detailed questions on this submission, please contact either ABA Policy Director, Nicholas Hossack (02 8298 0408) or the ABA Accounting Group Chairman, Shane Buggle on (03 9273 4397).

Yours sincerely,

David Bear.

David Bell