

**James Halliwell**  
Group Financial Controller

**Syngenta International AG**  
Finance Department  
P.O. Box  
CH-4002 Basel  
Switzerland  
www.syngenta.com

Tel: +41 61 323 70 74  
Fax: +41 61 323 57 44  
james.halliwell@syngenta.com



International Accounting Standards Board  
30 Cannon Street  
LONDON EC4M 6XH  
UK



LETTER OF COMMENT NO. 179

14 April 2009

**Discussion Paper: Preliminary Views on Financial Statement Presentation**

Dear Sirs,

In response to your invitation to comment, and as a preparer of accounts under International Financial Reporting Standards, I am pleased to attach our comments on the above mentioned Discussion Paper.

Yours Faithfully,

James Halliwell  
Group Financial Controller

### General comments

Two significant areas need to be addressed within the project.

The proposals represent significant change in the way financial information is presented and therefore transition provisions need to be considered carefully to ensure a balance between providing an acceptable level of guidance to users from the old presentation to the new and avoiding an excessive reporting burden in the first years of application.

The proposals are based on the concept of management's view, which we support. However, it is not clear what reporting is required when that view changes.

### 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.

### Response

2.5 Cohesiveness objective

We agree that improvements in the linkages between the financial statements are useful to users and in keeping with the Framework as they will clearly increase understanding of an entity's activities.

2.7 Disaggregation objective

We agree with the issues noted in the discussion paper in that insufficient disaggregation negatively impacts cohesiveness and comparability of financial statements.

2.12 Liquidity and financial flexibility objective

We believe that existing IFRS financial statements and all the accompanying note disclosures already fulfil this objective.

### Question 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?

### Response

Using classifications in the income statement and balance sheet which are largely present today in the statement of cash flows would improve the cohesiveness of financial statements and provide useful linkages between the statements for internal and external users.

### 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?

### Response

Equity should be presented in a separate section from financing for the reasons noted in paragraphs 2.54 and 2.55.

**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?

**Response**

It is useful for one-off or significant unusual items to be presented separately. Disaggregating detail surrounding a discontinued operation into different categories would not meet the objectives of increasing visibility of future cash flows.

**Question 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?

**Response**

The eyes of management approach best serves users' need to understand the business and provides the appropriate flexibility to preparers to meet that need. Comparability between entities in similar industries should not be significantly impacted and these proposals would extend that to comparability of segments within entities with diverse activities.

**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?

**Response**

There is a huge variety of ratios that could be considered useful by different users and the financial statements should aim to provide an appropriate level of visibility in order that users can extract the information they require for their individual purposes rather than assume what ratios are key. Preparers already indicate in their information releases which performance measures are considered key to internal management.

However, given that the statement of financial position will separate financing activities from business activities, assets and liabilities should be presented in both sections to make the classifications meaningful.

**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.

**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.

**Response**

To a certain extent we agree conceptually that classification of assets and liabilities should be done at the reportable segment level as this is the most relevant management view. However, this would undermine the cohesiveness objective for the entity level financial statements as current segment disclosure requirements would need to be amended so that enough disclosure was required to show the cohesiveness of the financial statements at the segment level while allowing for much less detail at the entity level to avoid duplication of information and crowding the entity level financial statements with diverse classifications. In addition, management does not necessarily use full financial statements at the segment level, but is more likely to view only certain statements or parts of statements so reporting systems would require considerable modification to meet the classification requirements at the segment level.

**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?

**Response**

The definitions are not clearly compatible. If investing items are within the business section they are viewed as part of “continuing business activities”, however the investing definition states that these items are “unrelated to the central purpose for which the entity is in business” or are “non-core”. This appears contradictory. The difference between a business’s central purpose and its continuing activities needs to be clarified. The purpose of the investing category is not clear as it appears there is very little in it.

**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?

**Response**

The definition is appropriate.

**Question 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?

**Response**

Syngenta would present a classified statement and for this reason we will not comment here.

**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?

**Response**

We disagree. Cash equivalents should be classified as cash if that is the way they are managed. This is consistent with the management view that is underlying all the proposed classifications.

**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?

**Response**

We disagree that this rule provides more decision-useful information than is currently available under IFRS 7 requirements. The measurement basis does not impact cash flows.

Para 3.20 states that disaggregating this information in the statement of financial position "is more straightforward and avoids making users go back and forth between the statement and the notes". Firstly, this does not present an argument for increased decision-usefulness. Furthermore, a concern with the disaggregation objective is the volume of additional detail in the statement, which will not necessarily result in more straightforward information and we do not think it is workable to attempt to avoid users having to refer to note disclosures.

**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?

**Response**

We agree with the concept of a single statement and the arguments for improved comparability and increased visibility as discussed. However, as we have mentioned in our general comments above, transition would require great care.

**Question 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?

**Response**

Indicating the category to which items of other comprehensive income relate is consistent with the cohesiveness objective.

**Question 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?

**Response**

To be consistent with the idea of presenting management's view, there would need to be flexibility in the level and method of disaggregation required. If the cohesiveness objective is achieved, the appropriate disaggregation would necessarily be presented to ensure information could be linked between financial statements without needing to state specific disaggregation requirements.

*The example statement of comprehensive income in Appendix A demonstrates the concern with disaggregation – the statement is very lengthy and many line items are immaterial. Such level of detail could be misleading to users by placing undue emphasis on small transactions. It would also increase costs significantly as audit procedures would need to be taken to a lower level. If these proposals were to become more prescriptive they would not be acceptable.*

**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.

**Response**

The existing requirements are appropriate.

**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 re-measurement 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?

**Response**

Presenting foreign currency transaction gains and losses in the same section as the underlying assets and liabilities would provide useful information to users by demonstrating the impact of foreign exchange on operating, investing and financing activity and giving an indication of exposure to currency fluctuation and management's mitigation of such exposure (assuming that related hedging gains and losses would be similarly classified). We do not believe costs of this proposal would be significant for Syngenta.

**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?

**Response**

If it were believed that the direct method, which is permitted under current IFRS, provides information that is significantly more useful than the indirect method, then more members of

management would demand it for their companies' internal purposes and investor relation departments would receive many queries from financial statement users as to why companies are not using the direct method. The fact that neither is occurring is a clear indication that the direct method would not provide more or better decision-useful information than the indirect method.

If the level of disaggregation is appropriate in the indirect method statement then it serves both purposes of providing the desired non-cash information and presenting operating cash flows from period to period. Cohesiveness is achieved under the indirect method if the classifications are aligned between statements.

Furthermore the cost implications of presenting direct cash flow information are huge in terms of time and systems and greatly outweigh any perceived benefit.

**Question 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?

**Response**

In our opinion if the Boards decide to proceed further with this proposal their staff should discuss the cost/benefit aspects with preparers during field testing of the proposals.

**Question 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?

**Response**

Alternative B in para 3.94 is the most practical choice. The benefits of allocating a basket transaction between sections and categories would not outweigh the arbitrary nature of any allocation and the additional reporting burden created. It may actually be more useful to users to see the *effects of basket transactions separately in order to evaluate their ongoing impact on the business.*

**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?

**Response**

It is difficult to comment without further clarification of how this would relate to existing requirements, such as IFRS 7 financial instruments disclosures.

**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 re-measurements, (c) re-measurements that are recurring fair value changes or valuation adjustments, and (d) re-measurements 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.

**Response**

The reconciliation schedule should not be necessary if the cohesiveness objective is fulfilled in the financial statements considering all the additional disclosure requirements.

*It is not clear that the proposed reconciliation would present decision-useful information: for items accrued and paid within the period the additional detail is redundant; two of the four columns contain elements of "other"; and the vast majority of the additional detail is already presented either in the financial statements or the note disclosure.*

We have noted above our objections to a direct cash flow method, which is the starting point for the proposed reconciliation. In our opinion any future IFRS requirement to present such a reconciliation should specify objectives and information content, but should allow management to determine the most appropriate format. We have noted below our preference for a reconciliation between opening and closing statements of financial position.

**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?

**Response**

No comment.

**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?

**Response**

We consider a reconciliation between statements of financial position to be the best alternative. This alternative explains relationships between all the financial statements and thereby provides good information for predicting future cash flows. In addition the columnar approach would give management scope for differing levels of disaggregation while presenting information in a consistent way and would allow significant or unusual transactions to be highlighted.

**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?

**Response**

Existing IFRS (IAS 1 paragraphs 97-98) would already require separate disclosure of such events and transactions if their effect is material..