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#### COMMENT LETTER

To

Sir David Tweedie International Accounting Standards Board (IASB) 30 Cannon Street London EC4M 6XH United Kingdom Date 16 April 2009



LETTER OF COMMENT NO. 174

Submitted via commentletters@jasb.org

Dear Sir David

#### Discussion Paper Preliminary Views on Financial Statement Presentation

BDO International<sup>1</sup> welcomes the opportunity to comment on the Discussion Paper *Preliminary Views on Financial Statement Presentation* (the DP), issued by the International Accounting Standards Board (IASB).

We are supportive of the Board's project to improve the quality of financial information presented in an entity's financial statements, and for any changes made to the related accounting standards being carried out jointly with the US Financial Accounting Standards Board.

While we agree with many of the proposals set out in the DP, there are certain aspects where we believe further consideration is appropriate and where the information to be presented should be simplified on order that the final model will provide information that is useful to users of financial statements, and can be implemented by preparers without undue cost or effort. In particular, we believe that the proposed reconciliation schedules, which are on a line by line basis, are too detailed and will not provide users of financial statements with the information that they need, with key items instead being obscured by excessive detail. We also believe that the proposal to mandate a direct method cash flow statement should be revisited

We are also concerned that the proposed format and content of financial statements might not provide analysts and other users of financial statements with the information that they will find most useful. Although we appreciate that some field testing has been carried out, we believe that the Boards should carry out further research to ensure that any changes which are proposed and made to existing accounting standards do bring enhancements and improvements that will be found useful and cost effective in practice.

<sup>&</sup>lt;sup>1</sup> BDO International is a world wide network of public accounting firms, called BDO member firms, serving international clients. Each BDO member firm is a separate legal entity in its own country.

The network is coordinated by BDO Global Coordination B.V., incorporated in the Netherlands, with an office in Brussels, Belgium, where the global Coordination office is located.

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We hope that our comments and suggestions are helpful. Should you wish to discuss any of the points we have raised, please contact either Tracey-Lee Massey at  $+32\ 2\ 778\ 0130$  or Andrew Buchanan at  $+44\ (0)20\ 7893\ 3300$ .

Yours faithfully

BDO Global Coordination B.V.

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#### APPENDIX - SPECIFIC 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.

In principle, we agree that the objectives of financial statement presentation proposed in the DP would 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. However, we note (and agree with) the reference made in paragraph 2.10 that there is a balance between having too much and too little information. As noted in our comments below, we believe that certain of the proposals as drafted would be likely to result in the provision of excessive information, which may in itself not provide additional decision useful information and could obscure the overall picture given by financial statements.

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?

We agree that the separation of business activities from financing activities would provide more decision-useful information in comparison with the formats used today.

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 paragraph 2.19(b), 2.36 and 2.52-2.55)? Why or why not?

We believe that equity should be presented in a separate section. This approach is likely to provide greater clarity and linkage to the statement of comprehensive income, and we believe that it is important clearly to distinguish between transactions with non-owners and owners of an entity.

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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 believe that discontinued operations should be presented separately, which would be consistent with the approach currently followed. We note from other joint project work between the IASB and FASB that there is now a common definition of discontinued operations and believe that this definition, and the requirement for separate presentation, should be maintained.

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).

Question 5 (a) - Would a management approach provide the most useful view of an entity to users of its financial statements?

In principle, we agree that a management approach is appropriate and support the approach as it is not rules based, and permits an entity to present its financial statements on the basis of the actual use of assets and liabilities. However, while this could provide the most useful view of an entity to users of its financial statements, we are concerned that this could lead to a loss of comparability among different entities (see below).

It is also not entirely clear that the management approach which is suggested in the DP does in fact represent the approach which is used by all entities, and suggest that further analysis is carried out of field testing results in order to determine whether the management approach outlined in the DP would be appropriate. On the assumption that it is, we believe that further guidance should be included which, although introducing a degree of restriction on the extent to which an entity might present financial information in a way that fully reflects its own activities, would provide a degree of consistency in application.

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Question 5 (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 key concern is the potential for lack, and erosion over time, of comparability among different entities operating in the same industry sector. It may also become more difficult to compare the results and financial position of entities in different sectors. The principal difficulty arises from the subjectivity of the approach, which means that two different individuals could conclude differently on the appropriate approach to be followed for the same entity. This is particularly the case in respect of the degree of aggregation of amounts to be presented.

We do not agree with the proposal in paragraph 2.41 that, where management has changed the use of assets and/or liabilities during the current period such that they are reclassified, retrospective application should be required. If the use of assets and/or liabilities change such that their prospective use means that a change in classification is appropriate, it would appear odd that their past classifications should be changed. We do, however, believe that it would be appropriate to require additional disclosures, similar to those required at present for changes in accounting policies, in such cases.

As noted above, we believe that it would be appropriate to include additional guidance covering the presentation of certain items. For example, a uniform approach to the presentation of amounts arising from defined benefit pension schemes would be appropriate, enabling financial statements to be more comparable among different entities.

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 agree with the proposal, and agree that this change in presentation will make it easier for users of financial statements to calculate certain key financial ratios for an entity's business or financing activities.

Question 7 – Paragraph 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.

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Where an entity has more than one reportable segment, we agree with the proposal that assets and liabilities (and related changes) should be classified at the reportable segment level. This approach is consistent with the management approach set out in the DP and with the DP's stated objectives of financial statement presentation, in particular the need for cohesive presentation and the disaggregation of information in a way that is useful to users.

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.

In principle, we believe that changes should not be made to IFRS 8. However, we note that the disclosures required by IFRS 8 are based on amounts reported to the Chief Operating Decision Maker for the purposes of allocating resources and assessing performance, whereas the DP would classify information in the way that reflects the manner in which an entity's assets and liabilities are used. While the management approach might often result in similar allocations, this will not always be the case, and it is possible that the degree of aggregation may be different.

It would be appropriate for the guidance to be aligned such that the potential for inconsistencies in allocations and associated disclosures are minimised.

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?

We believe that the business section, and the operating and investing categories within that section, are defined appropriately, and note that the Board acknowledges that many entities will have little to report in the investing category (we anticipate that many entities would regard any investment as relating to their principal operating activities). However, it would be appropriate for more detailed guidance to be included to clarify where certain assets, liabilities, income and expenses would normally be presented in the statement of financial position, statement of comprehensive income and statement of cash flows (see our response to question 5 b) above).

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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?

The definitions of financial section, financing assets and financing liabilities are appropriate. However, we do not believe that there is a need to restrict the financing section to financial assets and liabilities as defined in IFRSs and US GAAP, and note that this would be inconsistent with the management approach which is proposed in the DP. It may be helpful to include additional guidance and illustrative examples for the appropriate classifications.

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

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?

We agree with the proposal that an entity should present a classified statement of financial position (short term and long term subcategories for assets and liabilities) except where a presentation in order of liquidity provides information that is more relevant. Classification on this basis will result in financial information being more comparable among different entities and across most industry sectors. Basing the current and non current distinction on a one year threshold rather than an entity's operating cycle will also improve the understandability of information presented. We also support basing the presentation on expected maturities where appropriate.

- a) We anticipate that most entities would present a classified statement of financial position. The principal exception to this approach would be likely to be financial institutions that have a broad range of assets and liabilities with different maturity dates.
- b) We do not believe that more guidance on how to present a statement of financial position in order of liquidity is necessary, as this would not be consistent with the management approach set out in the DP.

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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 cash equivalents should be presented and classified in a manner similar to other short-term investments, and not as part of cash. Cash equivalents are unlikely to have all the characteristics of cash on hand and therefore should be presented separately from cash.

The definition of cash equivalents in the current IAS 7 states that investments with a maturity date of three months or less, from the date of acquiring the investment, are considered to be cash equivalents. We find this basis of determining a cash equivalent arbitrary. Presenting and classifying cash equivalents separately from cash, and requiring a cash flow that reconciles the opening and closing amount of cash (paragraph 3.72), will allow for cash equivalents with a maturity date of up to one year being presented under cash equivalents rather than using the arbitrary 3 month rule. The use of wording "short-term" will be consistent with the one year time frame used throughout the DP. Presenting cash which is on hand or available on demand separately to cash equivalents would be consistent with the cohesiveness objective of making information more understandable and clearer.

It will be appropriate for a definition of cash to be included in a final standard. This might be cash on hand, and deposits which can be withdrawn within 24 hours without penalty.

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?

While we agree that it may be appropriate to present similar assets and liabilities that are measured on different bases on separate lines in the statement of financial position, we believe that consideration should be given to whether the combined carrying amounts of those assets and liabilities on each measurement basis are significant. If the amounts are significant, then separate presentation on the face of the statement of financial position should be required; if amounts are insignificant, then disclosure in the notes would be sufficient.

We note that a number of existing IFRSs require a comparison in the notes of the cost and fair value of certain assets and liabilities.

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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?

While we would not object to the continued use of a two part performance statement, we believe that presenting a single statement of comprehensive income will improve the comparability and consistency of financial statements. The objective of creating a cohesive financial picture will be met, as information will be more clearly presented making it easier for users to understand and analyse the financial information.

The DP requires items in the statement of comprehensive income to be classified into the same category as the asset and liability in the statement of financial position that generated the income or expense. However the DP is not clear how to present the related income or expense in the statement of comprehensive income in the event that the use of an asset or liability changes during the course of the year, resulting in the asset or liability being reclassified from one category to another. In such circumstances, it should be clarified that the amount included in the statement of comprehensive income should be split into the various categories based on the usage of the asset during the year and not merely by how the asset or liability is classified at the balance date.

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?

Indicating the category to which items of other comprehensive income relate would be decision useful, if this provides additional information which is useful in predicting future cash flows of an entity and assists in portraying a cohesive picture of its activities. It will make it easier to link assets to the related income generated and liabilities to the expenses incurred.

It may be appropriate to aggregate the items of other comprehensive income in each category, which would be consistent with the other items included within the statement of comprehensive income.

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?

While we agree in principle that further disaggregation will provide information that is decision-useful to users in their capacity as capital providers, we are concerned that this level of

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disaggregation may result in excessive amount of information being presented in the statement of comprehensive income. This may detract from the objective to provide more decision useful information for users without obscuring important information through excessive detail.

We therefore recommend that an entity should disaggregate its revenues, expenses, gains and losses in the statement of comprehensive income by function, with disaggregation by nature being used where disaggregation by function is not meaningful to the particular entity. Where disaggregation is by function, information on the nature of expenses should be disclosed in the notes to the financial statements. This will ensure that the disaggregation objective is still achieved and at the same time maintaining the level of usefulness.

It is not clear from the DP whether a consistent level of disaggregation is intended to be mandated across primary statements (whether individually or in full), or whether an entity could choose to provide more detailed information when it is considered that this would be decision useful to users of the financial statements. It would be helpful for this to be clarified.

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 that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements instead of allocating it to categories. Apportioning tax into sections and categories may result in arbitrary allocation and will provide minimal (if any) benefit to users of financial statements when compared to the costs that could be incurred in attempting to allocate the income taxes.

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.

Question 18 (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.

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. A foreign exchange gain or loss is an integral part of a transaction and therefore should be presented in the same category as the underlying assets and liabilities relating to the transaction. This will be consistent with the objective of portraying a cohesive financial picture and will provide decision-useful information to users.

Question 18 (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?

IAS 21 does not stipulate where foreign currency differences should be presented in the statement of comprehensive income and therefore it is currently acceptable to allocate the exchange differences to various line items. We are not aware of any concerns to date regarding the costs involved in allocating foreign exchange differences to different line items. Therefore we do not foresee that presenting foreign exchange gains in the manner proposed will be a costly exercise.

Question 19 – Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.

Question 19 (a) — Would a direct method of presenting operating cash flows provide information that is decision-useful?

Question 19 (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?

Question 19 (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 believe that both the direct and indirect methods of operating cashflows can provide information that is useful to users. In practice the direct cash flow is not automatically generated by an accounting system but derived (albeit at a more detailed level) in a similar manner to the reconciliation of profit to operating cash flow.

However, in some circumstances a direct cash flow statement provides less useful information to users than an indirect cash flow statement. For example, an entity might enhance its operating cash flows simply by restricting payments to its suppliers. While this may not be obvious from a direct cash flow statement, an indirect cash flow statement will highlight this through a change in working capital.

Consequently, we believe that an indirect cash flow statement should at least be permitted.

We question whether disaggregating into the excessive detail as presented in the illustrative examples is necessary. We note that, in certain jurisdictions where the direct method of presenting a cash flow statement has been used, this has been on a more aggregated basis than is suggested in the DP. We also believe that the cost of obtaining information required to prepare the cash flow in the level of detail as presented in the illustrative example would be out of proportion to the benefits.

In some circumstances, the direct method does create a clear link between cash and the profit and loss element, and is therefore consistent with the cohesiveness objective, if reconciliation is required at the line item level. For example cash received from customers clearly links to the underlying revenue. This displays data in a way that clearly links related information across the statements.

However, as noted above we consider that in many cases reconciliation at such a level of detail would be excessive. If a more summarised level of reconciliation is required then an indirect cash flow would be just as consistent with the cohesiveness objective, as this method permits the identification of reconciling items.

The proposed reconciliation schedule is too detailed and we believe contains far too much information to make it useful. We are also of the view that the cost of implementing and completing this reconciliation schedule as well as auditing it will far outweigh any benefits expected to be achieved from it, contrary to the intent expressed in paragraph 2.10 (see question 1 above). If taken forward and included within an exposure draft, then this reconciliation schedule should be simplified to prevent the onerous burden that is likely to arise in implementing, preparing and auditing it. As noted above, we believe that an indirect cash flow would be consistent with the proposed cohesiveness and disaggregation objectives if (as we believe appropriate) a more aggregated approach was adopted.

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?

While the direct method of presenting cash flow has been used in some jurisdictions, the level of detail presented was more aggregated, and we envisage that the cost of obtaining and auditing the information in the level of detail presented in the illustrative examples will be significant. For example, cash receipts and payments for each specific account will have to be tagged to keep track of the cash inflows and outflows. In practice the direct cash flow is not automatically generated by an accounting system but derived (albeit at a more detailed level) in a similar manner to the reconciliation of profit to operating cash flow.

We recommend that further information is sought from constituents about the costs related to preparing cash flow statements using the direct method before taking this proposal forward.

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?

We believe that the effects of basket transactions should be allocated to the related sections and categories in the statement of comprehensive income and statement of cash flows. To mandate

allocation of the total effects of basket transactions to a specific category or other section would be inconsistent with the management approach set out in the DP.

#### 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?

Although an entity that prepares its statement of financial position on the basis of liquidity of assets and liabilities will do so because the maturities of those assets and liabilities is important, we do not believe that it will always be necessary to provide the suggested additional disclosure for short term assets and liabilities. We suggest instead that this information should be required when the maturities of short term assets and liabilities are significantly different and in particular where the maturities of liabilities are shorter than those of assets. We note that in any event, disclosures for financial assets and liabilities are already required by IFRS 7 Financial Instruments: Disclosures. It may be appropriate to consider whether the additional disclosures suggested in the DP will provide cost effective additional information to users.

In accordance with IAS 1 Presentation of Financial Statements, management of an entity will be required to assess whether the going concern assumption is appropriate. It would be appropriate to link any requirement for a further analysis of short term assets and liabilities to this assessment (for example, a going concern assumption that was dependent on the successful rollover of financing arrangements within the current period).

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.

Question 23 (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.

Question 23 (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.

Question 23 (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.

Whilst it is possible that the information provided in the reconciliation schedule would be useful for analysts (and we are not wholly convinced that this is the case), we are concerned with the level of detailed disaggregation required. We believe the costs to prepare and audit the reconciliation will exceed any potential benefit of a line-by-line reconciliation of the cash flow statement to the statement of comprehensive income. If a reconciliation is to be provided, then we suggest that this is by major heading rather than each individual line item, with significant items being identified separately.

If, as we have suggested above, the Boards either require or permit an indirect method cash flow statement, then much of the information that would then be provided by the reconciliation schedule would be included within the cash flow statement. If an indirect method cash flow statement is to be required or permitted, any requirement for a reconciliation schedule should be revisited.

It may be helpful to users to provide an analysis of remeasurements that are recurring fair value changes and remeasurements that are not. However, if this were to be proposed we suggest that further fieldwork is carried out to determine whether this should form part of a reconciliation schedule, or simply be included within the notes to the financial statements.

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?

We believe that it may be appropriate to require further disaggregation of changes in fair value where the component parts of changes in fair value are significant. There is currently little guidance for the presentation of changes in fair value, with the result that they are frequently shown as a single line item with little further explanation.

We do not believe that disclosures should autiomatically be required for all changes in fair value as, if the amounts are not significant, the incremental benefits derived from the disaggregation might not justify the cost of preparing and auditing such information.

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?

We believe that further and full consideration should be given to whether the benefits obtained from reconciliations outweigh the cost of preparing and auditing such information.

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.

Question 26 (a) — Would this information be decision-useful to users in their capacity as capital providers? Why or why not?

Question 26 (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?

Question 26 (c) – Should an entity have the option of presenting the information in narrative format only?

Whilst we believe this information may be useful, we do not believe that the reconciliation schedule is necessarily the best place to disclose this type of information. We note that IAS 1.79 already requires separate disclosure of the nature and amount of material items of income and expenditure.

We believe it is often more appropriate for this type of information to be presented in management discussion and analysis of the annual report rather than in the financial statements. The aim of the financial statement should be to depict an objective picture of the performance and position of the entity.