

LETTER OF COMMENT NO. /

From: CA Manish Iyer [mailto:cmanishiyer@gmail.com]

Sent: 06 November 2008 07:59

To: Commentletters

Subject: Comment on DP on Financial Statement Presentation

Dear Sir / Madam,

On 16 October 2008, the International Accounting Standards Board published for public comment discussion paper Preliminary views on Financial Statement Presentation. My comment relates to the use of the word significant such as in Para 2.9. Para 2.9 refers to disaggregation of items significant to the entity. What does the term "Significant" mean? Is it different from the term "Material". In this context, I would like to draw your attention to Para 29 of IAS 1, "Presentation of Financial Statements" which states that an entity shall present separately items of a dissimilar nature or function unless they are immaterial. In my view, the principle of disaggregation is already well enunciated. However, it is not being complied with in spirit. The use of the term "significant" creates a confusion. If the meaning of the term "significant" and "material" are same, the word "significant should be replaced by "material" as this term has also been used in the Framework.

Best Regards,
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From: CA Manish Iyer [mailto:cmanishiyer@gmail.com]

Sent: 06 November 2008 14:04

To: Commentletters

Subject: Question 9 and 10 on DP on Financial Statement Presentation

Dear Sir / Madam,

In our view, the following section names / headings make the financial statements more understandable to the users:

- 1. Application of Funds
- 2. Non-Owner Sources of Funds
- 3. Owner Sources of Funds
- 4. Income taxes
- 5. Discontinued Operations

Para 2.19 require an entity to present information about the way it conducts its business activities separately from information about the way it funds or finances those business activities. Thus, the requirement is to separate sources of funds form how the funds are applied. The way the word "business" has been defined significantly differs from the way it has been defined in IFRS 3 "Business Combinations". Thus, it should be appreciated that the word "business" calls for lots of interpretations and there is a scope that what the management interprets as business might not be interpreted in the same way by its users. This would reduce comparability. Hence, instead of using the section name as "Business" and "Financing", it is better to have a section name as "Application of Funds" and "Non-Owner Sources of Funds". The sections named "Application of Funds" and "Non-Owner Sources of Funds" also make more sense when the changes in those sections are presented in the Statement of Comprehensive Income and the Statement of Cash Flows. The categories within the section can be the same as Operating and Investing for Application of Funds and Financing for Non-owner sources of funds.

Another term that calls for interpretation is "Equity". Equity is an element of financial statement. Stating one element as a section and the others as categories does not make the financial statements cohesive. If elements like assets, liabilities, income and expenses are stated within each section or category, equity should also be stated with a section or category. Therefore, instead of having a separate section for equity, it is better to have a separate section heading as "Owner Sources of Funds" and "Equity" as a category.

We appreciate the view of the board expressed in Para 2.68 that cash equivalents should no longer be presented in the same manner as cash. Para 2.69 expresses the board's view that unless cash is used differently in two or more reportable segments, an entity should classify cash in only one category. However, Para 2.61 states excess cash held by an entity is in substance a part of net debt and hence financing assets. Both the paragraphs seem to be in conflict to each other and therefore require amendment. In our view, cash should be categorized as operating assets.

The term "Financing Assets" has nowhere been defined. What has been explained to be financing assets can be treated as investing assets. Financing Assets require a comprehensive definition and explanation to separate it from investing assets.

Best Regards, CA Manish Iyer Professional Affiliate B. Com, FCA, ISA, DipIFR

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