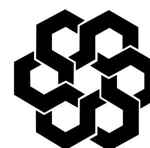

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International Accounting Standards Board

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.
These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: **14 December 2006, London**

Project: **Financial Statement Presentation (Phase A)**

Subject: **Comment letter Analysis ED IAS 1 (Agenda Paper 14)**

Introduction

1. In March 2006, the Board published an Exposure Draft of Proposed Amendments to IAS 1 *Presentation of Financial Statements (A Revised Presentation)*. The comment deadline was 17 July 2006.

2. The Board received comment letters from 130 respondents, including preparers, accounting firms, accounting bodies, users, standard-setters/regulators. The Board received letters from the following sectors/industries: construction, pharmaceutical, insurance, automobile, healthcare, financial institutions, food, consulting/auditing services, academic, telecommunications, energy, mining, paper, and the public sector. A list of respondents is in Appendix A.

3. This paper reviews and analyse the comments received on questions 1-8 of the Exposure Draft and makes recommendations. At each stage, the staff ask Board members for their views.

Structure of the paper

4. The paper is structured as follows:

- **Section I.** General comments on the Exposure Draft (ED) [¶ 5- ¶ 8]
- **Section II.** Review and analysis of the responses on the following topics:
  - **Question 1**– Titles of a complete set of financial statements [¶ 9 - ¶ 24]

- **Question 2** – Statement of financial position at the beginning of the period [¶ 25 - ¶ 40]

- **Question 3** – Non-owner changes referred to as “recognised income and expense” [¶ 41 - ¶ 43]

- **Question 4** – Segregation of owner and non-owner changes in equity [¶ 44 - ¶ 55]

- **Question 5** – Single statement approach and the two statement approach [¶ 56 - ¶ 71]

- **Question 6** – Other recognised income and expense- reclassification adjustments [¶ 72 - ¶ 84]

- **Question 7** – Income tax relating to each component of other recognised income and expense [¶ 85 - ¶ 91]

- **Question 8** – Presentation of per-share measures [¶ 92 - ¶ 102]

- **Other comments to the ED** [¶ 103 - ¶ 109]

Section I

General comments on the Exposure Draft (ED)

5. The introduction to the ED explains that the proposed amendments to IAS 1:

(a) affect the presentation of owner changes in equity and the presentation of recognised income and expenses.

(b) do not change the recognition, measurement or disclosure of specific transactions and other events required by other Standards and Interpretations.

(c) do not reconsider all of the requirements in IAS 1.

(d) consist of some non-substantive changes, to make the Standard easier to read and consistent with other Standards.

6. The responses revealed substantial disagreement with the proposed amendments. The table below summarises the level of agreement and disagreement for each question.

Questions in the ED	Agree	Disagree	No comment
1. Do you agree with the proposed titles of the financial statements?	13%	**80%**	7%
2. Do you agree that a SFP as at the beginning of the period be part of a complete set of financial statements?	25%	**66%**	9%
3. Do you agree that non-owner changes be referred as "recognised income and expense"?	32%	**53%**	15%
4. Do you agree that all non-owner changes in equity should be presented separately from owner changes?	**78%**	7%	15%

Questions in the ED	Two	Single	Either	N/C
5. Do you agree that entities should be permitted to present components of recognised income and expense either in a single statement or in two statements?	**37%**	16%	22%	25%

Questions in the ED	Agree	Disagree	No comment
6. Do you agree with the disclosure of reclassification adjustments?	**76%**	8%	16%
7. Do you agree with the disclosure of income tax relating to each component of recognised income and expense?	33%	**51%**	16%
8. Do you agree that earnings per share should be the only per share measure required or permitted on the face of the statement of recognised income and expense?	**53%**	28%	18%

7. In general, respondents claim that proposed changes are premature and are neither supported by conceptual analysis nor driven by convergence with the FASB. Most of the proposed changes are considered unnecessary for the following reasons:

- *No substantial improvements.* Almost a quarter of the respondents[1] believe that this draft has resulted in too much noise but few substantial improvements. Changes proposed seem to have been made on a piecemeal basis, and do not address any of the key issues that IFRS users are facing (eg the segregation of other items from the income statement, relevant subtotals in the financial statements and the need for a recycling mechanism). One respondent (CL 50) thinks that the Board should have published a discussion paper rather than an ED to promote a debate on some of the issues reflected in the ED.

- *Bad timing to issue the ED.* Some consider that this is not the right moment to propose changes to any standard. CL 120 stresses that IFRSs were recently implemented in Europe and that many companies are still in a learning process. CL 117 observes that constituents feel exhausted from continual changes to the standards.

- *The Board should wait for the completion of Phase B before making any change.* 38% of respondents[2] question why the change is needed now, given that many of the issues addressed by the Board largely depend on the outcome of the deliberations in Phase B. They suggest that the IASB should defer changes until Phase B is completed, and follow the FASB in considering Phases A and B together. Likewise, some other respondents are of the opinion that the Board should wait until the *Conceptual Framework (Framework)* project is completed, otherwise the authority of the *Framework* may be challenged.

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[1] See CL 4, CL 5, CL 6, CL 8, CL 15, CL 16, CL 17, CL 18, CL 20, CL 22, CL 25, CL 33, CL 45, CL 50, CL 51, CL 54, CL 62, CL 82, CL 83, CL 92, CL 86, CL 102, CL 110, CL 113, CL 114 and CL 125.
[2] See: CL 6, CL 7, CL 14, CL 16, CL 17, CL 22, CL 23, CL 25, CL 28, CL 29, CL 31, CL 32, CL 33, CL 35, CL 39, CL 40, CL 41, CL 45, CL 46, CL 47, CL 49, CL 51, CL 54, CL 57, CL 58, CL 62, CL 66, CL 67, CL 69, CL 70, CL 73, CL 74, CL 75, CL 78, CL 79, CL 80, CL 82, CL 86, CL 87, CL 96, CL 102, CL 105, CL 114, CL 117, CL 119, CL 125, CL 99.

- *Non-mandatory changes and the number of alternatives in the ED prompt inconsistencies.* The non-mandatory nature of most of the proposed changes and the number of display and disclosure alternatives, give the impression that the ED is not promoting uniformity and comparability in the presentation of financial statements. For many respondents, the ED is leading to confusion, ambiguity and lack of consistency in the presentation of financial statements.

Staff recommendation

8. The staff recommend that the Board amend IAS 1 as proposed in the ED. The staff consider that this ED represents a first step to introduce new concepts and terminology that were lacking in IFRS. However, as many of changes proposed in the ED are still being debated in Phase B of the Financial Statements Presentation project, the staff recommend that the proposed changes should be non-mandatory, whenever applicable.

SECTION II

Review and analysis of the responses

Question 1 - Titles of a complete set of financial statements

The ED proposes that the titles of the financial statements should be as follows: *(a) statement of financial position (previously 'balance sheet');* *(b) statement of recognised income and expense;* *(c) statement of changes in equity; and* *(d) statement of cash flows* *The Board does not propose to make changes of nomenclature mandatory.*

Review and analysis of responses[3]

9. Most of the respondents (80%) disagree with the title "statement of recognised income and expense" and many (69%) disagree with the title "statement of financial position". Only 13% agree with all the proposed titles. No significant comments were received in favour or against the titles of the "statement of changes in equity" and the "statement of cash flows". A summary of comments is provided below.

Premature and not practical to make changes

10. Some respondents believe that the titles "balance sheet" and "income statement" are widely used and accepted, have a long tradition and are well understood. They believe that changing them will generate confusion and would impose an unnecessary burden on constituents by requiring them to familiarise themselves with the new terminology. Their reasons are detailed below:

    (a) **CL 25** notes that: "In certain jurisdictions that are major users of IFRS, such as the EU and South Africa, the legal requirement refers to balance sheet and considers it

[3] The staff decided to include in the analysis of Question 1 some of the answers received for Question 3, which dealt with the *statement of recognised income and expense* as some respondents mixed their responses to both questions.

unhelpful to change nomenclature at this point to something that would be inconsistent with the legal requirement".

(b) **CL 20** mentions: "These titles have been in use in New Zealand for over a decade and were brought in when one set of standards was issued for the private and public sector. The use of these titles in New Zealand is supported by academics and standard setters and is probably only understood by accountants. But they have not obtained public acceptance".

(c) **CL 11** argues: "We do not concur with the proposed titles of the financial statements. The titles "Statement of Financial Position" and "Statement of Financial Performance" were introduced in Australia in 1999 and have been used in this jurisdiction…On first-time adoption of IFRS in Australia in 2005 we have reverted to use of "Balance Sheet" and "Income Statement"…our clients, partners and staff, without exception, have welcomed the change back to use of terms that are clearly understandable".

(d) **CL 64** and two respondents **(CL6 and CL 40)** emphasise that the new terms will be difficult to translate into other languages; the former mentions that there is no semantic difference in the translation of "balance sheet" or "statement of financial position", while the latter believe that the new terms are quite technical.

(e) **CL 8, CL 29, CL 46 and CL 104** explicitly stated that this is not the right moment to make changes, as the Board should wait until Phase B and the Conceptual Framework projects are completed.

11. As stated in paragraph BC5 of the ED, the Board is proposing changes to the titles of the financial statements to better reflect the function of each statement. For instance, the "statement of recognised income and expense" as the new statement required, reflects a broader content than the former "income statement" as it encompasses both income and expenses recognised in profit and income and expenses recognised outside profit or loss. Therefore, if a change of content occurs, the change in terminology is deemed necessary.

12. The staff believe that the Board should not wait until the completion of Phase B or the Conceptual Framework project to start suggesting changes to the titles of the financial statements, given that the development of both projects will take some years. Even so, it is difficult to anticipate if the outcome on Phase

B and the Conceptual Framework project will necessarily demand new changes to the proposed terminology.

13. The proposed titles are not mandatory. They will be used in future standards but are not required to be used by entities in their financial statements. The non-mandatory nature of the proposed changes gives constituents time to gradually implement changes as these terms become common.

Disagreement with the term "financial position"

14. Some respondents (CL 20, CL 37, CL 79, CL 111) do not agree with the term "financial position" as it is not defined in the *Framewor*k. CL 111 observes: "Naming the balance sheet statement of financial position may suggest that the cash flow statement and the income statement do not also reflect the financial position".

15. The staff observe that a definition of the term "financial position"[4] is required as paragraph 19 from the *Framework* does not provide any; however, the *Framework* clarifies that "information about *financial position* [emphasis added] is primarily provided in a balance sheet".

16. Barron's Dictionary of Finance and Investment Terms[5] defines *financial position* as: "the status of a firm's assets, liabilities, and equity accounts as of a certain time, as shown on its financial statement". This definition clearly depicts the content of the statement of financial position.

17. In addition, although the staff agree that the *cash flow statement* and the *statement of recognised income and expense* reflect "changes in an entity's financial position", they cannot be both called "statements of changes in financial position" as the latter could raise confusion and would not depict the true function and objective of each one of these statements (assessing cash flows and performance, respectively).

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[4] Paragraph 16 of the Framework states that "the financial position of an entity is affected by the economic resources it controls, its financial structure, its liquidity and solvency, and its capacity to adapt to changes in the environment in which it operates"

[5] "Financial Position." Dictionary of Finance and Investment Terms. Barron's Educational Series, Inc, 2006. *Answers.com* 22 Nov. 2006. http://www.answers.com/topic/financial-position.

Disagreement with the term "recognised"

18. A majority of respondents disagreed with the title: "statement of recognised income and expense". They[6] pointed out that the use of the term "recognised" is confusing, ambiguous, cumbersome and not self-explanatory. They request clarification of this term and more in-depth analysis. Some of the arguments given are as follows:

    (a) **CL 107** affirms that all items have been recognised, not just those from the statement of recognised income and expense. Therefore, to improve consistency, the term "recognised" should also be added to the titles of other financial statements". [eg the statement of financial position could be called instead "statement of recognised assets, liabilities and equity"].

    (b) **CL 54** believes that the term "recognised" suggests that other items have been left "unrecognised".

    (c) **CL 5** asserts that this term could be confused with the term "realised".

19. The term "recognition" is defined in current standards, as follows:

    (a) Paragraph 82 of the *Framework*, defines *recognition* as "the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the criteria for recognition set out in paragraph 83"[7].

    (b) Paragraph 6 of the Statement of Financial Accounting Concepts No. 5 (SFAC 5) states that "recognition includes depiction of an item in both words and numbers, with the amount included in the totals of the financial statements".

    (c) Chapter 5 of the UK's Statement of Principles contains a similar definition of the term *recognised,* "to depict an item both in words and by a monetary amount and by including that amount in the primary financial statement totals".

[6] CL 5, CL 23, CL 36, CL 54, CL 78, CL 79, CL 83, CL 100, CL 105, CL 107 and CL 112.

[7] Paragraph 143 of the Statement of Financial Accounting Concepts no. 6 (SFAC 6) has a similar definition.

20. Based on the definitions (above) the staff question why the use of the term "recognised" has been reserved to the statement of recognised income and expense and has not been used to describe other primary financial statements, in which all items have also been "recognised"[8]. The staff believe that the use of the term "recognised" to delineate the content of just one of the primary statements is not conceptually correct.

21. In addition, it is clear that "recognition" and "realisation" do not have the same meaning and cannot be used interchangeably[9]. "Realisation", is defined as "the process of converting non cash resources and rights into money and is most precisely used in accounting and financial reporting to refer to sales of assets of cash or claims to cash" (paragraph 83 of SFAC 3).

The proposed changes are meaningless if non-mandatory

22. Almost one-third of the respondents believe that if the IASB regards a change in the titles as necessary, then it should make this change mandatory, otherwise this will lead to confusion, ambiguity and a lack of consistency in the use of the new terminology.

23. The staff agree that non-mandatory changes would not necessarily lead to the consistent use of the new terminology. However, in the long run, terms will become more common and constituents will start adopting them. Proposed changes should remain non-mandatory, until these titles to the financial statements are fully discussed in the development of the Conceptual Framework project and during Phase B of the Financial Statements Presentation project.

Staff Recommendation (Question 1)

24. On the basis of the analysis and discussion above, the staff recommend the following:

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[8] Items are "ideally" recognised immediately they arise, when no uncertainty exists. The existence of uncertainty can defer the recognition process to a later stage. Recognition criteria for the elements of financial statements is included in the *Framework*.

[9] Nevertheless there is a chance that users might get confused in their use. Paragraph 83 of SFAC 3 states: "*Realization* and *recognition* are not used as synonyms, as they sometimes are used in accounting and financial literature".

(a) Eliminate the word “recognised” from the title of the *statement of recognised income and expense* and call it instead *statement of total income and expense.*

(b) Keep the names proposed for the *statement of financial position*, the *statement of changes in equity* and the *statement of cash flows.*

(c) The term “financial position” should be defined within the *Framework*

(d) Keep proposed changes in nomenclature non-mandatory for now.

(e) The Board may consider making titles mandatory in the future to promote the consistent use of them.

Question 1. Does the Board agree with the above recommendations?

Question 2 – Statement of financial position at the beginning of the period

The ED proposes that a complete set of financial statements should include a statement of financial position as at the beginning of the period. Therefore, an entity presenting comparative information should be required to present three statements of financial position in its financial statements.

Review and analysis of responses

25. Two-thirds of the respondents disagree with the requirement of providing a statement of financial position at the beginning of the period. Around 20% of the respondents suggest that it is preferable to consult prior year financial reports to obtain this information and believe that two statements of financial position are sufficient for comparative purposes. A summary of comments is provided below.

It is not practical

26. CL 17 and CL 20 noted the impracticability of including an "additional column" when *parent* and *group* financial statements are included together in columnar format, as this would mean the display of six "statements of financial position" across a page.

27. The staff is of the view that in some cases under the new requirement in the ED, preparers will need to adjust their formats to avoid cluttering the face of the financial statements (eg use more than one page to present *parent* and *group* financial statements).

Creates heavy burden on compliance

28. Many conclude that this requirement creates an additional compliance burden as CL 16 notes:

> "Not only do we consider this proposed requirement to be excessive, but we believe also that it will be detrimental to the overall quality of the financial statements. We believe that the Board should be seeking to reduce the amount of disclosures in financial statements, not increase them unnecessarily".

29. The staff is of the view that unless there have been error corrections or changes in accounting policy applied retrospectively, this requirement would not involve additional costs to the preparation of financial statements as this information is readily available from prior year's reports.

Represents a severe change

30. Other respondents from European countries[10], noted that presenting a statement of financial position at the beginning of the previous period, represents a severe change from common practice, as entities reporting to the Securities and Exchange Commission (SEC) or subject to the European Union's Commission regulations, will need to present an additional comparative year to the three years already required under those regulations, on the face of the financial statements.

31. The staff do not understand why constituents have interpreted the new requirement as the presentation of a "fourth" comparative statement. In fact one of the main objectives of this requirement, as stated by CL 124 is to converge with the requirements of securities regulations, some of which provide for the presentation of an opening balance sheet as at the beginning of the first period of the accounting periods included in the financial statements.

Not very useful for financial analysis

32. Less than 50% of the users who replied[11] raised doubts on the usefulness of presenting three SFPs, as it is questionable whether these are sufficient to provide an indicator of an entity's financial trends. Some point out that analysts and creditors need at least a 5-year period for analysis and frequently refer in addition, to the "selected data" or "management review" sections in the financial reports.

33. The staff's view is that this requirement is not intended to respond to every question that users may have; the staff are aware that users often employ other

[10] See CL 18, CL 39, CL 45, CL 47, CL 76, CL 119 and CL 120.
[11] See CL 30, CL 48, CL 56, CL 91, CL 104 and CL 115.

sources of information to perform their financial analysis (eg non-GAAP measures).

Should be reserved when "restatements" occur

34. Some respondents[12] point out that the display of a third statement should be reserved to those cases in which a *restatement* has occurred (eg IAS 8). CL 47 states:

> "Information contained in the balance sheet as at the beginning of the previous period is either directly presented in the previous year's financial statements or - in case of adjustments related to the changes in accounting policies and correction of errors - is sufficiently explained by disclosures according to IAS 8 [*Accounting policies, changes in accounting estimates and error*s] par. 28, par. 29 and par. 49. We are therefore not convinced that the presentation of the balance sheet as at the beginning of the previous period will result in considerable additional benefits for users of financial statements".

35. A statement of financial position at the beginning of the period (ED IAS 1) and restatements (IAS 8) share the ultimate objective of providing *comparative* information. However, the ED focuses on:

    (a) providing readily-to hand information to compare an entity's financial position, irrespective of the fact that a restatement has occurred or not (eg by means of a change to an accounting policy or the correction of an error).

    (b) understanding how numbers that appear in the different "change" statements relate to the statement of financial position.

Unclear if this will generate additional disclosure

36. Some respondents believe that provisions of the ED regarding the requirement of a third statement of financial position are not clear on whether additional disclosures are required in the notes from the beginning of the period and if this information should also be disclosed in interim reports.

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[12] See CL 41, CL 45, CL 47, CL 67, CL 71, CL 76, CL 78 and CL 116.

37. Some of the arguments are shown below:

a) **CL 25** suggests that "the drafting of this new requirement should take care not to add additional note disclosures in respect of the opening balance sheet date".

b) **CL 51** states: "there are limitations to the amount of information that entities should be required to provide and that users require. The main rationale given is that analysts and other investors require this information for calculation of ratios…"

38. The staff note that paragraphs 38-40 in the ED state that whenever information for previous periods continues to be relevant to an understanding of the current period's financial statement, this information should continue to be disclosed.

39. Regarding interim information, paragraph BC32 in the ED sets out that: "the Board decided not to reflect in paragraph 8 of IAS 34 (ie the minimum components of an interim financial report) its decision to require the inclusion of a statement of financial position as at the beginning of the period in a complete set of financial statements".

Staff recommendation (Question 2)

40. The staff recommend the presentation of an additional statement of financial position as at the beginning of the period and the staff do not consider that this information is excessive or not readily available.

Question 2. Does the Board agree to reaffirm its conclusion requiring a statement of financial position at the beginning of the period?

Question 3 – Non-owner changes referred to as “recognised income and expense”

The ED proposes that “non-owner changes in equity” (ie components of recognised income and expense) be referred to as ‘recognised income and expense’ (bearing in mind that an entity is not required to use this term in its financial statements).

Review and analysis of responses[13]

41. In line with the answers received for Question 1, a majority of respondents (53%) disagree with the new terminology proposed and are of the view that non-owner changes in equity should not be referred as “recognised income and expense”. Among the reasons pointed out are:

a) It is premature to discuss new nomenclature until Phase B is completed.

b) The term “recognised” is unclear, confusing and cumbersome.

Terminology proposed

42. Respondents suggested some other title for “recognised income and expense”; the staff provide some comments along with each proposal

Suggested name	%[14]	Staff comment
“Comprehensive income”	37%	The term “comprehensive” is not defined in the *Framework*, which defines “income” and “expenses” but not “comprehensive income”.
“Non-owner changes in equity”	33%	This title does not depict the two main components of non-owner changes in equity: income and expense. Moreover, the term “owner” is not defined in the *Framework* [see analysis in Question 4].
“Total income and expense”	10%	This title was recommended by the staff and omits the word “recognised” [see analysis in Question 1]. However, many constituents oppose this view, as components recognised outside profit or loss should not be considered

[13] Staff analysis and recommendations for the title of the *statement of recognised income and expense* are provided in Question 1.
[14] Shows the level of preference from those respondents who proposed new names.

		“income/expense” [see Analysis in Question 5].
Other terms suggested:	20%	
“Realised and unrealised items”		The *Framework* does not define “realised” or “unrealised”, although it contains references to the term “unrealised gains” (ie paragraph 76). Similar to the discussion of the word “recognition”, the notions of realised/unrealised are not attributable to one statement only (eg the statement of financial position can also be classified in realised/non-realised items).
“Performance” items		Although the term “performance” is used elsewhere in the *Framework* and defined as” the relationship of the income and expenses of an entity, as reported in the income statement”, the Board has struggled to find an acceptable definition[15]; this was reflected at the March 2006 meeting: “The staff recommend that the term *performance* not be used in describing the project objective because it is an elusive term that means different things to different people”.[16] However, the word “performance” is used to depict the function of the income statement in the *Framework.*

Staff recommendation (Question 3)

43. Consistent to staff’s recommendation in Question 1, the staff recommend the presentation of non-owner changes in equity be referred as “total income and expense”.

Question 3a.	***Does the Board agree that non-owner changes in equity be referred to as “total income and expense”?***
Question 3b.	***If not, what label would the Board propose for “non-owner changes in equity”?***

[15] CL 76 suggested the following definition for the term *performance*: "the measure of success of the entity in performing its socio-economic function of producing goods and services at more than the amount spent on resources to produce them”.

16 See Agenda Paper 6 (FASB Memo no. 41) paragraph 6 (Project Objective).

Question 4 – Segregation of owner and non-owner changes in equity

The ED proposes to require entities to present all changes in equity arising from transactions with owners in their capacity as owners (ie 'owner changes in equity') separately from other changes in equity (ie 'non-owner changes in equity' or 'recognised income and expense').

Review and analysis of responses

44. There was a widespread agreement (78%) to the proposal of presenting owner changes separately from non-owner changes in equity. This change is seen as a very positive step forward in the improvement of financial reporting by increasing the transparency of those items recognised in equity that are not reported as part of profit or loss. However, some respondents disagree with some of the changes proposed. Their comments are shown below.

The term "owner" is not defined

45. Some respondents[17], point out that the terms "owner" and "non-owner" are not defined in the ED or in the *Framework*[18] and are not defined elsewhere in IFRS. The staff note that a reason is partly that the criteria for ownership vary from one jurisdiction to another and partly that accounting standards have moved away from the notion of "ownership" to the notion of "control". However, the terms "ownership" and "owner" are extensively used in accounting standards[19].

Terms are used interchangeably and no explanation is provided in the ED

46. Moreover, CL 82 and CL 9 notice an inconsistent use of terms within the ED. While the body of the ED refers to the term "equity holder"(eg "Summary of Main changes" and paragraphs 7, 9, 54, 83, 106, 107 of the ED) the "Basis for Conclusions" and "Invitation to Comment" refer to the terms "owner" and

[17] See CL 9, CL 14, CL 16, CL 60, CL 69, CL 80, CL 82, CL 83, CL 99, CL 105, CL 111 and CL 124.
[18] The *Framework* has a reference to "equity participants" in paragraph 70.
[19] FAS 94 *Consolidation of all majority-owned subsidiaries* and IAS 27, *Consolidated and Separate Financial Statements* commonly use the terms "owner" and "ownership". For example: "ownership interest", "owners of minority interests", "majority-owned subsidiaries", "ownership of a potential voting right", and so on.

"equity holders" indiscriminately. The staff believe that the latter should be clarified, otherwise it may cause confusion.

Are the terms "owner" and "equity holder" the same?

47. The term "equity holder" is not defined in accounting standards. Nevertheless, paragraphs 60-63 of CON 6, *Elements of Financial Statements,* associate the notion of "equity" with "ownership", as shown below:

> **CON 6, paragraph 60.** Equity is the ownership interest[29]. It stems from ownership rights (or the equivalent)[30] and involves a relation between an enterprise and its *owners* as *owners* rather than as employees, suppliers, customers, lenders, or in some other *non owner* role". [emphasis added]
>
> **CON 6, footnote 30 to paragraph 60.** "Other entities with proprietary or ownership interests in a business enterprise are commonly known by specialized names, such as stockholders, partners and proprietors, and by more general names, such as investors, but all are also covered by the descriptive term *owners*. Equity of business enterprises is thus commonly known by several names, such as owners' equity, stockholders' equity, ownership, equity capital, partners' capital, and proprietorship". [emphasis added].

48. Based on the above notion of "equity", the terms "owner" and "equity holder" could be defined as follows:

   - **Owner** could be considered as a "stockholder, partner or proprietor having an ownership interest [equity] in an entity".
   - **Equity holder** could be defined as the "holder of an ownership interest [equity] in an entity".

49. In addition, the discussion paper - *Preliminary Views on an Improved Conceptual Framework for Financial Reporting: the Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information* (July 2006), defines the term "equity investors" as those: "interested in the entity's ability to generate net cash flows because their decisions relate to the amounts, timing and uncertainties of those cash flows". Also, IAS 32, *Financial Instruments: Presentation*, contains many

references to the notion "holder of an equity instrument", however, this term is not defined.

50. The staff note that ED IAS 1 use the term "equity holders" to define *total recognised income and expense*, while FAS 130, *Reporting Comprehensive Income*, use the term "owners" to define *comprehensive income*, as shown below:

> **Paragraph 7 ED IAS 1** states that "*Total recognised income and expense* is the change in equity of an entity during a period from transactions and other events, other than those resulting from contributions by and distributions to *equity holders* in their capacity as *equity holders*". [emphasis added]
>
> **Paragraph 8 of FAS 130**, defines comprehensive income as "the change in equity [net assets] of a business enterprise during a period from transactions and other events and circumstances from *nonowner* sources. It includes all changes in equity during a period except those resulting from investments by *owners* and distributions to *owners*". [emphasis added]

51. Based on the above definitions, the staff believe that the use of either "owner" or "equity holder" is adequate, as both have a similar meaning (ie the definition of equity holder normally involves mention of the term "ownership"). However, the staff do not believe that these terms should be defined in IAS 1, as these definitions are beyond its scope[20]. However, to be consistent with the definition of *total recognised income and expense* in paragraph 7, the staff have considered three alternatives:

   (a) **Alternative A.** Remove references to "owner" and refer to "equity holder" instead, to promote the consistent use of the latter term. Therefore, components of *total recognised income and expense* would be referred to as "*non-equity holder changes in equity*".

   (b) **Alternative B.** Use both terms in the ED, clarifying that the term "owner" is equivalent to "equity holder".

[20] The staff believe that definitions of these terms should be provided in the *Framework* or as part of the Business Combinations project.

(c) **Alternative C.** Remove references to “equity holder” and refer to “owner” instead.

52. The staff recommend that both terms (ie “owner” and “equity holder”) should be used interchangeably in the ED (Alternative B) and the ED should state the reasons why both terms are used as synonyms (ie that they are commonly used elsewhere in IFRS, that one term relates to the other).

Clarification needed for “restatements”

53. Many respondents pointed out that the ED needs to clarify whether the effects of changes in accounting policy are regarded or not as non-owner changes. Confusion prevails among the respondents because the definition of total recognised income and expense (paragraph 7 at page 17 of the ED) appears to include them (as a change in equity during the period) while the illustration in IG5 of the ED (page 96) and paragraph 106b of the ED, show them as an adjustment of the opening balance in the statement of changes in equity. To avoid this, respondents suggest modifying the definition in paragraph 7 to explicitly exclude restatements.

54. In addition to these comments, CL 9 suggests that paragraph 106b of the ED should also clarify that these *are not* movements in equity in the period but a reconciling item from opening equity on the previous basis to opening equity on the new basis (consistent with example on page 96).

55. The staff do not believe that the definition of total recognised income and expense should explicitly exclude restatements as paragraph 106b is clear that restatements are included within the statement of changes in equity. Nevertheless, this paragraph could clarify that restatements are not movements of equity in the period but a reconciling opening item.

Staff recommendation (Question 4)

Question 4a.	***Should the ED provide a definition of the term “owner” and/or the term “equity holder”?***

Question 4b. Does the Board agree that the terms "equity holder" and "owner" should be used as synonyms?

Question 4c. Should the ED clarify the reasons why both terms are used interchangeably?

Question 4d. Does the Board agree that paragraph 106b should clarify that restatements arising from correction of errors and changes in accounting policy applied retrospectively, are not movements of equity in the period but an adjustment of the opening balance in the statement of changes in equity?

Question 5 – Single-statement approach and the two-statement approach

*The ED proposes that components of recognised income and expense (non-owner changes in equity) would be presented in either (a) a single statement of recognised income and expense **[single statement approach]**, or (b) two statements: a statement displaying components of profit or loss and a second statement beginning with profit or loss and displaying components of other recognised income and expense **[two-statement approach]**.*

Staff review and analysis of responses

56. Respondents to the ED provided mixed views about whether the Board should permit a choice of displaying non-owner changes in equity. A summary of preferences expressed by respondents is provided below:

(a) **Proposed change in the ED:**

- ***Maintain the two-statement approach and the single-statement approach as alternatives:*** 22%

(b) **Other alternatives proposed by respondents:**

- ***Two-statement approach only:*** 37%
- ***Single-statement approach only:*** 16%
- ***No comment until this issue is addressed in Phase B:*** 25%

Proposed change in the ED

Maintain the two-statement approach and the single-statement approach as alternatives

57. Some respondents agreed with the Board's decision of permitting a choice between one or two statements. As CL 91 comments:

> "We agree that the flexibility of permitting entities to present components of recognised income and expense either in a single or in two statements is appropriate at the current time. We acknowledge that some users would be

confused if the "net income" line they are used to were to disappear from one period to the next".

58. Conversely, others such as CL 33 and CL 42 do not favour alternatives and urge the Board to mandate one of the approaches to promote comparability among financial statements.

Other alternatives proposed by respondents

Two-statement approach only

Relevant to segregate items

59. Respondents support the two-statement approach because it draws a clear distinction between items included as components of profit or loss and items not included in profit or loss.

60. Otherwise, according to CL 13, CL 78, CL 111 and CL 124, the inclusion of unrealised changes (other components of recognised income and expense) in the income statement will capture unnecessary volatility that does not relate to the performance of an entity.

The term "recognised" is confusing under a two-statement approach

61. CL 54 noted that the term "recognised" is confusing when a two-statement approach is adopted, as it may imply that the "statement of recognised income and expense" is conformed of "recognised items", while the statement of "profit or loss" would suggest the inclusion of some "unrecognised" items.

Undue focus on the bottom line of a single statement

62. CL 30 and CL 91 claim that the two-statement approach will also help to mitigate the emphasis on the bottom line of a "single" statement, as the most important "magic number", giving investors more freedom of choice of what is the most relevant performance indicator (ie net income or comprehensive income). However, CL 91 note that retaining the two-statement approach might also give another interpretation, which is that "the bottom line number in the first statement [income statement] has some meaning for users".

The income statement should be kept as a primary statement

63. Respondents such as CL 27, CL 69, CL 105 and CL 124 see two main advantages on the two-statement approach: 1) the profit or loss statement remains as a primary financial statement; and 2) profit or loss is still maintained as a relevant measure (eg main basis for distribution of dividends and taxation). Some of these arguments are described below:

a) **CL 124** states: "We believe that the users of financial statements will be more familiar with the format of two statements since the profit or loss in the first part of the two statements has the same presentation as the income statement that has been used to measure performance of entities for a long period of time. Moreover, separate presentation in the statement of recognised income and expense will be easier for users to differentiate the performance of management from normal course of operation from the increases or decreases in assets or liabilities that are recognised directly in equity".

b) **CL 27** argues: "Empirical evidence from capital-market based research provides different results. Overall, studies show that net income is often a more useful measure in terms of value relevance than comprehensive income. Comprehensive income also predicts future operating cash flows and income worse than net income in most of the investigated countries. These results suggest that the use of aggregate comprehensive income as a general core valuation component is questionable and may be seen as supporting the two-statement format that displays net income in a separate statement and, hence, more prominently".

Useful as a transition measure

64. CL 9 believes that the presentation of separate statements is a useful transition measure until the Board develops principles to determine when components of income and expense should be recognised in financial statements, and the criteria for inclusion of those items in net income or in other recognised income and expense.

Not clear which components are included in other recognised income and expense

65. Many urge the Board to articulate clear principles on the nature of the components included in the "statement of recognised income and expense".

Respondents urge the Board to analyze these issues before making any changes to terminology. For example:

a) **CL 76** and **CL 120** challenge the fact that all non-owner changes truly share the same characteristics and meet the definitions of income and expense, as stated in BC13.

b) **CL 29** questions the categorisation of items as "recognised income and expense" before they are recycled.

Single-statement approach only

66. Some of the respondents who favour the single statement approach agree with Board's conclusions in paragraph BC13 of the ED, that the *Framework*:

> "does not provide criteria for distinguishing the characteristics of items that should be included in profit or loss from those items that should be excluded… therefore, the Board decided that it was conceptually correct for an entity to present all non-owner changes in equity in one single statement".

67. However, many respondents disagree with the Board's decision to show a clear preference[21] for a single-statement approach. They believe that the preference obscures the initiative to segregate owners and non-owner changes in equity, one of the most accepted changes in the ED. Moreover, respondents such as CL 130 challenge the assertion made by the Board and show strong disappointment for the Board's premature conclusions and observe:

> "We are not necessarily opposed in principle to there being one performance statement (provided it contains appropriate sub-totals to identify the traditional income statement components) but we object to the current proposal because the Board has circumvented its own due process in relation to this fundamental issue and the alternative approaches have not therefore been subject to proper consideration by interested parties".

No comment until this issue is addressed in Phase B

68. Several respondents reserved their comment until Segment B of the Financial Statement Presentation project addresses key issues such as the segregation, grouping, ordering, subtotalling and recycling of components within financial

[21] See discussion in BC13-BC 15 in the ED.

statements. Many believe that changes are premature and would prefer the IASB to defer any proposed change.

Staff analysis

69. The staff agree with the Board's *short-term* decision to allow alternatives for the presentation of income and expenses, as respondents to the ED provided mixed views about whether the Board should allow a choice on the display. However, this decision will be revisited in Phase B of the project, when the nature of the components of the statement of recognised income and expense, the recycling issue and the aggregation and disaggregation notions are addressed during this Phase.

70. The staff views the Board's preference for a single-statement approach, as a *long-term* decision, when clear principles are provided to separate items into two statements (ie segregate those items included in profit or loss from those items that should be excluded).

Staff recommendation (Question 5)

71. The staff recommend that both approaches (single-statement and two-statement) be allowed until the outcome of Phase B of the Financial Statement Presentation project is known.

Question 5a. Does the Board agree to maintain both approaches?

Question 5b. Does the Board agree to express a preference for the single-statement approach?

Question 6 – Other recognised income and expense –reclassification adjustments

The ED requires the disclosure of the reclassification adjustments relating to each component of other recognised income and expense.

Review and analysis of responses

72. A great majority of respondents (76%) believe that this disclosure is important to understand how components recognised in profit or loss are related with other components recognised in equity, in two different periods. Some of their comments are shown below.

Some standards already require "reclassification adjustments"

73. Some respondents challenged the reasons for including the definition of "reclassifications adjustments" and the "reclassification mechanism" in the ED, given that this disclosure is already required in some standards (eg IFRS 7).

74. From the staff's view, the definition of "reclassification adjustments" in paragraph 7 of the ED, brings light to the reclassification mechanism. These guidelines can be contrasted to the scarce explanations found in other particular standards. For example paragraph 20 in IFRS 7 states:

> [an entity shall disclose net gains or net losses] "on available-for-sale financial assets, showing separately the amount of gain and loss recognised directly in equity during the period and the amount *removed from equity* and recognised in profit or loss for the period" [emphasis added].

75. The staff observe that the list of "amendments to other pronouncements" in the Appendix of the ED, contains modifications to some paragraphs of particular standards to make them consistent with the definition of "reclassification adjustments" in paragraph 7 of the ED.

Should this display be on the face or in the notes?

76. There is no preference for displaying these items on the face or in the notes to the financial statements, although some respondents (CL 33, CL 53, CL 71, CL 107 and CL 128) favour disclosure in notes to a certain extent, to avoid cluttering the face of the financial statements. Only one respondent (CL 69) suggested that the disclosure of reclassification adjustments should be made on the face.

Change the term "reclassification" by the term "recycling"

77. Some respondents (CL 29, CL 30, CL 56 and CL 76) suggest that the Board substitute the word "reclassification" by the term "recycling" as the latter is a more common term. According to the Oxford Dictionary, the word "recycle" means: "to use again"; "to return (material) to a previous stage in a cyclic process".

78. The staff believes that there is no need to change the terminology as the definition of reclassification adjustment clearly reflects the notion of "recycling". *Other recognised income and expense* items are "recycled" or "passed through again" *total recognised income and expense* when they are reclassified to *profit or loss* within the *statement of recognised income and expense.*

Review inconsistencies in the definition

79. Some respondents (CL 92 and CL 107, CL 130) noted some inconsistencies in the definition of "reclassification adjustments" in paragraphs 7 and 93 of the ED, as follows:

- **Paragraph 7** defines *reclassification adjustments* as "amounts reclassified to profit or loss in the current period that were recognised in other recognised income and expense in *previous* periods" [emphasis added]

- **Paragraph 93** states: "….A *reclassification adjustment* is included with the related component of other recognised income and expense in the period that the adjustment

is reclassified to profit or loss…These amounts may have been recognised in other recognised income and expense as unrealised gains in the *current* and *previous* periods" [emphasis added].

80. Respondents believe that definition in paragraph 7 should be expanded to include gains and losses recognised in *current* periods in addition to those recognised in *earlier* periods, to make definition consistent with paragraph 93. Without clarification, there could be differences between interim and annual reporting, for reclassifications of items that arise in one interim period and reverse out in a different interim period within the same annual period.

81. The staff do not consider that paragraph 7 should be amended as the term "previous period", can be interpreted as referring to a *previous* "annual period", or to a *previous* "quarter" or a "month". In any case paragraph 93 should be amended to refer only to *previous* periods, as there is no need to refer to amounts recognised in *current* periods.

Review the composition of "other recognised income and expense"

82. Some respondents urge the Board to identify uniform criteria for including items within the caption of "other recognised income and expense". For example, they observe that not all the items are recycled (e.g. actuarial gains and losses under IAS 19, *Employee benefits*). The staff observe that this and other issues will be addressed in Phase B of the project.

A gross or a net display of the reclassification adjustment?

83. A majority of constituents expressed their concerns for having to trace the tax effect for each one of the components of "other recognised income and expense". This issue is further analyzed in Question 7.

Staff recommendation (Question 6)

84. The staff recommendation is to:

a) maintain current guidance on reclassification adjustments.

b) remove the reference to *current periods* in paragraph 93 to make it consistent with paragraph 7.

Question 6a. Does the Board agree to keep current guidance on reclassification adjustments?

Question 6b. Does the Board agree to modify paragraph 93 to make it consistent with the definition of "reclassification adjustments" in paragraph 7?

Question 7 – Other recognised income and expense –related tax effects

The ED requires the disclosure of income tax relating to each component of other recognised income and expense.

Review and analysis of responses

85. In principle, respondents agree to the disclosure of the tax attributable to each component of other recognised income and expense, as they believe it improves the clarity and transparency of such information, whenever those components have tax rates different from those applied to profit or loss. However, half of the respondents disagree with certain aspects of this disclosure. Some of their comments are shown in the following paragraphs.

The allocation of tax amounts is an arbitrary process

86. Several respondents[22] consider the allocation process to be arbitrary (eg it may involve the application of subjective or random effective tax rates). Some respondents noted that the latter is particularly true for certain industries, where the huge volume of operations makes this information not readily available. This is the case of the insurance sector as some respondents affirm:

   (a) **CL 5** states that, "The most important components of non-owner changes in equity for the insurance business are in respect of investments available for sale. However, the vast majority of these assets back policyholders' liabilities (especially in the life insurance sector). Therefore the calculation and allocation of the taxation impact arising on gains in respect of these assets is often difficult for insurers. If such a disclosure were to be made, we consider that it would be necessary to explain the underlying basis, such as how certain tax allocations were made and the relevance of that information".

   (b) **CL 37** affirms that "In an insurance context this disclosure is problematic and the split is arbitrary, requiring a high degree of estimation in making allocations between the various components. This is also because tax charges for life

[22] CL 6, CL 15, CL 18, CL 24, CL 37, CL 39, CL 40, CL 41, CL 56, CL 107, CL 62, CL 70 and CL 76.

insurance companies may not be based directly on income and expense items. We do not see any benefit".

87. In the staff's view, the allocation could be quite arbitrary but nevertheless important, especially for those industries where the components of other recognised income and expense are more frequent than in other industries. Consequently, the disclosure should be required.

Options for displaying tax effects may lead to inconsistencies

88. CL 96 and CL 101 are concerned that allowing a gross or a net option to display the tax effects of *other components of recognised income and expense* would lead to inconsistencies on the face of the statement of recognised income and expense when a two-statement approach is used; for example, when a net presentation is used on the income statement and a gross presentation is used for the other components of recognised income and expense.

89. CL 105 do not understand why tax should be attributed to components of *other recognised income and expense* on a line by line basis, while this is not a requirement for components in profit or loss.

90. The staff believe that paragraph 91 in the ED is clear enough to provide a choice of whether to display components of other recognised income and expense on a before-tax basis or on a net-of-tax basis, allowing entities enough flexibility to determine which type of presentation suits best their needs.

Staff recommendation (Question 7)

91. The staff recommend that the Board reaffirm the conclusions in the ED to:

a) require the disclosure of income tax relating to each component of other recognised income and expense;

b) maintain the option to display components either net of related tax effects or before related tax effects with one amount shown for the aggregate amount of income tax related to other recognised income and expense.

Question 7. Does the Board reaffirm the current guidance on the disclosure of income tax relating to each component of other recognised income and expense?

Question 8 – Presentation of per-share measures

The ED does not propose changes to IAS 33, *Earnings per Share. Therefore, earnings per share will be the only per-share measure presented on the face of the statement of recognised income and expense. If an entity presents any other per-share measure, that information is required to be calculated in accordance with IAS 33 and presented in the notes.*

Review and analysis of responses

92. More than half of the respondents believe that earnings per-share (EPS) should be the only per-share measure permitted or required on the face of the statement of recognised income and expense. However, almost one-third would like to see alternative per-share measures. A summary of their views is provided below.

Alternative measures are already required in IAS 33

93. Some respondents[23] mentioned that no changes should be made to IAS 33 to require alternative per-share measures. However, some others[24] interpret the current provisions in IAS 33 to allow *de facto* a display of alternative measures on the face of the income statement. Paragraph 73 of IAS 33 states that:

> "If an entity discloses, **in addition to** basic and diluted earnings per-share, amounts per-share using a reported component of the income statement other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per-share relating to such a component **shall be disclosed with equal prominence** and presented in the notes to the financial statements".

94. Although the ED does not propose any changes to IAS 33, the staff believe that paragraph 73 leaves some room for confusion. References to the words in the first line of the paragraph to "in addition to basic and diluted earnings per-

[23] CL 3, CL 15, CL 28, CL 40, CL 46, CL 63, CL 75, CL 76, CL 78, CL 82, CL 88, CL 105, CL 119 and CL 123.
[24] CL 102, CL 9, CL 16, CL 17, CL 32, CL 71 and CL 86.

share" and "disclosed with equal prominence" give the idea that alternative measures could be presented on the face (with additional disclosures in the notes to the financial statements). If this interpretation is correct, and to be consistent with the ED, paragraph 73 of IAS 33 should be modified to clarify that alternative measures should be shown "only in the notes". However, the staff consider that this change is outside the scope of the ED and should be further addressed when IAS 33 is revisited or as part of the annual improvements process.

Suggested alternative measures

95. Respondents suggested some other alternative measures that could be required on the face of the financial statements, as follows: (in order of preference):

Income statement
Dividends per-share[25]
Price/earnings ratio (CL 17)
Adjusted earnings per-share (CL 130)

Cash flow statement
Operating cash flow per-share (CL 13)

Statement of financial position
Net asset value per-share on the face (CL 90 & CL 96)

96. Furthermore, some respondents (CL 101, CL 104, CL 111, CL 115, CL 127 and CL 128) suggested that in those cases where EPS is not the most relevant measure for financial analysts, the ED should permit the display of some other "alternative measures", which could be determined through an "eyes of management" approach. For example, CL 91 notes that:

> "As a credit rating agency, looking at a company's ability to repay debt, Fitch does not look at the Earnings per Share, so we leave this question for equity investors to answer".

97. The staff do not support including other alternative measures on the face of the financial statements until totals and subtotals, and rules for aggregating and disaggregating items are addressed and discussed as part of Phase B of the Financial Statement Presentation project.

[25] CL 1, CL 41, CL 73, CL 84, CL 87, CL 92, CL 93, CL 96 and CL 130.

98. For the specific case of the disclosure of dividends per share on the face of the statement of recognised income and expense, the staff reaffirm the Board's conclusion in paragraph BC28 that "an entity should not present dividends on the face of the statement of recognised income and expense because that statement presents non-owner changes in equity" and "they should be presented in the statement of changes that presents all owner changes in equity, or in the notes".

Displaying per-share measures of recognised income and expense

99. Some other respondents (CL 10, CL 14, CL 30, CL 107 and CL 124) believe that an entity should also display on the face a per-share amount for total recognised income and expense. In their view this per-share measure along with EPS, are both valuable measures of an entity's performance over the reporting period. As CL 124 states:

> "Earnings per Share only reflects the performance of an entity from its normal operation. Therefore, the total recognised income and expense per share should also be presented to provide useful information on the total changes of entity's wealth".

100. The staff believe that relevant issues involved in reporting the components of recognised income and expense (eg the criteria for inclusion of items in *profit or loss* or in *other recognised income and expense*) should be first addressed before requiring another per share measure.

Terminology

101. One respondent (CL 31) mentioned that the use of the word "earnings" is inappropriate based on the changes proposed in the ED and that the measure should be denominated "profit or loss per share", instead. The staff consider that this change is beyond the scope of the ED.

Staff recommendation (Question 8)

102. The staff recommend that:

a) “earnings per share” be required as the only per-share measure on the face of the statement of recognised income and expense.

b) paragraph 73 of IAS 33 be clarified to be consistent with provisions in the ED of not requiring alternative per-share measures

c) alternative per-share measures not be required until criteria for including items in the statement of recognised income and expense are considered first.

Question 8. Does the Board agree with the staff’s recommendation?

Other comments to the ED

103. Some respondents (CL 4, CL 6, CL 7, CL 25, CL 26, CL 32, CL 37, CL, 44, CL 52, CL 54, CL 55, CL 63, CL 93, CL 95, CL 117 and CL 121) suggested amendments to other paragraphs of the ED. Almost 50 % of these respondents (the majority from Australia) disagree with the amendments to paragraph 7 regarding the definition of *general purpose financial statements*.

104. The staff do not plan to discuss all amendments proposed with the Board at this stage. The following paragraphs show some of the concerns expressed by respondents to the suggested amendments.

Paragraph 7. Definition of general purpose financial statements

105. A large number of constituents raised concerns about the change to the definition of *general purpose financial statements* in paragraph 7, which states:

> "General purpose financial statements include those that are presented separately or within other public documents such as a regulatory filing or report to shareholders"

106. It seems that the term "regulatory filing" in Australia has a broader interpretation than that intended in the ED.

107. Constituents allege that the second sentence could be interpreted as defining *all* financial statements filed with *any* regulator to be *general purpose financial statements*. This may lead to controversy considering that a great number of registrants, public or not, report to various types of regulatory authorities (eg in Australia small private companies and subsidiaries of public companies with no external users of financial reports, will be required to prepare general purpose financial reports because they are required to place their financial statements as a public file).

108. Moreover, the word "include" may be interpreted to indicate that all information contained in regulatory filings should be seen as a synonym of general purpose financial statements, although regulatory filings and

shareholders' reports contain other financial information which is clearly beyond the scope of the ED.

109. Some other respondents highlighted the following issues:

a) CL 4 suggested modifications to the wording of several paragraphs that will be further reviewed by the staff.

b) CL 6 states that it would be preferable that IAS 1.82 refers to "finance result" instead of "finance costs".

c) CL 44 suggests the modification of letter d) of the list of components of other recognised income and expense (paragraph 7) to include: "the effective portion of gains and losses on hedging instruments in a cash flow hedge or in a hedge of a net investment in a foreign operation".

d) CL 52 and CL 95 strongly disagree with paragraphs 16-20 of the ED that specify circumstances in which an entity could depart from a requirement in a Standard or Interpretation subject only to the regulatory framework prohibiting a departure from a standard. They argue that the application of those paragraphs may result in different reporting between entities.

e) CL 63 suggests to include within the ED the presentation of environmental reports and value added statements.

f) CL 93 criticizes the example on page 92 as amounts for changes in inventories are unrealistic compared to the value of inventories shown on page 87.