

30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: www.iasb.org

International
Accounting Standards
Board

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: 2 November 2006, London

Project: Review of published tentative agenda decisions

Subject: **IFRS 7 *Financial Instruments: Disclosures* – Presentation of ‘net finance costs’ on the face of the income statement (Agenda Paper 7(xiii))**

Tentative agenda decision published in September-2006 IFRIC Update

At its meeting in October 2004, the IFRIC noted that, taken together, paragraphs 32 and 81 of IAS 1 *Presentation of Financial Statements* preclude the presentation of ‘net finance costs’ on the face of the income statement unless finance costs and finance revenue are also shown on the face of that statement. IFRS 7 *Financial Instruments: Disclosures* was issued in 2005. Paragraph IG13 of IFRS 7 states that ‘The total interest income and total interest expense disclosed in accordance with paragraph 20(b) is a component of the finance costs, which paragraph 81(b) of IAS 1 requires to be presented separately on the face of the income statement. The line item for finance costs may also include amounts that arise on non-financial assets or non-financial liabilities.’

The IFRIC was asked whether the IFRIC’s October 2004 analysis regarding presenting ‘net finance costs’ on the face of the income statement is still valid in the light of paragraph IG13 of IFRS 7.

The IFRIC believed that its analysis in October 2004 was still valid. Consequently, [the IFRIC decided] not to take the issue onto the agenda.

The IFRIC believed that the words in paragraph IG13 of IFRS 7 may result in confusion. [The IFRIC, therefore, decided] to recommend to the IASB that the paragraph should be amended.

Deloitte

Deloitte Touche Tohmatsu
Mill House
1 Little New Street
London EC4A 3TR
United Kingdom

Tel: National +44 20 7036 5000
Direct Telephones +44 20 7037 0907
Direct Fax: +44 20 7037 0258
www.deloitte.com
www.iasb.org

20 October 2006

Robert Garnett, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom
Email: ifric@iasb.org

Dear Bob,

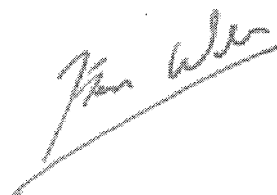
IFRS 7 *Financial Instruments: Disclosures* – Presentation of ‘net finance costs’ on the face of the income statement

Deloitte Touche Tohmatsu is pleased to respond to IFRIC’s publication in the September 2006 *IFRIC Update* of the tentative decision not to take onto the IFRIC agenda a request for an interpretation of whether IFRIC’s October 2004 analysis regarding ‘net finance costs’ is still valid in light of paragraph IG 13 of IFRS 7.

We support the IFRIC’s decision not to take this item onto the agenda and to confirm the validity of IFRIC’s October 2004 analysis in relation to the presentation of finance costs and finance revenue on the face of the income statement. We believe that, although the wording in paragraph IG 13 of IFRS 7 is unfortunate and potentially confusing, read with care in its entirety and in combination of with paragraph 81(b) of IAS 1 an appropriate accounting treatment can be determined. We also support the IFRIC’s tentative decision to recommend to the IASB that paragraph IG 13 of IFRS 7 be amended to eliminate the possible source of confusion.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0) 207 007 0907.

Sincerely,



Ken Wild
Global IFRS Leader

cc: Allan Cook, IFRIC