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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/Joint Meeting: 17/24 October 2006, London/Norwalk

Project: Financial Statement Presentation

**Subject: Application of working principles
(Agenda Paper 6/44) (Also issued as observer
note for Joint IASB/FASB meeting)**

INTRODUCTION

1. The purpose of the October meetings on financial statement presentation is to address and reach similar conclusions on the following issues (which are presented in three separate Memorandums/Agenda papers):

44/6A: The Financing Section and Investing Category

Issue 1: Defining the Financing Section

Issue 2: Defining the Investing Category in the Business Section

Issue 3: Presentation of Pension Assets and Liabilities

44/6B: Presenting Information about the Short- and Long-term Nature of Assets and Liabilities

Issue 1: Short-term Classification for Assets and Liabilities

Issue 2: Information about Liquidity

Issue 3: Short and Long-term Components of Deferred Taxes

44/6C: Measurement, OCI & Recycling, and Statement of Comprehensive Income

Part 1: Information Regarding Measurement of Assets and Liabilities

Issue 1.1: How Assets and Liabilities are Measured

Issue 1.2: Measurement Uncertainty

Issue 1.3: Changes in Assets and Liabilities

Part 2: Other Comprehensive Income and the Mechanism of Recycling

Issue 2.1: Other Comprehensive Income and the Cohesiveness Principle

Issue 2.2: Net Income and Recycling

Issue 2.3: Communication

Part 3: Presentation of the Statement of Comprehensive Income and Related Notes

Issue 3.1: Possible Presentation Schemes

Issue 3.2: Single Statement or Two Statements

2. Note that **all** of the above issues will be addressed at the FASB Education session, the IASB-only October meeting and at the joint meeting. That is, each Board will discuss these issues separately in non-decision-making meetings and then together at the joint meeting. At the non-decision making meetings, the staff anticipates that the Boards will make tentative decisions (or at least indicate their leanings on each of the issues) subject to joint discussion.
3. The remaining topics to be discussed by the Boards (hopefully in December) are:
 - a. **Statement of Changes in Equity**: the staff will discuss this statement in light of cohesiveness being the governing principle.
 - b. Whether the **operating category in the statement of comprehensive income and the statement of cash flows** should have sub-categories similar to those in the statement of financial position.
 - c. The **direct and indirect method** on the statement of cash flows and related reconciliation.
 - d. **Totals, subtotals**, and the **order in which categories and sections** should be presented in each of the financial statements and labels for each section and category.
 - e. Application of the working format to **financial institutions**.
4. Below is the table illustrating the working format the Boards have agreed to. This reflects decisions through the September meeting and October recommendations. The staff is not making any recommendations at the October meeting that would change this format (other than terms). [Sentence omitted from Observer Notes].

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business <ul style="list-style-type: none"> ◆ Operating assets and liabilities <ul style="list-style-type: none"> ○ Short-term ○ Long-term ◆ Investments 	Business <ul style="list-style-type: none"> ◆ Operating income ◆ Investment income 	Business <ul style="list-style-type: none"> ◆ Operating cash flows ◆ Investing cash flows
Discontinued operations	Discontinued operations	Discontinued operations
Financing <ul style="list-style-type: none"> ◆ Financing assets ◆ Financing liabilities ◆ Equity 	Financing <ul style="list-style-type: none"> ◆ Financing income ◆ Financing expenses ◆ 	Financing <ul style="list-style-type: none"> ◆ Financing asset cash flows ◆ Financing liability cash flows ◆ Equity cash flows
Income taxes	Income taxes	Income taxes