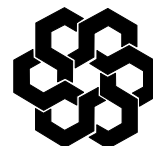




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*This document is provided as a convenience to observers at the joint IASB-FASB meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).
These notes are based on the staff papers prepared for the IASB and FASB. Paragraph numbers correspond to paragraph numbers used in the joint IASB-FASB papers.
However, because these notes are less detailed, some paragraph numbers are not used.*

INFORMATION FOR OBSERVERS

IASB/FASB Meeting: 22 October 2007, Norwalk

Project: Financial Statement Presentation

Subject: Content of initial discussion document and project plan
(Agenda Paper 2)

1. At the joint meeting in October, the staff would like the Boards to reach agreement on
 - a. The overall content and style of the initial discussion document and
 - b. The remaining issues to be addressed for inclusion in that document.

CONTENT AND STYLE OF DOCUMENT

2. On a variety of issues, the Boards have reached differing tentative conclusions or have asked that the due process document include a discussion of the various alternatives. The staff believes a due process document in the form of a discussion paper, rather than in the form of a proposed Statement, would be a more effective way of obtaining feedback on the variety of alternatives under consideration. This is consistent with the

consultative nature of this stage of the project. However, the staff believes that the document should indicate, to the extent possible, the Boards' preferred view among the various alternatives addressed. If the Boards have different preferences on an issue, the preferred view of each Board would be indicated, along with the basis for that view. This will provide the Boards' constituents with a sense for the direction of change that might result from this project and help focus their response to the document.

3. The following paragraphs describe the various alternatives that will be addressed in the document and the manner in which they will be addressed. Attached as an appendix is a draft outline of the initial discussion document.

Statement of Financial Position

4. The Boards currently have different views on which entities should present a classified statement of financial position. At their individual October meetings, the staff will be asking the Boards to present a converged preferred view on this issue in the discussion document. Thus, hopefully there will be only one view to illustrate in the document. However, the document will ask for input on various alternative approaches to addressing the following issues:
 - a. Definition of short-term: one year or length of operating cycle
 - b. Which entities should present a classified statement of financial position
 - c. What information should be presented in the statement of financial position and in the notes if a classified statement of financial position is not presented.
5. In addition, there will be an illustration of a classified statement of financial position and a statement of financial position presented in order of liquidity (the related notes will be illustrated as well).

Statement of Comprehensive Income

Disaggregation by Function and Nature

6. The Boards have discussed a variety of issues related to the statement of comprehensive income. Both Boards currently agree that information should be disaggregated based on both function and nature. The document will explain that preferred view and related rationale, as well as other alternatives considered. As the

Boards are of the view that the level of disaggregation may differ depending on the nature of the entity and that it may be impractical to include all of the disaggregated information on the face of the statement, the document will illustrate the possible ways an entity might present the required disaggregated information.

Income Taxes

7. Whether or not income taxes should be allocated is a particularly sensitive issue relative to the statement of comprehensive income because if income taxes are not allocated, drawing a subtotal comparable to current net income is not possible. The staff plans to include in the document a discussion of whether or not income taxes are integral to the transaction along with the Boards' preferred view that income taxes are not integral and therefore should be presented in a separate section rather than allocated. To allow respondents to understand the implications of that decision, at least one illustration of the statement of comprehensive income will show income taxes allocated to the various categories. This will allow constituents to more fully understand the possible change to the statement of comprehensive income relative to the display of income taxes.
8. At a future meeting, the Boards will discuss what information should be included in the tax footnote if taxes are no longer to be allocated. Any alternatives considered and an illustration of the note disclosures would be included in the document. In addition, the document would include a question asking "if one is of the view that income taxes should be allocated to the categories and sections, how should that allocation be done?"

OCI Presentation Alternatives

9. The Boards have discussed numerous alternatives relative to the presentation of other comprehensive income (OCI). The Boards have expressed their preferred (long-term) view and have discussed a variety of ways in which OCI items can be presented in the statement of comprehensive income in the interim (that is, until the Boards modify—in separate projects—the standards that currently provide the accounting guidance related to OCI items).
10. The last time the Boards addressed this issue, the alternatives were narrowed to three interim views. As discussed in the recent JIG/FIAG meeting materials, the staff is of

the opinion that there are two interim alternatives and two long-term alternatives. The staff is working on a paper for discussion at a future Board meeting describing its recommendation on how to handle this aspect of the discussion document. In short, the document would both explain and illustrate the various (four) alternatives that subsets of Board members support. As noted in paragraph 7, the document also would illustrate one or more of those alternatives with income taxes allocated. Based on the outcome of the Boards' future discussion on subtotals and totals, additional illustrations may need to be included. Contrary to prior discussions on this point, the illustrations would all be presented in the same place—not some in the front of the document and some in an appendix—they could all be in an appendix.

Statement of Cash Flows

11. The Boards, to date, have different views on how the statement of cash flows should be presented. As discussed at the recent JIG/FIAG meeting, whether the direct or indirect method is used has implications on the reconciliation of the statement of cash flows to the statement of comprehensive income. Similar to the statement of comprehensive income, the staff is working on a paper for discussion at a future Board meeting describing its recommendation for how to handle this aspect of the discussion document. Regardless of the Boards preferred view(s), the document would explain and illustrate both the direct and indirect method, as well as the “indirect-direct” method of preparing a direct method cash flow statement.

Statement of Changes in Equity

12. The document will explain and illustrate the Boards' preference for the statement of changes in equity. As there has not been much debate on this statement, there will be no alternatives discussed. However, the staff plans to include an illustration of the statement of changes in equity with a non-controlling interest, integrating the Boards' decisions in their forthcoming standards that address the accounting for and reporting of non-controlling interests.

Reconciliation Schedule

13. In June, the Boards agreed that the discussion document should include a discussion (and illustration) of the three alternatives considered for disaggregating changes in assets and liabilities—the statement of financial position reconciliation, the comprehensive income statement matrix, and the reconciliation of the statement of cash flows to the statement of comprehensive income (the reconciliation schedule). The document will explain the Boards’ preference for the reconciliation schedule, illustrate the Boards’ two views on how the information should be disaggregated in that schedule, and explain the rationale for the disaggregation. (The staff plans to suggest a converged preferred view on what should be disaggregated in the reconciliation schedule at a future meeting.)

Segment Disclosures

14. The Boards will be discussing additional segment disclosures consistent with the working format at a future meeting. The plan is to explain the various alternatives the Boards considered, their rationale for the preferred alternative (presuming there is only one), and an illustration of that alternative. The document would address how this additional information relates to the current segment disclosures and what it might be replacing.

Other Note Disclosures

15. The document would describe and illustrate the other note disclosures the Boards have addressed. To the extent there were different views considered, those alternatives would be described along with the rationale for the Boards’ preferred alternative.

PROJECT PLANS

Board meetings/Topics to be Addressed

16. The staff plans to bring the following issues to the Boards in the next three months:

November (or December):

- a. A summary of the recasting exercise (for information purposes only)
- b. Subtotals and totals for each of the financial statements

- c. Statement of comprehensive income—
 - (1) A proposal for what should be included in the document related to OCI presentation based on Boards' views to date and input from JIG/FIAG members and recasting companies.
 - (2) The implications of not allocating income taxes (particularly income taxes that are currently charged or credited directly to equity).
- d. Statement of cash flows—a proposal for what should be included in the document based on Boards' views to date and input from JIG/FIAG members and recasting companies. This will address the direct and indirect method.
- e. Reconciliation schedule—a proposal for a converged preferred view.

December (or January):

- f. Disaggregation by nature and function—a proposal for modifying the guidance that was in the recasting draft based on input from JIG/FIAG members and recasting companies.
- g. Additional segment disclosures—open issues:
 - (1) Whether the segment disclosures should apply to all entities (IASB)
 - (2) How much detail about segment operating and financing activities should be provided for each primary statement and whether similar information should be disclosed about activities in the investing, discontinued operations, and income tax sections
 - (3) Measurement—whether the reported segment information should be measured on a basis consistent with that in the consolidated financial statements (a discussion either of that issue or of the staff's proposal for what to include in the discussion document on that point).
- h. Additional income tax disclosures
- i. Statement of financial position—presentation of discontinued operations and segregation of assets and liabilities.

January (or February):

- j. Does the package of preliminary views meet the project objectives and working principles?

Drafting

17. Drafting of the initial discussion document has not progressed past the recasting draft completed in early July. That draft included only the Boards preliminary views on the issues (similar to an Exposure Draft); it didn't include much in the way of rationale or other alternatives considered. The staff had hoped to have a complete staff draft to Board advisers in early September, but that did not occur. In October, the staff plans

to continue drafting following the attached outline, which will be modified to include any input received from Board members at the joint meeting. The staff will update that draft after each Board meeting. The earliest a draft could be available for Board review is late January 2008. If three drafts are needed as well as a sweep meeting, issuance of the initial discussion document would be in late June 2008 at the earliest.

DISCUSSION QUESTIONS

- Do Board members agree with the proposed content and outline of the initial discussion document? If not, how should it be modified? (Detailed comments should be provided to the staff either before or after the joint meeting.)
- Do Board members have any questions or concerns with the project plans related to completing deliberations and drafting? Are there issues that should be addressed at this stage of the project that are not on the list?

**DRAFT Outline of Discussion Paper/Preliminary Views
October 2007**

I. Introduction

A. Purpose

1. An explanation of why are we addressing the financial statement presentation issues—what’s the problem and who’s asking for change.
 - a. Include a reference to the Background/History appendix

B. Scope

1. What/who is affected
2. What’s in/outside the scope

II. Preliminary Views

A. Overview of How the Preliminary Model Works

1. Objective and Working Principles (as agreed to by Boards)
 - a. Explain how each is achieved in the preliminary model, and how it addresses problems identified in Purpose section.

B. Application Guidance

1. Classification guidelines

- a. Overall (including rationale)
 - i. At reportable segment level
 - ii. Management approach
 - iii. Accounting policy requirement
 - iv. Changes to classification (retrospective application)
- b. Business section: Operating category and Investing category
 - i. Rationale for section/categories, Guidelines, examples
- c. Financing Section: Financing assets and Financing liabilities categories
 - i. Rationale for section/categories, Guidelines, examples
- d. Equity section
 - i. Rationale, examples
- e. Discontinued Operations Section
 - i. Mention separate project
- f. Income Tax Section
 - i. Rationale for separate section, no allocation

2. **Primary financial statements**
- a. Overall presentation principles (including rationale)
 - i. Disaggregation
 - ii. Netting
 - iii. Subtotals and totals
 - b. Statement of Financial Position
(including rationale for each and alternatives considered)
 - i. Short and long-term subcategories/order of liquidity
 - (a) *Illustration of a classified S/FP and one in order of liquidity*
 - ii. Disaggregation of assets and liabilities with different measurement bases
 - iii. Cash definition (no longer includes cash equivalents)
 - c. Statement of Comprehensive Income
(including rationale for each and alternatives considered)
 - i. Function, nature
 - (a) *Illustration of S/CI with nature on face, with nature in notes*
 - ii. No income tax allocation, implications
 - (a) *Illustration of S/CI with tax allocated to categories (for comparative purposes)*
 - iii. OCI presentation
 - (a) Long-term goal
 - (i) *Illustration of various alternatives*
 - (b) Interim view
 - (i) Various alternatives considered
 - (ii) *Illustration of various alternatives*
 - iv. Subtotals, totals
 - d. Statement of Cash Flows
(including rationale and alternatives considered)
 - i. Basis of presentation (cash or cash and cash equivalents)
 - ii. Direct, indirect method
 - (a) *Illustration of various alternatives*
 - iii. Non-cash information
 - e. Statement of Changes in Equity
(including rationale)
 - i. *Illustrations*, including one with minority interests

3. Notes to financial statements

- a. Reconciliation schedule
 - i. Explanation of purpose
 - ii. Different views of the Boards on level of disaggregation
 - (a) *Related illustrations*
 - iii. Explanation of other alternatives considered for disaggregating changes in assets and liabilities and related rationale
 - (a) *Illustration of Statement of financial position reconciliation*
 - (b) *Illustration of Statement of comprehensive income matrix*
- b. Maturity information for contractual assets and liabilities
 - i. Short term (rationale and illustration)
 - ii. Long term (rationale and illustration)
- c. Measurement and uncertainty information
 - i. Rationale and *illustration*
- d. Income tax note
- e. Additional segment disclosures
 - i. Rationale
 - ii. Which entities
 - iii. Level of detail (and *illustrations*)
 - iv. Impact on current disclosure requirements

C. Long-term goal

1. Plan for reaching the goal (addressing OCI items in separate projects)
2. Interaction with other projects (L&E, Framework, etc)
3. Interaction with XBRL (acknowledge that some presentation issues may not be important if financial statements are prepared and viewed using XBRL)

III. Comprehensive Illustrative Examples

A. Non-financial entity: full set, all alternatives under consideration

B. Financial institution: full set, all alternatives under consideration

IV. Issues Not Considered

A. EPS (to be addressed in next stage once firmer views on S/CI)

V. Input From Others That Went Into the Boards' Thinking (*tentative*)

A. G4+1 Paper

B. CFA model

C. CRUF model

VI. Summary of Relevant Academic Literature (*tentative*)

- A. What does it tell us

VII. History of Financial Statements (*tentative*)

- A. Balance sheet only
- B. Profit and loss
- C. Funds statement
- D. Cash flows
- E. S-X rules
- F. UK, international

VIII. Background and History

- Consider what's in IAS 1 (revised 2007)

IX. Phase A Decisions

- FASB not to explicitly mention—that will be part of phase B ED
 - What constitutes a complete set of F/S
 - Number of years
 - Single statement of CI
 - EPS
- IAS 1 revised, (Phase A)—note that Phase B decisions made in light of new paradigm, not revised IAS 1.

X. Recasting Draft (separate document available same time as DP/PV)

- “Standards section” of preliminary views (similar to recasting draft) for those who want to apply the new model.
- This is what will be used for second recasting exercise.