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Corporate Reporting Users' Forum
Briefing Pack

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The Corporate Reporting Users' Forum

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was formed in 2005 as a discussion forum with the aim of helping its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of the International Accounting Standards Board. CRUF participants include individuals from both buy and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. Its participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. It does not seek to achieve consensus views, though at times its participants will agree to make joint representations to standard setters or to the media. The chairmanship of the CRUF rotates at each meeting and different individuals take leadership in discussions on different topics and in the initial drafting of representations.

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SECTION 2

CRUF

The Corporate Reporting Users' Forum

CRUF Guiding Principles

Accounting standards that govern the preparation of corporate reports should be principles-based and comprehensible to the financially literate. These standards should not result in outputs that are at odds with economic reality.

Such standards should be based on the presumption that the stated principles are faithfully applied. Therefore standards should avoid unnecessary detailed prescription and not unduly restrict companies in presenting meaningful results that are in accordance with those principles.

Corporate reports should report economic reality.

Accounting standards should require compliance with their spirit rather than their letter so that preparers are required to disclose economic 'substance' rather than accounting or legal 'form'.

Users want transparent and comprehensive disclosures.

Corporate reports should be prepared with the objective of providing a fundamental source of information for investors and creditors on which to base their decisions.

Corporate reports should provide information that is clear, understandable, consistent and relevant.

No single primary statement should take precedence.

Not all information that is relevant for users of corporate reports has to be reflected in the primary financial statements. Some information, such as contextual and non-financial information may best be presented outside the primary financial statements.

Accounting standards should not discourage companies from presenting additional information that is useful to users.

The purpose of the cash flow statement should be to identify and explain cash inflows and outflows over the period. Further, the cash flow and accompanying notes should provide insights into the drivers of maintainable cash flows as well as the trends over time of these drivers.

The cashflow should be capable of comparison and reconciliation with the profit and loss and balance sheet. The impact of acquisitions and disposals on these cashflows should also be clear.

The purpose of the balance sheet should be to reflect the capital invested in the business along with capital adequacy, compliance with legal covenants and stewardship.

The purpose should not be to determine the entity's fair value. Further information regarding the values of individual assets and liabilities (including assumptions and sensitivities), should be provided in the notes.

The purpose of the profit and loss statement should be to identify the returns generated from the capital invested in the business.

The profit and loss and the accompanying notes should clearly differentiate and analyse relevant information, such as: operating performance from financing activities; recurring from non-recurring activities; value changes from trading activities.

The Corporate Reporting Users' Forum

SECTION 3

CRUF Comment Letters

We enclose a selection of the comment letters sent by the CRUF.

All other comment letters may be accessed from www.cruf.com

Enclosed

I) Performance Reporting
II) Intangible Assets
III) Fair Value
IV) Conceptual Framework

Available from www.cruf.com

V) US GAAP Reconciliation
VI) Presentation of Financial Statements
VII) Operating Segments
VIII) Business Combinations

I. Performance Reporting

The Corporate Reporting Users' Forum

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Sir David Tweedie
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30 Cannon Street
London, EC4M 6XH

Bob Herz
Chair, Financial Accounting Standards Board
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Norwalk, CT, 06856-5116

23rd October 2007

Dear Sir David and Mr Herz

Performance Reporting

As analysts and investors, we are writing to you both to express our concerns with regard to some of the proposals made by the IASB and FASB in their review of performance reporting. This letter has been coordinated by the Corporate Reporting Users' Forum, but it has also been signed by a number of analysts and investors who do not normally participate in CRUF meetings but regard this matter as unusually important and so wish to join us in commenting.

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The CRUF is a discussion forum. It participants take part in CRUF discussions and join representations as individuals, not as representatives of their employer organisations. It does not seek to achieve consensus views, though at times its participants will agree to make joint representations to standard setters or to the media. The chairmanship of the CRUF rotates at each meeting and different individuals take leadership in discussions on different topics and in the initial drafting of representations.

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General Comments and Observations

We have been monitoring your progress with the performance reporting project and have recently discussed with our participants a number of the proposals that your Boards have reviewed. We support strongly some of the proposals that have been discussed, but we believe that some of the proposals are flawed. The purpose of this letter is to draw our concerns to your attention at an early stage. We believe that these particular proposals would have a negative impact on the efficiency of the capital markets if carried through to a Standard without being altered, and would be a retrograde step in terms of providing the financial information required by analysts and investors.

We would be delighted to work with you and your Board on these key issues and would welcome an opportunity to meet with you in person to discuss the matters we have raised.

Categories and Coherence

We support the proposal that the financial performance of an entity should be reported in three areas, comprising operating, financing and investing activities. We also support the idea that there should be coherent classifications of these areas in the income statement, balance sheet and cash flow statement. This will address a difficulty that we have with reports prepared in accordance with current standards where it is time consuming or impossible to compare operating performance to the related operating assets and capital employed.

The categorisation between operating, investing and financing will need to be based on high level principles. We do not believe that the Board should seek to specify a single format for the income statement beyond these principles, but we would expect the principles, supported by the accompanying standards, to be such as to deliver a high level of consistency of classification.

A Single Performance Statement

We are indifferent whether there is a single performance statement or whether performance elements are divided between two statements - an income statement and a statement of comprehensive income. We are able to work successfully with either approach. However, whichever approach is adopted, we do need the data to be consistently presented and easily identified from year to year and across companies, so that it does not necessitate a time consuming exercise to pull pieces together. Further, we do need performance elements with different characteristics to be easily identified and separated from each other. For example, re-measurements need to be separated from operating earnings.

Earnings or “Net Income”

A key step in our evaluation of companies is to forecast the future cash flows of the business. To achieve this we require clear and easily accessible data on the historical underlying operating income and costs of the business. In particular, we need to be able to identify quickly the elements that represent operating performance.
We disagree with the proposal that there should not be an earnings sub-total within a performance statement. We find an earnings sub-total particularly useful in enabling management to communicate with us at a highly aggregated level. Whilst it might surprise some, in our experience professional investors use this critical earnings data to develop their forecasts, rather than using the cash flow statement, because cash flows are highly dependent upon timing differences around period ends.

We recognise that there is no perfect definition of "earnings" and that there are significant risks if there is over dependence on a single number, such as the possibility that it might encourage short-termism. We therefore recognise that there will be a level of diversity in reported earnings. However, the benefits of an earnings sub-total to us as professional investors, and we suspect to retail investors, are high and far outweigh the risks. Further, we suspect that the potential for a short term approach is more a function of management compensation schemes than the reporting of earnings per se.

Because a measure of earnings forms the basis for valuing many companies, managements will inevitably continue to report earnings, even if they are not required by GAAP, but the consequent increase in diversity of how those amounts are calculated will have an adverse impact on the efficiency of the market. The benefit of greater consistency in reported earnings will be to reduce the time and effort we will need to spend to arrive at a suitable measure of operating performance insulated from the distortions that arise from re-measurements and one-off gains and losses.

An Objective of an Income/ Performance Statement

An objective of an income statement should be to make visible both:

- the underlying operating performance of the business, because that is the foundation for our cash flow forecasts; and
- other recognised gains and losses, as these give information about management's effectiveness in delivering on its strategy and often influence our decisions on appropriate risk adjusted discount rates.

Principles Underpinning an Income/ Performance Statement

Consistency in determining and reporting earnings can only be achieved if management has a sound bedrock of principles to guide them, including:

- ***earnings reported in the performance statement should exclude the re-measurement of operating and non-operating assets and liabilities, except those arising from short-term trading***

We disagree with the proposal not to require re-measurements of operating assets and liabilities to be separately identified, except when they relate to short-term trading activities.

We need to be able to distinguish re-measurement gains and losses from other income and costs in order to focus on the underlying performance of companies. Re-measurement gains and losses are of themselves generally not useful for forecasting future cash flows from those assets or liabilities, and if they are not identified they impair our ability to determine the underlying operating performance of the business.

We accept that it will be impractical to arrive at a precise definition of short-term trading, but we can cope with the limited level of diversity that we would expect to arise from this approach.

- ***earnings reported in the performance statement should clearly identify and isolate one-off gains and losses***

A further reason why we disagree with the proposal not to include an amount for earnings in the performance statement is the need to identify and isolate one-off events. There has been a significant increase in one off gains and losses reported under IFRS when compared to previous national GAAPs. We also believe that there will be an increase in these one-off items as a result of a number of the IASB's current projects and the same trend is apparent in US GAAP. With reference to the objectives stated above, being able to exclude such one-off events is critical if we are to forecast the underlying earnings of the current business. However, we also need to be able to assess the returns that management achieved on the entire asset base within its control in any period and separately identifying one-off gains and losses facilitates this too.

- ***the major elements of reported performance should be reported together with their tax effects***

We disagree with the proposal to report just one total for taxation. Tax should be attributed to operations and separately to the major categories of other gains and losses. It is important for us to be able to forecast the tax likely to be suffered on future operating profits and to forecast the cash flow effects of on-off gains and losses in future periods. Presently, such information is obtained directly from companies. This clearly puts some investors at a disadvantage when compared to those with more extensive resources. For example, gains on disposals of subsidiaries should be accompanied by the specific tax effects of that transaction.

- ***the performance statement should include the detail of all of the activities carried out***

We disagree with the current requirements of IAS 1/IFRS 5 and with the Board's proposal that discontinued activities should be presented as a single line item towards the foot of the income statement. As we have already mentioned, there should be enough data on discontinued activities to enable investors to assess management's performance in managing the business until the date of disposal, as well as the key components of gain or loss arising on the disposal itself, including attributable taxation.

For example, discontinued activities should be included in full in the aggregate performance statement, but be separately presented within the segment reporting disclosures. The granularity of segment reporting data for discontinued activities should be increased so as to enable key items and totals to be visible.

- ***segment reporting should be a primary statement and contain at least the same level of detail on performance as reported for all businesses in aggregate***

We have yet to see any significant volume of financial statements prepared in accordance with IFRS 8. Whilst we welcome the convergence achieved by IFRS 8, some of our participants have experience in analysing US businesses that produce financial statements using US GAAP and we anticipate that there will continue to be an inadequate level of detail in financial reports to enable us to undertake efficiently a sum-of-the-parts valuation of many companies.

We would like to see greater detail included in segment reporting and the disclosures elevated to a primary statement to emphasise its importance to us. Our suggested principle is that the data on the performance of individual segments should be no less detailed than the amounts reported in aggregate for the entity as a whole. We are disappointed that the IASB has not taken the opportunity afforded by the introduction of IFRS 8 to improve further on the previous standards (both IFRS and US GAAP) but we hope that this principle could be adopted by both boards as a priority for the future.

We hope that you will find these comments helpful, and we look forwards to an opportunity to discuss our views with you and your Boards in the near future.

Yours sincerely

Peter Elwin
Head of Accounting & Valuation Research
Cazenove Equities

Henning Gebhardt, CFA
Head of German Equities
and European Small- and Mid-Caps
DWS Investments

Nick Anderson
Head of Research
Insight Investment

Guy Ashton
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Morgan Stanley

Paul Munn
Commercial Director - Governance & Engagement
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Dr. Wolfgang Sawazki
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Crispin Southgate
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Pentangle Pensions Consulting

Hege Sjo
Manager
Hermes Pensions Management Ltd

Lindsay Tomlinson
Vice Chairman
Barclays Global Investors

Jed Wrigley
Portfolio Manager
Director of Accounts and Valuation
Fidelity Investments International

The following individuals do not currently participate in CRUF meetings but do agree with the observations made in this letter. They sign as individuals and not as representatives of their employer organisations.

Damon Barglow, CFA
Managing Director
Eastern Investment Advisors

David Bianco
Managing Director
US Equity Strategy, Valuation & Accounting
UBS

Lou Capparelli
Australian Equities
BlackRock Investment Management

Terri Campbell, CFA
Managing Directors
Eastern Investment Advisors

Kim Galle
Vice President, Analyst
Pioneer Investments

Erik Mather
Managing Director
Regnan - Governance Research & Engagement

Erik Mather
Managing Director
Regnan - Governance Research & Engagement

Suranjan Mukherjee
Director of Research
Fidelity International

Eric Rovick
Director of Research
Fidelity International

The Corporate Reporting Users' Forum

II. Intangible Assets

The Corporate Reporting Users' Forum

Sir David Tweedie
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

1 August 2007

Dear Sir David

Intangible Assets

At the meeting on 22 January between the IAS Board and members of the Corporate Reporting Users' Forum, we discussed with you how best to get in early to influence the IASB agenda and to ensure that it will be more focussed on the issues of most importance to investors.

One issue mentioned at that meeting was the work being undertaken by the Australian Accounting Standards Board on Intangible Assets, following which the IAS Board will make a decision in December 2007 on whether the project should be added to your active agenda.

We have discussed this question and do not believe that the Board should add this project to its active agenda as we do not believe that the information that would result from the project would be sufficiently relevant to operating performance and thus valuable to us as investors to warrant further work. We believe that our opinions are widely shared within the investment community – a belief that is supported by the recently published "Measuring Assets and Liabilities" (PwC, March 2007) where 74% of the respondents describe intangible assets as "not useful" for their purposes.

It is clear from price-to-book ratios in the market, academic research, and analyst comments, that the current accounting framework fails to capture the value of many intangibles, but market practice is not to seek to determine the values of individual intangibles when valuing a business. Instead the value of intangibles is implied from the valuation process for the whole business (and in practice, the value of many individual intangibles is rarely considered at all except for IFRS 3 purposes). It is the impact that intangibles have on operating performance that matters to us.

This means that whilst accounting for intangibles is an intellectually interesting debate, devoting valuable resources to moving the debate forward is likely to provide answers to questions that are not being asked by users. The information will not be decision-useful.

Reporting on intangibles is much more suited to the management commentary than the balance sheet and we are keen to support the Board in its efforts in this area.

We appreciate that this may be disappointing to some. We believe, however, that decisions by the Board not to take on projects which do not command sufficient support among users would be seen by our community as a sign of strength rather than weakness, as they would indicate openness to the views of market participants.

We would prefer it if the Board concentrated its scarce staff resource on other areas which are of more interest to most users (e.g. financial statements presentation, pensions accounting and lease accounting). We are also keen to see substantial progress on the Conceptual Framework at a swifter rate than that currently timetabled.

We would be happy to discuss the reasons behind our views in more detail if this would be helpful. Please contact Susannah Haan at Fidelity International in the first instance.

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The Corporate Reporting Users' Forum

CRUF participants take part in discussions and joint representations as individuals, not as representatives of their employer organisations. The participants in the Forum that have specifically endorsed this response are listed below.

Yours sincerely

Susannah Haan
Associate Director, Public Affairs
Fidelity International

Crispin Southgate
Pentangle Pensions Consulting

Nick Anderson
Head of Research
Insight Investment

Paul Munn
Commercial Director - Governance & Engagement
Hermes

Sarah Deans
Head of Accounting & Valuation
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The Corporate Reporting Users' Forum

III. Fair Value

The Corporate Reporting Users' Forum

Tony Cope
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

25th June 2007

Dear Tony

User views on Fair Value

You expressed an interest in our views as users of financial statements on the use of fair value in financial reporting. In essence, we do not support the proposition that market based exit prices are the most appropriate measure of fair value for all assets and liabilities to be reported in financial statements. A mixed attribute measurement model, with transactional (current entry price) values for most operational items, would be more useful and the IASB definition of fair value would be better renamed "Current Exit Price" to avoid confusing users.

We would thus only endorse SFAS 157 on the specific basis that it clarifies the measurement of current exit values and would not support a move to current exit values being used in all situations. Before FAS 157 methodology is applied to a specific measure of current value in an existing standard, there should be a review of that standard to see whether fair value / current exit value is appropriate or whether an alternative measurement basis such as current entry value should be applied.

Examples of where current entry value would be more appropriate than fair value are: the reference to the (undefined) term 'fair value' in the leasing standard and for the initial recognition of most operating assets, which in practice generally means historical cost. Fair value (current exit value) at initial recognition may be appropriate in many financial services businesses (e.g. structured products) but should not be applied to, say, inventories and fixed assets.
However, we would like to see the wider issue of measurement resolved and note that there is nothing on the timetable to indicate that this is planned. If the IASB does not alter older standards, auditors will be forced to require companies to use the SFAS 157 methodology in every situation where "fair values" are required, which we would not support.

The Corporate Reporting Users' Forum

The conceptual framework project should look to define, for example, current entry value, historical cost and value in use and specify when each measurement basis should be used. Any standard defining exit value, if issued before measurement is resolved in the conceptual framework project (and arguably resources should be diverted to deal with this first so that this does not happen), should explicitly specify which of the current value / fair value measures in existing standards are actually covered, which are not, why, and what else is known that may affect these in the future.

Yours sincerely

Susannah Haan
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India Pvt. Ltd.

IV. Conceptual Framework

The Corporate Reporting Users' Forum

Li Li Lian
Assistant Project Manager
International Accounting Standards Board
30 Cannon Street
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EC4M 6XH

3 November 2006

Corporate Reporting Users' Forum response on Conceptual Framework

Dear Ms Lian

The Corporate Reporting Users' Forum welcomes the opportunity to comment on the joint consultation by the IASB and FASB on *Preliminary Views on an improved Conceptual Framework for Financial Reporting*. Our response is set out below.

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Value of a Conceptual Framework

We welcome the opportunity to respond to the draft conceptual framework. For us, the conceptual framework is key to ensuring higher quality financial reporting standards going forwards.

We are responding to the consultation in the light of our own Guiding Principles, which are attached to this response. These articulate briefly what we believe are the key roles of financial reporting standards from the user's perspective. We developed these Principles some 18 months ago as our first action after coming together as a group. Our aim was to reach consensus among a diverse group of users on our overarching desires from accounts and therefore our views on the appropriate nature of accounting standards.

We support the updating of the Conceptual Framework. In particular, we would welcome both the IASB and FASB giving the document authoritative status, and are disappointed that it is not yet clear that the Framework will have such status in US GAAP (P2). We regard this as a vital ingredient in developing shorter, more principles-based financial reporting standards, which we think would be in the interests of both preparers and users. We welcome convergence towards short, principles-based standards and away from lengthy rules-based standards.

As stated in our Guiding Principles, "Accounting standards … should be principles-based and comprehensible to the financially literate", and they "should avoid unnecessarily detailed prescription". We regard a Conceptual Framework with proper authoritative status as a vital mechanism to ensure that these key aims are fulfilled.

We therefore welcome the move to revise the Conceptual Framework. We believe that it needs to have authoritative status for both IFRS and US GAAP. We furthermore believe that the proposed schedule for the Framework should be accelerated such that it can form the basis for future, shorter and principles-based financial reporting standards.

The user and the entity concept (OB10-12)

In a previous letter to the IASB, we have indicated that members of the CRUF favour the proprietary approach to the entity approach to financial reporting.

As we said in relation to the Business Combinations consultation in October 2005: “we cannot see sufficient flaws or problems with the current parent company approach to warrant this change” to the entity approach. We continue to be of the view that a switch to the entity approach risks giving theory precedence over commercial reality and user needs.

The reason why the proprietary approach has been the prime framework for international accounting is precisely this point of user need. Current shareholders are more economically exposed to all aspects of company performance than any other party. In contrast, creditors, employees, suppliers and so on, are all protected by contractual or other rights. Because current shareholders do not share the same protections by contractual or other rights, their reporting requirements extend well beyond the needs of any of these other individual parties. Thus, reporting which serves the purposes of current shareholders by taking their perspective also serves the needs of other stakeholders. We believe that the clarity and simplicity which would come from designating the perspective of current shareholders alone as primary would be extremely valuable.

Furthermore, our view is that *potential* investors do not need to be named separately as primary users. They will not have interests in reporting which differ from current investors, and their inclusion in the definition of primary users risks adding apparent additional obligations for directors and auditors which are not appropriate in all legal jurisdictions.

We therefore believe that the perspective of current shareholders alone should be designated as primary in financial reporting and that the parent company approach should be used rather than the entity approach.

Stewardship (paragraphs OB2; BC1.32-41, AV1.1-7)

We strongly believe that the stewardship concept should be retained as a separate objective of financial reporting – we note that we included the term stewardship in our Guiding Principles. We are therefore supportive of the Alternative View.

For many of us, we share this view because of the problems which arise through agency theory, as outlined in the Discussion Paper. We therefore also strongly support the specific application of the Alternative View to dealings with management: that the threshold for disclosure must be determined by reference to the individual rather than the entity.

This is not driven by a prurient interest in excessive remuneration, as BC1.41 attempts to simplify it, but because such an analysis will assist users in taking a view as to whether management is driving full value at the entity, or whether personal motivations may be hindering changes which might otherwise generate additional value.

Others of us support the retention of stewardship as a separate objective – while acknowledging the agency argument – more because stewardship appears to be a key anchor for the retention of historic data in reporting. We are concerned that unless stewardship is retained as a separate objective, financial reporting risks becoming excessively focussed on forward-looking predictions and estimates of future cashflows. Accurate reporting of the capital invested in a business – highlighted in our Guiding Principles as the core role of the balance sheet – enables a more effective analysis of the dynamics of that business. History matters, because it allows users to gain a closer understanding of how an entity generates returns, and therefore provides users with key tools in assessing what future returns may be.

We do not believe that financial reporting should seek to disaggregate management performance from entity performance, as BC1.35-38 suggest is a necessary implication of an agency/stewardship approach. Any attempt to make such a disaggregation would be futile and would produce meaningless results. But neither should financial reporting obscure management performance, as we fear a model which impairs assets or restates them at so-called 'fair value' does. There is a risk that this ensures that every company seems to generate a cost of capital return, obscuring reality in many cases. To suggest that an entity has a performance independent of its management defies reality: a good management will generate greater cashflows from the same assets than a poor management.

We fear that a good deal of information which is useful to users will not be required if the objective of financial reporting is restricted in the way currently proposed in paragraph OB2. The overall objective should be, we believe, to provide information that helps decision-making by investors, rather than just that which helps in making investment decisions. We believe that this is most likely to be achieved if the concept of stewardship, or an equivalent, is retained as a separate objective of financial reporting.

Cash-flow focus (OB3-4)

We note the intent to focus on information useful in assessing cashflow prospects. We are concerned that this focus solely on a forward-looking measure may limit the value of financial reporting to users. As we note in our

Guiding Principles, financial reporting is not solely about cashflows but about the capital invested in a business and the returns generated from that capital invested. We are sure that the IASB understands this, not least given its comments regarding the need for historic data and accrual accounting, in BC1.31 and elsewhere. However, we would welcome an explicit statement as part of the way the objective itself is framed. A further sentence in OB3 to the effect that "This will include data on capital invested historically and accruals accounting to allow users to understand the company's business model and so develop assessments of future performance" would, we believe, more fully articulate the IASB's intentions.

As the Framework itself states at QC10 "Without knowledge of the past, users generally will have no basis for a prediction." We believe that explicitly including disclosure of the past into the terms of the objective will help ensure that future accounting standards provide users with that necessary basis for their work.

Qualitative characteristics

We find these areas difficult to comment on in any detail. It is not clear to us as users of accounts what the various terms will mean in practical terms for the financial reporting standards which will be brought in under the Conceptual Framework or for accounts that we use. We similarly understand that the terminology is not clear to many preparers, and nor is it to auditors.

This appears to us a fundamental problem. The Conceptual Framework should be a framework of principles helping to minimise the need for detailed rule-making in financial reporting standards and providing a basis for preparers and auditors to reach judgements based on high-level principles. Where there is a lack of clarity in the meaning of the Conceptual Framework, it will fail to perform this function.

It should not be a surprise therefore that various parties, including preparers, auditors and users, are calling for the retention of terminology which is well understood by all parties, such as substance over form, because the use of such terms would ensure that the framework does provide a basis for judgements as intended.

We believe therefore that the IASB should be slow to abandon terms which are well-understood by all participants in the reporting process in favour of new terms which do not provide any relevant party with the clarity that they require.

We would, however, accept that there is not always a common understanding of certain terms (perhaps notably reliability) across all interested parties.

In this context, we focus our comments on this area in highlighting some relevant aspects of our Guiding Principles:

> Substance over form. We highlight the need to favour economic substance over accounting form in our Principles. We believe this is so fundamental an issue and so well understood a concept that it should be made an explicit stand-alone qualitative characteristic, not one implicitly included in another less well-understood term. Users see no value at all in accounts which do not prioritise economic substance over accounting and legal form.
>
> Uncertainties. We welcome the statement in OB20 that "financial reports are not designed to show the value of an entity". This reflects the statement in our Principles that "The purpose [of the balance sheet] should not be to determine the entity's fair value". Our Principles go on to say that "Further information … (including assumptions and sensitivities), should be provided in the notes". We therefore welcome the various acknowledgements that there cannot always be certainty in financial reporting, and that there is a need for disclosure of judgements and their underlying assumptions and estimates. This occurs in QC23 and elsewhere.
>
> This acknowledgement of uncertainties in models we believe goes to the heart of the Conceptual Framework's discussion of verifiability, neutrality and completeness. Where modelling is used to derive values reported to users, the verifiability of the process is often of secondary practical consideration to users: such information is only complete in the sense of practically useful if it includes the assumptions and sensitivities which form part of the model, so that users can gain greater insight through their own scenario analyses.
>
> Materiality. We have already indicated that we support the Alternative View position that materiality in the area of related party transactions with and pay for management should be based on the materiality of the issue to the individual rather than to the company. This is a particular example of the sensible discussion in QC51 that the threshold for materiality depends on the nature of the item in question, as much as its specific amount.

We believe that the Conceptual Framework will serve most value if it is a framework of principles with authoritative status. For the principles to be of value to preparers, users and auditors, all groups will need a common understanding of the terms used. We believe that this argues for the retention of some terms which are already well understood. In particular, substance over form is a concept which is well understood and tends to generate accounts which are of most value to users. We would welcome its retention as a qualitative characteristic in its own right, and as one with senior status.

We would welcome the opportunity to discuss these comments with the IASB and its staff, and we look forward to being able to input fully into the Conceptual Framework as it develops. In particular, we will be pleased to participate in the future phases of the Framework project, including definitions and recognition of elements of financial statements, measurement, and definition and boundaries of a reporting entity.

Yours sincerely

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Fidelity Business Services
India Pvt. Ltd.

The Corporate Reporting Users' Forum

SECTION 4

Press Coverage

Headline earnings:

▸ Edwards Hadas
BreakingViews.com

Accountants face their own version of the soft-drug dilemma. The question is not whether the bean counters and depreciation-estimators have been smoking something, although that might be a strong temptation after sending the day deciding which securities go where on the balance sheet. The issue is reported earnings.

Those are the E's of price-earnings ratio, probably the single most used indicator of corporate performance. The authorities, the International Accounting Standards Board and the US Financial Accounting Standards Board, want to ban them. The Corporate Reporting Users' Forum, a group of analysts from investment banks, thinks that would be overkill.

Members of the Corporate Reporting Users' Forum are calling for companies to shed more light on areas that are critical in determining the character of pension schemes.

Alison Smith, Lombard
The Financial Times
1 February, 2006

A formula that does what CRUF has asked for...

Jane Fuller, Chair, Accounting Advocacy Committee.
Will Goodhart, Chief Executive, UK Society of Investment Professionals
5 November 2007, www.uksip.org

▸ Bill Hicks
Director, External Financial Reporting
Astra Zeneca 2 November 2007

The letter from Corporate Reporting Users' Forum (CRUF) to the chairmen of the International Accounting Standards Board and the Financial Accounting Standards Board is a welcome addition to the debate on performance reporting.

Experts call for full pensions disclosure - Deficits to widen as assumptions are revealed

Page 1

Companies are effectively masking the scale of their pensions liabilities by failing to reveal crucial assumptions such as how long they expect their staff to live, City analysts warn today. Writing in the Financial Times, members of the Corporate Reporting Users' Forum, an informal group of the City's leading investment bank and fund management analysts, say the information must be published to make liability figures meaningful.

Norma Cohen and Barney Jopson
The Financial Times
1 February, 2006

From Mr. Crispin Southgate and others

Sir, Defined-benefit pension obligations constitute a significant liability for many European companies. Falling bond yields and increasing life expectancy are driving these liabilities higher, but all too often the disclosures in relation to pension liabilities are not sufficient to allow investors and analysts to assess the impact of changes in these two factors.

The Financial Times
1 February, 2006

More to the bottom line debate than meets the eye?

Financial Times
1 November 2007

▸ Richard Barker, Judge, Business School
University of Cambridge
2 November 2007

Collaboration, not conflict over bottom line

Carrying its own prescriptions ...

... for change is a group of London-based analysts from the likes of UBS, Barclays Global Investors, Citigroup and JPMorgan Cazenove who have assembled in the Corporate Reporting Users' Forum (Cruf). They want to estimate the worth of companies, they say, so standards should give them the following "valuation toolkit": a price/earnings ratio (the IASB is suspicious of a single figure); a balance sheet that reflects the capital invested in a business, not its fair value; a profit-and-loss statement that shows the return generated from the capital invested; and a cash-flow statement that highlights what is driving that flow.

Crispin Southgate, consultant who is a Cruf member and former credit analyst at Merrill Lynch, say: "This is a bunch of people paid to disagree. So when we agree as individuals, it suggests someone should take notice. And when we agree with the companies, all the more reason."

The Financial Times
10 April, 2007