



Project	Financial Statement Presentation
Topic	Plan for Deliberations

Objective of meeting

1. This paper provides an overview of what we heard from constituents about the presentation model proposed in the October 2008 discussion paper, *Preliminary Views on Financial Statement Presentation* (FSP discussion paper), highlights the key points raised by constituents, and sets forth a plan for deliberations.
2. At the July joint meeting, the staff will ask the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) [collectively, boards] whether they agree with the proposed plan for deliberations. The plan is built on the presumption that in developing an Exposure Draft, the presentation model proposed in the FSP discussion paper will need to be modified. However, the staff do not anticipate starting with a clean sheet of paper.
3. The following papers are provided to the boards as supporting materials for the conclusions reached (and recommendations provided) in this paper:
 - (a) a summary of the comment letter responses (17/63C)
 - (b) a summary of the preparer portion of the field test (17/63D).

The staff do not intend to publicly discuss the two papers described above.

Overview of constituent input

Comment letters

4. The staff believe that the majority of those responding to the FSP discussion paper support the basic principles proposed in the paper. Overall, respondents generally agreed with:

This paper has been prepared by the technical staff of the FAF and the IASCF for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

Comments made in relation to the application of U.S. GAAP or IFRSs do not purport to be acceptable or unacceptable application of U.S. GAAP or IFRSs.

The tentative decisions made by the FASB or the IASB at public meetings are reported in *FASB Action Alert* or in *IASB Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

IASB/FASB Staff paper

- (a) linking information in the primary financial statements
 - (b) providing more detail in the financial statements than may be provided today
 - (c) separating business and financing activities (with the exception of financial services entities)
 - (d) classifying items for presentation in specific sections and categories on the basis of how those items are used by management.
5. However, most respondents are concerned with the application of the basic principles to the financial statements. Respondents are consistent in the message that “rigid” application of the cohesiveness and disaggregation objectives will result in financial statements that are complex and not understandable.
6. When it comes to application of the disaggregation and cohesiveness objectives to the individual financial statements, the majority of respondents disagree with:
- (a) presentation of operating cash flows using a direct method (a few respondents classified as “users of financial statements” [user respondents] voiced support for requiring the direct method)
 - (b) disaggregation on the face of the statement of comprehensive income by both function and nature (user respondents’ views are mixed)
 - (c) the reconciliation schedule as a whole (user respondents are generally supportive of the reconciliation schedule).

Field test preparer participants

7. The preparers participating in the field test expressed concerns with the proposed presentation model that are similar to those expressed by comment letter respondents. Paper 17/63D summarizes the preparer participants’ responses to a survey about their experience in recasting their financial statements in accordance with the proposed presentation model. In brief, those participants found that:
- (a) a direct method cash flow statement and the reconciliation schedule were difficult to prepare and were not useful in communicating their results.
 - (b) by-nature information was difficult to gather and there was too much detail (disaggregation) in the recast financial statements.

- (c) it was difficult to classify some income, expenses, and cash flows in the sections and categories.

Plan for deliberations

Presentation objectives

8. The staff believe it is critical to confirm board support for the overall presentation framework (and the principles that underpin that framework) before deliberating the application of those principles as well as specific aspects of the presentation model. Therefore, at the July joint meeting, the staff will ask the boards whether they agree with the staff recommendations on the objectives for financial statement presentation proposed in the FSP discussion paper. Constituent feedback on the proposed objectives and an analysis of that input is included in Paper 17/63E.

Key issues

9. Respondents that were classified as preparers (preparer respondents) expressed significant concern with the use of a direct method to present operating cash flows, the reconciliation schedule, and the amount of disaggregation on the statement of comprehensive income. User respondents also had mixed views on those aspects of the proposed presentation model. Consequently, the staff believe that those are the issues the boards should focus on in deliberations.
10. Another key issue for deliberations is the proposed classification scheme (the working format, management approach, and definitions of the sections and categories) as that is the foundation of the proposed presentation model.

Advisory group input

11. The staff is developing alternatives for the statement of cash flows, statement of comprehensive income, and the reconciliation schedule based on the input received from constituents. The staff is also developing possible alternatives to the proposed classification scheme that include consideration of the management approach to classification as well as the classification guidance contained in the FSP discussion paper. The staff and some board members will discuss those alternatives with the project's advisory groups (the Joint International Group [JIG] and the Financial Institutions Advisory Group [FIAG]) on July 27, 2009.

Project scope

12. Another important issue the staff would like the boards to address is the scope of the project, particularly as it relates to the presentation of other comprehensive income (OCI) items and the notion of recycling. Resolution of those issues is critical to the boards making progress on other high-priority projects (postretirement benefits (IASB only) and financial instruments—classification and measurement). The staff is bringing the project scope issue to the boards at the July joint meeting (see Paper 17/63A).
13. Another scope issue the staff would like to discuss briefly with the boards at the joint meeting is whether the presentation model should apply to all business entities, including financial services entities (see Issue 6 in Paper 17/63E). Comment letters from financial services entities, primarily banks and insurance companies, express the view that the proposed presentation model is not appropriate for those types of entities. The staff plan to seek input from FIAG members regarding those comments as part of the July 27, 2009 advisory meeting.

User input

Analyst portion of field test

14. In the analyst portion of the field test, analysts and other users of financial statements will review and compare financial statements prepared using an entity's current presentation method and using the proposed presentation model. Those analysts will answer a survey that is designed to identify the information that the analyst relies on and whether the proposed presentation model presents that information in a decision useful way.
15. The analyst portion of the field test will be conducted during the month of July. The staff expects to provide the results of the analysts' survey to the boards in September.

Experimental research study

16. As mentioned in the March 2009 joint meeting paper, FASB's Financial Accounting Standards Research Initiative (FASRI) is conducting an experiment designed to examine how changes proposed in the FSP discussion paper affect

user judgments and decisions. That experiment is described in paragraphs 22-24 of Agenda paper 4, which was discussed at the March 2009 IASB/FASB meeting.

17. The FASRI research team is collecting data from approximately 60 credit analysts from three large credit rating agencies. The team is just completing the data collection and is drafting its report. A formal report for the boards should be available in September.
18. FASRI is considering running a second experiment that focuses on the cash flow statement and reconciliation schedule. They intend to engage primarily equity analysts in the second experiment. The plan is for the results of that experiment to be presented to the boards well before the end of this year.

User outreach

19. We did not receive as many comment letters from user respondents as we hoped. The staff has and will continue to reach out to members of the FASB's Investor Technical Advisory Committee (ITAC) and the IASB's Analyst Representative Group (ARG) as we deliberate the proposed presentation model. As a result of our initial outreach, the CFA Institute has offered to survey their membership about the direct and indirect methods of presenting operating cash flows. The staff is working on the survey with them. We sent a similar survey to members of the ARG in late June.
20. In addition, we plan to consult with individual users of financial statements throughout deliberations, including those who were interested in participating in the analyst portion of the field test but were unable to.

Information about costs

21. The comment letter respondents and field test preparer participants provided information about the costs associated with implementing the proposed presentation model. The staff is compiling that information, along with information received in meetings with other constituents. The staff is considering other ways to gather information about the system and software costs that an entity might incur to implement all or some aspects of the proposed

IASB/FASB Staff paper

model. The staff will provide the boards with that information as the costs and benefits of the proposed changes are considered.

New issues

22. Comment letter respondents raised a few topics for discussion that the boards have not yet discussed. Two topics that the staff plan to bring to the boards for discussion are a net debt reconciliation and the purpose of each financial statement.

Proposed timeline

23. After meeting with the advisory group members on July 27, the staff will consider the input received, analyze the alternatives for each discussion topic, and develop recommendations on the key issues for deliberation with the IASB and the FASB in September and October.

24. Presuming the boards agree to that plan, topics will be addressed as indicated in the table below (that table also is included in Paper 17/63A). The staff intend to draft the Exposure Draft as the boards make tentative decisions on each topic.

Timing	No change in scope	If extend scope (see paper 17/63A)
July 27	Meeting with JIG and FIAG	Meeting with JIG and FIAG
August 7 (IASB) August 12 (FASB)		Board meeting on key issues <ul style="list-style-type: none"> • Classification: definitions and management approach • Scope (financial institutions)??
September 1 (IASB) September 2 (FASB)	Analyst field test survey results	Analyst field test survey results
September 14-18	Board meetings on key issues <ul style="list-style-type: none"> • Classification: definitions and management approach • Disaggregation by nature and function, notes v face • Statement of cash flows • Reconciliation schedule 	Board meetings on key issues <ul style="list-style-type: none"> • Statement of comprehensive income (OCI, recycling, single statement, income taxes, disc op) • Statement of cash flows • Reconciliation schedule
Early October		Post <i>Request for Views</i> with 30 day comment period

IASB/FASB Staff paper

Timing	No change in scope	If extend scope (see paper 17/63A)
October 19-23	Board meetings on other issues <ul style="list-style-type: none"> • Statement of financial position, related notes • Discontinued Operations • Income taxes • Statement of comprehensive income (single statement, OCI, unusual or infrequent items) • Noncontrolling interests 	Board meetings on other issues <ul style="list-style-type: none"> • Statement of financial position, related notes • Disaggregation by nature and function, notes v face • Unusual, infrequent items • Noncontrolling interests
October 26-27	Joint Board meeting <ul style="list-style-type: none"> • Purpose of each F/S and relation to each other • Divergent views on key issues • Content of ED (vs IAS 1) 	Joint Board meeting <ul style="list-style-type: none"> • Purpose of each F/S and relation to each other • Divergent views on key issues • Content of ED (vs IAS 1)
November 16-20	Draft rest of papers	Draft papers Board meeting on <ul style="list-style-type: none"> • Whatever issues we didn't get to • Divergent views on key issues (if not done at joint)
November 30-Dec 4	--	Review comment letters on <i>Request for views</i> ; affirm/modify OCI, recycling decisions
December 14-18	Board meetings on <ul style="list-style-type: none"> • Unresolved key issues • Remaining issues: FX, Basket transactions, Segments, Disclosures, Application guidance 	Board meetings on <ul style="list-style-type: none"> • Unresolved key issues • Remaining issues: FX, Basket transactions, Segments, Disclosures, Application guidance
2010		
January	Begin compiling the ED Prepare JIG/FIAG papers Board meetings on <ul style="list-style-type: none"> • Remaining issues • Nonpublic entities • Transition, effective date 	-- Prepare JIG/FIAG papers Board meetings on <ul style="list-style-type: none"> • Remaining issues (what we won't get to in December) • Nonpublic entities
February	-- JIG/FIAG input on tentative decisions --	Begin compiling the ED JIG/FIAG input on tentative decisions Board meetings on: <ul style="list-style-type: none"> • Transition, effective date • Remaining or unresolved issues
February & March	Drafting, sweep if needed, Ballot	Drafting
March Joint meeting (March 23-24)	--	Sweep if needed
April	Publish ED	Ballot
May	--	Publish ED
May–August	Comment period	Comment period (June-Sept)
September–October	Analyze comments	Analyze comments (Oct-Nov)
November	Roundtable meeting	Roundtable meeting

IASB/FASB Staff paper

Timing	No change in scope	If extend scope (see paper 17/63A)
December	Begin redeliberations	Begin redeliberations
2011		
January–March	Continue redeliberations	Continue redeliberations
March–May	Drafting, balloting	Drafting, balloting
June	Publish final Standard	Publish final Standard

Question for boards

Question 1: Do the boards agree with the proposed plan for deliberations, particularly the key issues that will be addressed first and the order in which topics will be addressed?

Question 2: Are there other topics that need to be addressed?

Question 3: Are there other activities we need to engage in?