Joint International Group and Financial Institution Advisory Group

Staff Paper

Agenda reference 6

Date July 27, 2009

Project	**Financial Statement Presentation**
Topic	**Reconciliation schedule**

Purpose

1. This paper discusses the boards' preliminary view that a schedule reconciling cash flows to comprehensive income should be presented in the notes to financial statements. This paper begins by reviewing the responses to the October 2008 discussion paper *Preliminary Views on Financial Statement Presentation* that address the proposed reconciliation schedule.

2. The staff is developing alternatives for the reconciliation schedule for discussion with the boards in October 2009. The alternatives under consideration are described in paragraphs 21–33 of this paper and illustrated in Appendix A.

Background

3. The proposed reconciliation schedule reconciles cash flows to comprehensive income on a line-by-line basis and disaggregates comprehensive income into four components:

   (a) cash received or paid other than in transactions with owners

   (b) accruals other than remeasurements[1]

   (c) remeasurements that are recurring fair value changes or valuation adjustments

   (d) remeasurements that are not recurring fair value changes or valuation adjustments.

4. The reconciliation schedule has two objectives:

[1] A *remeasurement* is defined as a change in the carrying amount of an asset or a liability attributable to a change in a price or an estimate.

(a) providing a link between the statement of cash flows (SCF) and the statement of comprehensive income (SCI), thereby improving the articulation among those financial statements

(b) providing information about what gives rise to changes in assets and liabilities that will allow users of financial statements to apply their own judgments about how and if the components of comprehensive income will be realized in cash in the future (and thus how they will ultimately affect investment value).

Overview of responses

Usefulness of the reconciliation schedule

5. The discussion paper asks whether the proposed reconciliation schedule would increase users' understanding of the amounts, timing, and uncertainty of an entity's future cash flows. Responses to that question are mixed. However, the majority of respondents do **not** support the reconciliation schedule as proposed in the discussion paper for a variety of reasons. Some of their reasons follow:

(a) the line-by-line reconciliation schedule is cumbersome and lacks readability—it 'clutters rather than enlightens'

(b) users of financial statements are focused on understanding the significant factors influencing overall cash flows as opposed to auditing the relationship between those cash flows and the SCI

(c) information on each accruals line item is not relevant to users of financial statements as that information provides no information about the expected future cash flows or the performance of the entity

(d) remeasurement information is helpful in assessing the potential effect of value changes on future cash flows, but understanding the nature of the assets and prices paid (or current carrying values) in comparison to current market values and market-related trends is more important

(e) some of the information required in the reconciliation schedule is already available in the financial statements. For example, International Financial Reporting Standards (IFRS) requires disclosure of changes in provisions and U.S. Generally Accepted Accounting Principles (GAAP) requires extensive disclosure about remeasurements that are recurring and non-recurring fair value changes.

6. The minority of respondents that support the reconciliation schedule state that the schedule:

   (a) eliminates the need for an indirect-method SCF as it effectively reconciles the SCI with the SCF

   (b) is a comprehensive tool to explain the artificial volatility included in the SCI as a result of fair value remeasurements, thus providing more relevant information to users of financial statements

   (c) is particularly useful to analysts who struggle to understand how cash flow and valuation changes affect the income information currently provided

   (d) provides information about the nature and persistence of elements of earnings, thereby making the proposed reconciliation schedule one of the most important parts of the proposal.

7. Respondents from financial services entities believe that the proposed reconciliation schedule **would not** be particularly useful for insurance companies or for banks. Those respondents note the following:

   (a) cash flows are not the only way transactions are settled in the banking business; a large number are settled using current accounts of customers that represent liabilities for the banks

   (b) positive cash flows will not necessarily be indicative of a strong life or non-life insurance company as the increase in cash flow is mostly attributed to an increase in liabilities rather than to an increase in earnings

   (c) the proposed format might be useful for some items, such as interest revenue and expense, but will otherwise be of little use because the transaction flows and analysis of asset quality, capital adequacy and liquidity are primarily balance-sheet focused.

Costs and benefits of the reconciliation schedule

8. The discussion paper asks for information about the costs and benefits of providing the proposed reconciliation schedule. Responses on the benefits of the schedule are noted in paragraph 6 above. As for costs, respondents think that the reconciliation schedule will raise a number of practical implementation issues and become a complex disclosure from both a preparation and a process perspective. Respondents state that the reconciliation schedule will require the design of specific systems as well as accounting and allocation procedures for

segregating cash from accrual components. Consolidation and foreign currency translation accounting procedures are mentioned as complicating factors.

Disaggregation of changes in assets and liabilities

9. The discussion paper asks whether changes in assets and liabilities should be disaggregated into cash, accrual, and remeasurement (recurring/non-recurring) components. In addition, it asks whether respondents believe that the guidance included in the discussion paper is clear and sufficient to prepare the reconciliation schedule.

10. A number of respondents are concerned that disaggregation of comprehensive income into the four columns may not be done in a consistent manner from entity to entity. Those respondents suggest that the boards provide more application guidance if the reconciliation schedule is retained.

11. The following paragraphs include some of the responses received on each of the proposed columns.

Column B (Cash)

12. As the **cash column** is the same as the cash flows reported in a direct-method SCF, many of the responses on the cash column refer to or reiterate the comments made about the direct-method SCF (see WG paper 5).

Column C (Accrual, Allocations, and Other)

13. Respondents observe that numerous line items are needed to explain information in the **accruals, allocations, and other column**, leading to a cluttered schedule. For example, one respondent explains that when reconciling cash receipts from lease rentals to rental income reported on the SCI, “numerous adjustments need to be considered such as: changes in accounts receivable related to rentals, the impact of straight-lining of rent, the amortization of lease incentives against rental income, and the impact of amortization related to lease intangibles arising from a business combination.”

14. Several respondents observe that most of the changes in an asset or liability line presented on the statement of financial position (SFP) would be aggregated in the “accruals, allocations, and other” column, which would reduce the usefulness of the schedule.

Columns D and E (Remeasurements)

15. Many respondents do not see a clear distinction between **recurring fair value changes/valuation adjustments** (Column D) and **all other changes from remeasurement** (Column E). That seems to reflect inconsistencies in the discussion paper illustrations as well as a misunderstanding of what the term *recurring* means. Some respondents associate recurrence with *persistency* rather than *frequency*.

16. Some respondents also indicate that the definition of **remeasurements** (referring both to changes in price and changes in estimates) leads to confusion as some items could be classified in the **accruals column** and the **other changes from remeasurement column** since both columns include changes in estimates.

Other reconciliation formats

17. The discussion paper asks respondents to consider **other reconciliation formats** for disaggregating information in the financial statements, such as the SFP reconciliation and the SCI matrix described in Appendix B to the discussion paper.

18. Most respondents think the boards should **not** consider other reconciliation formats because those respondents do not support the need for a reconciliation schedule in the first instance. Other respondents ask the boards to determine the purpose of a reconciliation disclosure before determining the format that would best serve the needs of capital providers.

19. Respondents that support the other reconciliation formats described in the discussion paper offer the following:

    (a) the SFP reconciliation would, among other things, allow users of financial statements to have information they sometimes struggle to extract from current financial statements, such as the reconciliation of working capital items and net debt, which provides information on an entity's ability to service its debts and obligations

    (b) the SCI matrix would provide information that may help users of financial statements to better assess the measurement subjectivity and persistence of income and expenses items. As a result, capital providers would have information that may help them to better predict future cash flows.

Possible alternatives

20. As indicated in the paragraphs above, only a small minority of respondents to the discussion paper support the proposed reconciliation schedule. There appears to be general agreement on the following points:

    (a) respondents do not support a reconciliation schedule that is based on a direct-method SCF as presented in the discussion paper

    (b) the reconciliation schedule should be scaled down; smaller reconciliations are by far more useful and informative than a "large, unwieldy, and incomprehensible" reconciliation

    (c) only specific key accounts should be reconciled; those key accounts would be identified from the SFP

    (d) the schedule should focus on distinguishing between changes in assets and liabilities that are attributable to remeasurements and changes that are not attributable to remeasurements

    (e) the other formats mentioned in the discussion paper (SCI matrix and SFP reconciliation) should be permitted but not required.

21. The staff developed the following alternatives to the reconciliation schedule after considering respondents' comments and suggestions. The alternatives are described in the remainder of this paper and illustrated in Appendix A.

    Alternative A: Retain the reconciliation schedule with fewer line items (and retain four columns or combine into two columns)

    Alternative B: Require an SFP reconciliation instead of a reconciliation schedule

    Alternative C: Replace the reconciliation schedule with reconciliations of key SFP line items

    Alternative D: Eliminate the reconciliation schedule and present information about remeasurements in the SCI or the notes.

Alternative A: A reconciliation schedule with fewer line items

22. Any of the alternatives described in WG papers 4 and 5 that result in less disaggregation on the SCF or the SCI would lead to fewer line items on a schedule that reconciles cash flows to comprehensive income on a line-by-line basis. Therefore, if either or both of those statements have fewer line items, the reconciliation schedule should become less complex and less costly to prepare (compared to the proposal in the discussion paper).

23. Even if the boards maintain the level of disaggregation proposed in the discussion paper for the SCF, the SCI, or both, the boards could modify the reconciliation schedule by requiring cash flows and comprehensive income to be aligned at a level higher than individual line items on the SCF and SCI.

Alternative A1: A four column reconciliation schedule with fewer line items

24. The reconciliation schedule in Alternative A1 is the same as that proposed in the discussion paper except that it has fewer line items (for any of the reasons noted above). As Alternative A1 retains the four columns, it will meet the boards' objective of providing information about the cause of changes in assets and liabilities, persistence and measurement subjectivity. It should be noted that like the proposed reconciliation schedule, a direct-method SCF is needed to arrive at the cash column in Alternative A1.

Alternative A2: A two-column reconciliation schedule with fewer line items

25. The Alternative A2 reconciliation schedule also would have fewer line items **and** it would combine the columns as follows:

    (a) Non-remeasurements: proposed Column B (cash) plus Column C (accruals)

    (b) Remeasurements: proposed Column D (recurring fair value changes or valuation adjustments) plus proposed Column E (remeasurements that are not recurring fair value changes or valuation adjustments).

26. Unlike Alternative A1, a direct-method SCF would not be needed in Alternative A2 because cash amounts would be combined with all other changes that are not remeasurements. One way to arrive at those amounts would be to begin with the SCI line items and back out remeasurements.

Discussion question -- Alternative A
Question 1: Should the reconciliation schedule adhere to the required format of the SCF and/or the SCI? If not, at what level should an entity reconcile cash flows to comprehensive income (e.g., at the category level, by nature within categories)? **Question 2:** Should both/either columns B and C and/or columns D and E be combined as suggested in Alternative A2? Why or why not?

Alternative B: A statement of financial position reconciliation

27. Alternative B is a SFP reconciliation as described in the discussion paper. The SFP reconciliation illustrated in the discussion paper is included in Appendix A of this WG paper as Alternative B. As illustrated, the SFP reconciliation aligns all three financial statements, whereas the proposed reconciliation schedule only aligns the SCF and the SCI. In addition, the SFP reconciliation will include similar columns as the proposed reconciliation schedule—cash, accrual, and two remeasurement columns as well as a column for noncash–nonincome items. Some respondents suggest that the SFP reconciliation also include columns for foreign exchange and acquisitions/dispositions.

Alternative C: Reconciliation in the notes of key line items on the SFP

28. Alternative C requires a reconciliation of beginning and ending balances for key asset and liability lines on the SFP. The reconciling items would include, for example, foreign exchange, acquisitions and dispositions, and fair value changes. The reconciling items could be grouped in a manner similar to the columns on the proposed reconciliation schedule as follows (see also Alternative C in Appendix A):

    (a) **Cash amounts.** Amounts attributable to cash paid or received. These should be in sufficient detail to show where they are included in the SCF.

    (b) **Non-cash amounts.** There should be sufficient detail

        (i) to distinguish between accruals based on business transaction activity and adjustments to valuation, such as fair value adjustments or currency translation (remeasurements) and reversals of provisions to

        (ii) to show whether the amounts are included in profit or loss or in other comprehensive income.

    (c) **Other non-cash amounts.** To show the effects of acquisitions, disposals, noncash transactions and transfers, and foreign currency translation (not in comprehensive income).

29. IFRS and US GAAP require reconciliation of some key asset and liability accounts today such as property, plant, and equipment; intangibles; net postretirement benefit asset or liability; and provisions. Some other key line

items that are typically analyzed by users of financial statements and therefore might be included in the reconciliation note disclosure:

(a) working capital[2] assets and liabilities

(b) capital assets

(c) debt

(d) investments

(e) derivatives

(f) income taxes.

30. Although Alternative C does not reconcile **every** line on the SFP as Alternative B does, it is a more flexible format than either Alternative A or B because the changes in a line item do not have to be disaggregated into defined columns. This allows an entity the opportunity to provide information that is most relevant to that line item, and possibly more information about what caused a change in the asset or liability than would be captured in a columnar schedule.

Discussion questions – Alternatives B and C
Question 3: Both alternatives B and C reconcile SFP accounts. Alternative B reconciles each line item on the SFP; Alternative C reconciles some line items, but may provide more information. Which of those two alternatives do WG members prefer and why? **Question 4:** In Alternative C, what are the key accounts that should be reconciled? Should the boards prescribe that at a minimum certain key accounts be reconciled or should management decide which line items are included in the reconciliation note disclosure?

Alternative D: Segregate information about remeasurements on the SCI

31. Alternative D focuses on highlighting information about remeasurements on the SCI as remeasurements seem to be the one aspect of the proposed reconciliation schedule that most respondents support. Unlike some of the other alternatives discussed in this paper, Alternative D does not reconcile or align information on

[2] For discussion purposes, working capital (also called net working capital) is represented by the excess of current assets over current liabilities and identifies the relatively liquid portion of total entity capital that constitutes a margin or buffer for meeting obligations within the ordinary operating cycle of the entity.

any of the financial statements; however, it does provide information about remeasurements **on the SCI** rather than in the notes.

32. Alternative D presents the effects of remeasurements (such as fair value adjustments) on reported income and expense amounts in a manner that is transparent to users of financial statements. The staff chose to illustrate a columnar approach to segregating remeasurements on the SCI (see Alternative D in Appendix A). Although the remeasurements column in the SCI does not distinguish the **type** of remeasurements, supplemental note disclosure could be required to provide further information about, for example, which remeasurements are recurring. This supplemental information might be similar to the extensive disclosures US GAAP requires for fair value measurements.

33. The staff notes that if the boards do not pursue one of the reconciliation schedule formats or the SFP reconciliation, Alternative C could be combined with Alternative D—they are not mutually exclusive.

Discussion questions
Question 5: Should remeasurements be segregated on the SCI or disclosed in the notes to financial statements? **Question 6:** Do WG members have a preference for any of the alternatives proposed? If so, which alternative and why?

Appendix A

Alternative A1—Reconciliation schedule with fewer line items

STATEMENT OF CASH FLOWS TO STATEMENT OF COMPREHENSIVE INCOME RECONCILIATION
FOR YEAR ENDING DECEMBER 31, 2010

	Changes in Assets and Liabilities, Excluding Transactions with Owners				Statement of Comprehensive Income	
	Not From Remeasurements		From Remeasurements			
Caption in Statement of Cash Flows	**Cash Flows**	**Accruals, Allocation and Other**	**Recurring Valuation Adjustments/F V Change**	**All Other**	**Total Comprehensive Income**	**Caption in Statement of Comprehensive Income**
CASH FLOWS FROM BUSINESS ACTIVITIES						**BUSINESS**
Operating						**Operating**
Total cash collected from customers	2,812,741	671,650			3,484,391	Total revenue
Labor outflows	(810,000)	27,000			(783,000)	Labor Costs
Business related cash outflows	(1,196,282)	(102,556)			(1,355,538)	Materials and administrative costs
Settlement of stock-based compensation	(3,602)	(12,171)	(6,250)		(22,023)	Stock compensation expense
Lease payment	(50,000)	35,175			(14,825)	Interest expense on lease liability
Pension outflows	(340,200)	218,250	18,000		(103,950)	Pension Expense
		(365,246)		(29,000)	(394,246)	Non Cash Expense*
Capital expenditures	(54,000)	54,000				
Total Operating Cash outflows	(2,454,084)	(145,548)	11,750	(29,000)	(2,616,882)	Total Expense
Other Operating Inflows						
Cash flow before other operating items	*358,657*	*526,102*	*11,750*	*(29,000)*	*867,509*	*Income before other operating items*
Cash flows from other operating activities						Other operating
Disposal of property, plant and equipment	37,650	(15,000)			22,650	Gain on disposal of PPE
Investment in affiliates				23,760	23,760	Earnings in equity of affiliate A
Settlement of cash flow hedge	3,402	(594)	1,188		3,996	Realized gain on future contracts
Sale of receivables	8,000	(8,000)		(4,987)	(4,987)	Loss on sale of receivables
						Impairment loss on goodwill
Total cash received (paid) for other operating ac	49,052	(23,594)	1,188	18,773	45,419	Total other operating income
Net cash from operating activities	**407,709**	**502,508**	**12,938**	**(10,227)**	**912,928**	**Total continuing operating income**
Investing						**Investing**
Dividends received	54,000				54,000	Dividend income
Purchase of available-for-sale securities						
Sale of available-for-sale securities	56,100	(37,850)			18,250	Realized gain on AFS securities
			7,500		7,500	Earnings in equity of affiliate B
Net cash from for investing activities	**110,100**	**(37,850)**	**7,500**		**79,750**	**Total continuing investing income**
Net cash from business activities	**517,809**	**464,658**	**20,438**	**(10,227)**	**992,678**	**TOTAL CONTINUING BUSINESS INCOME**
CASH FLOWS FROM FINANCING ACTIVITIES						**FINANCING**
Dividends paid	(86,400)	86,400				
Interest paid	(83,514)	(27,838)			(111,353)	Interest expense
Interest received on cash	8,619				8,619	Interest income on cash
Proceeds from issuance of short-term debt	162,000	(162,000)				
Proceeds from issuance of long-term debt						
Net cash from financing activities	**705**	**(103,438)**			**(102,733)**	**TOTAL CONTINUING FINANCING EXPENSE**
Net cash from continuing operations before taxes	**518,514**	**361,220**	**20,438**	**(10,227)**	**889,945**	**Income from continuing operations before taxes**
Cash paid for current tax expense	(281,221)	(52,404)			(333,625)	Income tax expense
Change in cash before equity items and disc. ops.	**237,293**	**308,816**	**20,438**	**(10,227)**	**556,320**	**Net income from continuing operations**
CASH FLOWS FROM DISCONTINUED OPERATIONS						**DISCONTINUED OPERATIONS**
Cash outflows from discontinued operations	(12,582)			(19,818)	(32,400)	Loss on discontinued operations
-		11,340			11,340	Tax benefit
Total change in cash from discontinued operations	**(12,582)**	**11,340**		**(19,818)**	**(21,060)**	**NET LOSS ON DISCONTINUED OPERATIONS**
Change in cash before equity items	**224,711**	**320,156**	**20,438**	**(30,045)**	**535,260**	**NET INCOME**
						OTHER COMPREHENSIVE INCOME (after tax)
			17,193		17,193	(investing)
				3,653	3,653	Revaluation surplus (operating)
				2,094	2,094	Foreign currency translation adjustment-consolidated
				(1,404)	(1,404)	Foreign currency translation adjustment on equity met
			1,825		1,825	**Unrealized gain on futures contract (operating)**
-			**19,018**	**4,343**	**23,361**	**Total other comprehensive income**
Change in cash before equity items	**224,711**	**320,156**	**39,456**	**(25,702)**	**558,621**	**Total comprehensive income**

Alternative A2—Reconciliation schedule with fewer line items and combined columns

STATEMENT OF CASH FLOWS TO STATEMENT OF COMPREHENSIVE INCOME RECONCILIATION
FOR YEAR ENDING DECEMBER 31, 2010

	Changes in Assets and Liabilities, Excluding Transactions with Owners			Statement of Comprehensive Income
Caption in Statement of Cash Flows	**Cash and Accrual Changes**	**From Recurring Valuation Adjustments/FV Change**	**Total Comprehensive Income**	**Caption in Statement of Comprehensive Income**
CASH FLOWS FROM BUSINESS ACTIVITIES				**BUSINESS**
Operating				**Operating**
Total cash collected from customers	3,484,391		3,484,391	Total revenue
Labor outflows	(783,000)		(783,000)	Labor Costs
Business related cash outflows	(1,298,838)		(1,355,538)	Materials and administrative costs
Settlement of stock-based compensation	(15,773)	(6,250)	(22,023)	Stock compensation expense
Lease payment	(14,825)		(14,825)	Interest expense on lease liability
Pension outflows	(121,950)	18,000	(103,950)	Pension Expense
	(365,246)	(29,000)	(788,492)	Non Cash Expense*
Capital expenditures				
Total Operating Cash outflows	(2,599,632)	(17,250)	(5,245,514)	Total Expense
Other Operating Inflows				
Cash flow before other operating items	*884,759*	*(17,250)*	*867,509*	*Income before other operating items*
Cash flows from other operating activities				Other operating
Disposal of property, plant and equipment	22,650		22,650	Gain on disposal of PPE
Investment in affiliates		23,760	23,760	Earnings in equity of affiliate A
Settlement of cash flow hedge	2,808	1,188	3,996	Realized gain on future contracts
Sale of receivables		(4,987)	(4,987)	Loss on sale of receivables
				Impairment loss on goodwill
Total cash received (paid) for other operating activit	25,458	19,961	45,419	Total other operating income
Net cash from operating activities	**910,217**	**2,711**	**912,928**	**Total continuing operating income**
Investing				**Investing**
Dividends received	54,000		54,000	Dividend income
Purchase of available-for-sale securities				
Sale of available-for-sale securities	18,250		18,250	Realized gain on AFS securities
		7,500	7,500	Earnings in equity of affiliate B
Net cash from for investing activities	**72,250**	**7,500**	**79,750**	**Total continuing investing income**
Net cash from business activities	**982,467**	**10,211**	**992,678**	**TOTAL CONTINUING BUSINESS INCOME**
CASH FLOWS FROM FINANCING ACTIVITIES				**FINANCING**
Dividends paid				
Interest paid	(111,353)		(111,353)	Interest expense
Interest received on cash	8,619		8,619	Interest income on cash
Proceeds from issuance of short-term debt				
Proceeds from issuance of long-term debt				
Net cash from financing activities	**(102,733)**		**(102,733)**	**TOTAL CONTINUING FINANCING EXPENSE**
Net cash from continuing operations before taxes	**879,734**	**10,211**	**889,945**	**Income from continuing operations before taxes**
Cash paid for current tax expense	(333,625)		(333,625)	Income tax expense
Change in cash before equity items and disc. ops.	**546,109**	**10,211**	**556,320**	**Net income from continuing operations**
CASH FLOWS FROM DISCONTINUED OPERATIONS				**DISCONTINUED OPERATIONS**
Cash outflows from discontinued operations	(12,582)		(32,400)	Loss on discontinued operations
-	11,340		11,340	Tax benefit
Total change in cash from discontinued operations	**(1,242)**		**(21,060)**	**NET LOSS ON DISCONTINUED OPERATIONS**
Change in cash before equity items	**544,867**	**10,211**	**535,260**	**NET INCOME**
				OTHER COMPREHENSIVE INCOME (after tax)
		17,193	17,193	(investing)
		3,653	3,653	Revaluation surplus (operating)
		2,094	2,094	Foreign currency translation adjustment-consolidated su
		(1,404)	(1,404)	Foreign currency translation adjustment on equity metho
		1,825	1,825	**Unrealized gain on futures contract (operating)**
-		**19,018**	**23,361**	**Total other comprehensive income**
Change in cash before equity items	**544,867**	**39,456**	**558,621**	**Total comprehensive income**

Alternative B—Statement of financial position reconciliation

BANK CORP

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION

December 31, 2009—December 31, 2010

A	B	C	D	E	F	G	H	I	J	K
				Changes in Assets and Liabilities						
				Not from Remeasurements	From Remeasurements		Statement of Comprehensive Income			
Caption in Statement of Financial Position	Dec. 31, 2009 Balance	Cash Flows	Caption in Statement of Cash Flows	Accruals, Allocations, and Other	Recurring Fair Value Changes	All Other	Comprehensive Income (C+E+F+G)	Caption in Statement of Comprehensive Income	Noncash / Nonincome	Dec. 31, 2010 Balance (B+E+F+G+J)
BUSINESS			**BUSINESS**					**BUSINESS**		
Operating			**Operating**					**Operating**		
Assets										
Cash	25,993	*(3,122)*	*Change in cash*							22,871
Advances and loans to banks	10,279	(4,924)	Cash paid for advance and loans to banks, net	4,924						15,203
Trading securities at fair value	32,685	2,375	Cash received from trading securities	(976)			1,399	Interest income on trading securities		34,022
					2,313		2,313	Realized gain on trading securities, net		
Available-for-sale securities at fair value	744,812	55,080	Cash received from sale of AFS securities	(54,000)	1,080		2,160	Realized gain on AFS securities, net		653,636
		11,875	Cash interest received from AFS securities	11,664			23,539	Interest income on AFS securities		
					(49,920)		(49,920)	Unrealized loss on AFS securities, net		
Derivatives at fair value, net	315	340	Cash received from settlement of derivatives	(59)	119		400	Realized gain on derivatives		655
					281		281	Unrealized gain on derivatives		
Loans, net of unearned income	3,883,029	86,400	Cash collected from loan principals	(86,400)						3,874,389
		8,000	Cash received from sale of loans	(8,000)		(4,960)	(4,960)	Loss on sale of loans		
		(103,680)	Cash paid for loan originations	103,680					(12,960)	
Less allowance for loan losses	(38,054)			(12,853)			(12,853)	Provision for credit losses	12,960	(37,947)
Loans, net	3,844,975									3,836,442
Interest receivable on loans	79,000	118,750	Cash collected from loan interest	101,570			220,320	Interest income—loans, including fees		180,570
Premises and equipment	200,000	(25,000)	Cash paid for equipment	25,000						225,000
Less accumulated depreciation	(23,350)			(6,400)			(6,400)	Depreciation expense		(29,750)
Premises and equipment, net	176,650									195,250
Investment in affiliate A	50,000					3,780	3,780	Earnings in affiliate A		53,240
						(540)	(540)	Foreign currency transl. adjust—affiliate A		
Goodwill	81,330									81,330
Core deposit intangible	5,493			(2,658)			(2,658)	Amortization of core deposit intangible		2,835
Total operating assets	*5,051,532*									*5,076,054*
Liabilities			Cash received from deposits, net							
Noninterest-bearing deposits	(646,217)	24,500	Noninterest-bearing deposits	(24,500)						(670,717)
Interest checking deposits	(71,743)	6,126	Interest checking deposits	(6,126)					(414)	(78,282)
Savings deposits	(1,272,439)	38,000	Savings deposits	(38,000)					(20,290)	(1,330,728)
Time deposits	(1,112,869)	36,000	Time deposits	(36,000)					(41,170)	(1,190,039)
Total deposit liabilities	*(3,103,268)*									*(3,269,767)*
Accrued interest payable	(61,873)			(46,296)			(46,296)	Interest expense—time deposits	61,873	(68,503)
				(21,644)			(21,644)	Interest expense—savings deposits		
				(564)			(564)	Interest expense—interest checking deposits		
Wages payable	(7,500)	(35,000)	Wages, salaries and benefits paid	(3,000)			(38,000)	Wages, salaries and benefits expense		(10,500)
Share-based compensation liability	(59,500)			(29,922)	(6,250)		(36,172)	Share-based compensation expense		(95,672)
Litigation provision	(1,850)			(1,998)			(1,998)	Litigation expense		(3,848)
Total operating liabilities	*(3,233,991)*		Cash received from (paid for)							*(3,448,290)*
		32,079	Service charges on deposits				32,079	Service charges on deposits		
		7,907	Mortgage banking revenue				7,907	Mortgage banking revenue		
		3,000	Other nondeposit fees and commissions				3,000	Other nondeposit fees and commissions		
		1,500	Other noninterest revenue				1,500	Other noninterest revenue		
		(24,000)	Transaction processing expense				(24,000)	Transaction processing expense		
		(6,860)	Occupancy expense				(6,860)	Occupancy expense		
		(1,800)	Other noninterest expense				(1,800)	Other noninterest expense		
Net operating assets	**1,817,542**	**230,668**	**Net cash from operating activities**	**(132,558)**	**(52,377)**	**(1,720)**	**44,013**	**Operating income** *plus other comprehensive income*	**0**	**1,627,764**
Investing			**Investing**					**Investing**		
Investment in company B at fair value	39,250				(7,500)		(7,500)	Fair value change in investment in Co. B		31,750
		2,700	Cash received from investment in Company B				2,700	Dividend income from Co. B		
Total investing assets	**39,250**	**2,700**	**Net cash from investing activities**		**(7,500)**		**(4,800)**	**Investing income**		**31,750**
NET BUSINESS ASSETS	**1,856,792**	**233,368**	**NET CASH FROM BUSINESS ACTIVITIES**	**(132,558)**	**(59,877)**	**(1,720)**	**39,213**	**TOTAL BUSINESS INCOME** *plus other comprehensive income*	**0**	**1,659,514**
FINANCING			**FINANCING**					**FINANCING**		
Assets										
Federal funds sold	35,000	(7,128)	Cash provided for federal funds sold	10,800			3,672	Interest income on federal funds sold		45,800
Total financing assets	**35,000**	**(7,128)**	**Net cash from financing assets**	**10,800**			**3,672**	**Financing asset income**		**45,800**
Liabilities										
Federal funds purchased	(376,300)	9,180	Cash received from federal funds purchased, net	(28,404)			(19,224)	Interest expense on federal funds purchased		(404,704)
Dividends payable	(20,000)	(86,400)	Dividends paid	86,400					(86,400)	(20,000)
Long-term debt	(923,547)									(820,673)
		(150,000)	Cash paid for borrowings	102,873			(47,127)	Interest expense on long-term debt		
Total financing liabilities	**(1,319,847)**	**(227,220)**	**Net cash from financing liabilities**	**160,869**			**(66,351)**	**Financing liability expense**	**(86,400)**	**(1,245,377)**
NET FINANCING LIABILITIES	**(1,284,847)**	**(234,348)**	**NET CASH FROM FINANCING ACTIVITIES**	**171,669**			**(62,679)**	**TOTAL FINANCING EXPENSE**	**(86,400)**	**(1,199,577)**
INCOME TAXES			**INCOME TAXES**					**INCOME TAXES**		
Deferred tax asset	33,086			(927)			(927)			32,159
Income taxes payable	(4,306)	(10,566)	Cash taxes paid	2,219			(8,347)			(2,087)
Net income tax asset	**28,781**	**(10,566)**	**NET CASH FROM INCOME TAX ACTIVITIES**	**1,292**			**(9,274)**	**Income tax expense**		**30,072**
NET ASSETS	**600,726**	*(11,546)*	*Change in cash before equity*	**40,403**	**(59,877)**	**(1,720)**	**(32,740)**	**TOTAL COMPREHENSIVE INCOME**	**(86,400)**	**490,009**
EQUITY										
Common stock	(25,000)									(25,000)
Additional paid-in capital	(101,025)	4,617	Proceeds from reissue of treasury stock	(4,617)						(105,642)
Treasury stock	59,725	3,807	Proceeds from reissue of treasury stock	(3,807)						55,918
Retained earnings	(415,966)			(28,857)	10,238	1,180	(17,439)		86,400	(347,004)
Accumulated other comprehensive income	(118,460)				49,639	540	50,179			(68,281)
TOTAL EQUITY	**(600,726)**	**8,424**	**NET CASH FROM EQUITY**	**(37,281)**	**59,877**	**1,720**	**32,740**		**86,400**	**(490,009)**

Alternative C—Reconciliation in the notes of key lines on the SFP

Note: the reconciliation below is in addition to the other accounts IFRS and US GAAP require to be reconciled

Note X - Supplemental account details

Below are supplemental reconciliations of the Company's key accounts**.

	Accounts Receivable	Accounts Payable
Balance Jan. 1 200X	527,841	(505,000)
Cash Paid/(Received)	(2,468,460)	912,444
Revenue/(Expense)	2,889,000	(1,020,000)
Recurring Valuation Adjustment*	(12,987)	
Other Adjustments*		
Acquisitions*		
Divestitures*		
Foreign Exchange	(3,250)	
Balance Dec. 31 200X	932,144	(612,556)

	Inventory
Balance Jan. 1 200X	767,102
Additions to inventory	1,644,300
Reduction of inventory from sales	(1,700,000)
Recurring Valuation Adjustment*	
Other Adjustments	(29,000)
Acquisitions*	
Divestitures*	
Foreign Exchange	(2,928)
Balance Dec. 31 200X	679,474

* Line items as placeholders to demonstrate possible reconciling line items
** If this alternative is pursued, a determination as to what a key account is would have to be made. The 3 examples are not intended to be a complete prescribed list.

Alternative D—Segregation of remeasurements on the SCI

For year ending Dec. 31, 2010	Income and Expense Except For Remeasurements	Remeasurements	Comprehensive Income
BUSINESS			
Operating			
Sales-wholesale	2,786,871		2,786,871
Sales-retail	697,520		697,520
Total revenue	3,484,391		3,484,391
Cost of goods sold			
Materials	(1,043,100)		(1,043,100)
Labour	(405,000)		(405,000)
Pension expense	(60,975)	9,000	(51,975)
Overhead-depreciation	(219,300)		(219,300)
Overhead-transportation and other	(160,800)		(160,800)
Change in inventory	(60,250)		(60,250)
Loss on obsolete and damaged inventory		(29,000)	(29,000)
Total cost of goods sold	(1,949,425)	(20,000)	(1,969,425)
Gross profit	**407,634**	**(20,000)**	**1,514,966**
Selling Expenses			
Advertising expense	(60,000)		(60,000)
Compensation expense	(56,700)		(56,700)
Bad debt expense	(23,068)		(23,068)
Other selling expenses	(13,500)		(13,500)
Total selling expenses	(153,268)		(153,268)
General and administrative expenses			
Compensation expense	(321,300)		(321,300)
Pension expense	(60,975)	9,000	(51,975)
Depreciation expense-property plant and equipment	(58,320)		(58,320)
Depreciation expense-building	(1,500)		(1,500)
Stock compensation expense	(15,773)	(6,250)	(22,023)
Interest expense on lease liability	(14,825)		(14,825)
Other	(12,960)		(12,960)
Research and development	(8,478)		(8,478)
Litigation expense	(1,998)		(1,998)
Accretion expense on asset retirement obligation	(810)		(810)
Total general and administrative expenses	(496,939)	2,750	(494,189)
Income before other operating items	*884,759*	*(17,250)*	*867,509*
Other operating			
Gain on disposal of PPE	22,650		22,650
Earnings in equity of affiliate A		23,760	23,760
Realized gain on future contracts	2,808	1,188	3,996
Loss on sale of receivables		(4,987)	(4,987)
Impairment loss on goodwill			
Total other operating income	25,458	19,961	45,419
Total continuing operating income	**910,217**	**2,711**	**912,928**
Investing			
Dividend income	54,000		**54,000**
Realized gain on AFS securities	18,250		**18,250**
Earnings in equity of affiliate B		**7,500**	**7,500**
Total continuing investing income	**72,250**	**7,500**	**79,750**
TOTAL CONTINUING BUSINESS INCOME	**982,467**	**10,211**	**992,678**
FINANCING			
Interest expense	(111,353)		**(111,353)**
Interest income on cash	8,619		**8,619**
TOTAL CONTINUING FINANCING EXPENSE	**(102,733)**		**(102,733)**
Income from continuing operations before taxes	**879,734**	**10,211**	**1,408,460**
Income tax expense	(333,625)		(333,625)
Net income from continuing operations	**546,109**	**10,211**	**556,320**
DISCONTINUED OPERATIONS			
Loss on discontinued operations	(12,582)	(19,818)	(32,400)
Tax benefit	11,340		**11,340**
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**	**(21,060)**
NET INCOME	**544,867**	**(9,607)**	**535,260**
OTHER COMPREHENSIVE INCOME (after tax)			
Unrealized gain on available for sale securities (investing)		17,193	17,193
Revaluation surplus (operating)		3,653	3,653
Foreign currency translation adjustment-consolidated subsidiary (operating)		2,094	2,094
Foreign currency translation adjustment on equity method investee (operating)		(1,404)	(1,404)
Unrealized gain on futures contract (operating)		1,825	1,825
Total other comprehensive income		**23,361**	**23,361**
Total comprehensive income	**544,867**	**13,754**	**558,621**