Project **Financial Statement Presentation**

Topic **Reconciliation schedule**

Introduction

1. The purpose of this paper is for the IASB and the FASB (collectively, the boards) to reconsider the schedule reconciling cash flows to comprehensive income (hereafter, the reconciliation schedule) proposed in the October 2008 discussion paper *Preliminary Views on Financial Statement Presentation*. In this paper the staff recommends that the exposure draft:

   (a) modify the definition of remeasurements as follows:
   A remeasurement is an amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability ~~attributable to a change in a~~ to a current price or value (or to an estimate of a current price or value).

   (b) replace the reconciliation schedule proposed in the discussion paper with an analysis of changes in significant SFP line items (as described in Alternative C).

   (c) require information about remeasurements to be disaggregated on the statement of comprehensive income (as described in Alternative D).

2. This paper is structured as follows:

   (a) the proposed reconciliation schedule (paragraphs 3—5)

   (b) constituent input and staff research (paragraphs 6—26)

   (c) staff analysis and possible alternatives (paragraphs 27—57)

   (d) staff recommendations (paragraphs 58—62)

   (e) Appendix A: Illustrations of possible alternatives.

The proposed reconciliation schedule

3. The reconciliation schedule proposed in the discussion paper 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 provides 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 those changes in assets and liabilities could ultimately affect investment value). In doing so it improves the articulation of the statement of cash flows (SCF) and the statement of comprehensive income (SCI).

5. Paragraphs 4.19-4.44 of the discussion paper address the reconciliation schedule. Excerpts from that section of the discussion paper follow.

> The boards think that additional disaggregation of comprehensive income is necessary because users have asked for information to help them understand how components of accrual accounting, such as changes in accruals (for example, accounts payable and receivable) and fair value remeasurements, affect an entity's comprehensive income and future cash flows (paragraph 4.22).
>
> The boards considered disaggregating comprehensive income on the basis of different factors such as valuation multiples, whether the income item is recurring, the degree of measurement subjectivity, persistence and predictive value. The boards decided to focus on disaggregating comprehensive income according to the characteristics of *persistence* and measurement *subjectivity* because those appear to be the

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

> primary factors that users take into account when predicting future cash flows. The terms *persistence* and *subjectivity* are described n the following paragraphs. (paragraph 4.23)
>
> > An item of comprehensive income (a revenue, expense, gain or loss) is *persistent* if it is indicative of future amounts of that income item. . . .(paragraph 4.24).
> >
> > An item of comprehensive income is *subjective* if judgement is required in measuring the amount of the asset or liability that gives rise to the income item. . . . (paragraph 4.25).
>
> The boards observed that the reconciliation schedule should also provide more transparency about the use of fair value. Specifically, users are concerned that commingling gains or losses from fair value remeasurements and other components of comprehensive income results in measures of financial performance that are difficult to analyse. The separate presentation of those income components in the reconciliation schedule should enable a more effective analysis (paragraph 4.29).

Constituent input and staff research

Usefulness and costs of the reconciliation schedule

Comments from respondents to the discussion paper

6. Question 23 in 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. A majority of the users of financial statements that responded to that question answered 'yes' and voiced support for the proposed reconciliation schedule (or an alternative format). However, the majority of preparer respondents were not supportive of the proposed reconciliation schedule. The views of remaining constituent groups were mixed.

7. Most respondents **do not support** the reconciliation schedule because they do not agree with the use of a direct-method SCF, which is a key component of the schedule.   Respondents also note that a line-by-line reconciliation schedule is cumbersome and lacks readability—it 'clutters rather than enlightens.'

8. A number of respondents observe that some of the information required in the reconciliation schedule is already available in the financial statements. For

example, both International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (GAAP) already require detailed roll-forwards and disclosures about different items in the financial statements. Both IFRS 7 *Financial Instruments: Disclosures* and FASB ASC Topic 820 *Fair Value Measurements and Disclosures* require extensive disclosure about fair value changes.

9. Respondents that do not support the reconciliation schedule think that it will raise a number of practical implementation issues, become a complex disclosure from both a preparation and a process perspective, and will add confusion rather than clarity to the financial statements. Preparer respondents state that implementing the reconciliation schedule will require the design of specific systems as well as accounting and allocation procedures for segregating cash from accrual components.

10. The user respondents that do not support the reconciliation schedule are not convinced that it will provide them with information to make better informed decisions because it does not disaggregate information in the best way possible. For example, some users observe that they already get information about "normal" accruals and that the "accruals, allocation, and other" category is a balancing amount. For others, understanding the significant determinants of overall cash flows seems to be more relevant than understanding the relationship between the SCF and the SCI.

11. The 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 volatility in the SCI that is a result of fair value remeasurements, thus providing more relevant information to users of financial statements

    (c) is particularly useful to analysts that struggle to understand how cash flow and valuation changes affect income information

    (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.

12. Respondents from financial services entities think that the proposed reconciliation schedule would not be particularly useful for insurance companies or for banks. Those respondents assert the following:

    (a) the statement of cash flows does not give an indication of liquidity risk

    (b) financial services entities already have significant portions of their assets and liabilities recorded at fair value and provide extensive disclosure of balances as well as reconciliations for those assets and liabilities classified as level 3 in the fair value hierarchy

    (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 focused on the statement of financial position.

Input from field test participants

13. Survey results of **analyst** participants in the field test indicate that about 70 per cent of analyst participants think that the reconciliation schedule **enhanced** the decision usefulness of the financial statements they reviewed. About 10 per cent state that the schedule detracted from the decision usefulness of the financial information provided.

14. On the other hand, the survey results of the **preparer** participants in the field test indicate that half of the preparer participants consider the reconciliation schedule one of the **least** useful aspects of the proposed presentation model. In terms of how the reconciliation scheduled enhanced the communication of their entity's financial results, 29 per cent think that it did not affect such communication and 46 per cent think that the reconciliation schedule detracted from it.

Disaggregation of changes in assets and liabilities

Comments from respondents to the discussion paper

15. Question 23 in the discussion paper asks whether changes in assets and liabilities should be disaggregated into cash, accrual, and remeasurement (recurring/non-recurring) components and whether respondents think that the guidance included in the discussion paper is clear and sufficient to prepare the reconciliation schedule.

16. A number of respondents are concerned that the guidelines provided for the disaggregation of comprehensive income into the columns are not clear(except for the cash column), could lead to confusion, and might cause inconsistency from entity to entity. Those respondents suggest that the boards provide more application guidance if the reconciliation schedule is retained.

17. The following paragraphs include more specific comments for each of the proposed columns.

18. As the **cash column** is the same as the cash flows reported in a direct-method SCF, many of the responses regarding the cash column refer to or reiterate the comments made about the direct-method SCF (see IASB agenda paper 7B/FASB memorandum 70B).

19. Several respondents observe that most of the changes in an asset would be aggregated in the **accruals, allocations, and other column**, which would reduce the usefulness of the schedule. In line with that, other respondents observe that numerous line items are needed to explain information in the accruals, allocations, and other column, leading to a schedule that will add confusion rather than clarity to the financial statements. 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."

20. 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 confusion seems to be related to inconsistencies in the discussion paper illustrations as well as a misunderstanding of what the term *recurring* means (it appears that respondents associate recurrence with *persistence* rather than *frequency*).

21. Some respondents also indicate that the definition of remeasurements (referring both to changes in price and changes in estimates) leads to confusion as both the

accruals and the other changes from remeasurement columns include changes in estimates.

Input from field test participants

22. **Preparer** participants in the field test found the guidance in the discussion paper to be clear for disaggregating changes in assets and liabilities. In terms of the usefulness of each of the columns in the reconciliation schedule in explaining their financial results, a majority of participants (82 per cent) consider the cash column as adequately defined. The cash column was identified as the most useful column on the reconciliation schedule for explaining the financial results of the entity. Half of the preparer field test participants consider that the remaining columns (accruals, remeasurements and other) are adequately defined but very few of those participants consider those columns useful for communicating their financial results.

23. Similarly, the survey results of **analyst** participants in the field test indicate that the cash column is the most useful on the schedule (68 per cent) followed by the accruals and allocation column (65 per cent).

Alternatives to the reconciliation schedule

Comments from respondents to the discussion paper

24. Question 25 in 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. Both those formats include columns similar to those in the proposed reconciliation schedule.

25. Approximately one third of the respondents to that question **support** those alternative reconciliation formats with a slight preference for the SFP reconciliation. Respondents think:

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

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

26. The remaining two thirds of respondents to question 25 think the boards should **not** consider other reconciliation formats. Those respondents do not support the inclusion of a requirement to prepare a reconciliation schedule.

Staff analysis and possible alternatives

27. In summary, respondents appear to agree on the following points related to the proposed reconciliation schedule and alternative reconciliation formats described in the discussion paper:

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

(b) only significant accounts should be reconciled; those significant accounts would be identified from the SFP

(c) 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

(d) the other formats mentioned in the discussion paper (particularly the SFP reconciliation) should be permitted but not required.

28. The staff continue to think that a schedule providing information about the relationship between financial statements and changes in assets and liabilities, could significantly increase the transparency of an entity's financial information, thereby increasing financial statement users' understanding of an entity's cash flows and earnings potential.

29. The staff developed alternatives for the reconciliation schedule based on the comment letters, data from the field test, and input from members of the project's Joint International Group (JIG) and Financial Institution Advisory Group (FIAG). The staff's goal was to develop alternatives that would provide a link between the financial statements and disaggregate information about the changes in assets and liabilities in a cost-effective manner.

30. Those alternatives are described in the remainder of this paper and illustrated in Appendix A.

Alternative A: Retain the reconciliation schedule proposed in the discussion paper with fewer line items

Alternative B: Require a SFP reconciliation instead of the reconciliation schedule proposed in the discussion paper

Alternative C: Replace the reconciliation schedule proposed in the discussion paper with analyses of changes in significant SFP line items

Alternative D: Disaggregate remeasurements on the SCI rather than in the reconciliation schedule.

Alternative A: A reconciliation schedule with fewer line items

31. The reconciliation schedule in Alternative A would include the same columns as the reconciliation schedule proposed in the discussion paper. However, the starting point for the Alternative A reconciliation (the line items on a direct-method SCF) is less disaggregated than proposed in the discussion paper. Alternative 1 in IASB agenda paper 7A/FASB memorandum 70A describes this less disaggregated SCF.

Staff analysis

32. Fewer line items on a schedule that reconciles cash flows to comprehensive income might result in a less complex reconciliation schedule than what was presented in the discussion paper, which may result in reduced implementation costs.

33. As Alternative A retains the four columns, it provides information that would help a user assess the differences between cash transactions and accrual accounting in terms of their persistence and measurement subjectivity. If the boards decide they want to pursue this alternative the staff will clarify what goes in each column in response to questions asked in the comment letters. For example, the staff suggests a modified definition of *remeasurements* in Alternative D.

34. A majority of participants at the July 2009 JIG and FIAG meeting (with the exception of some analysts) did not express much support for Alternative A

because it requires the use of a direct-method SCF and the classification of changes in assets and liabilities in the columns is arbitrary.

Alternative B: A statement of financial position reconciliation

35. Alternative B is a SFP reconciliation as described in paragraphs B11-B13 of the discussion paper. As illustrated in Appendix A to this paper, the SFP reconciliation aligns all three financial statements, whereas the reconciliation schedule proposed in the discussion paper only aligns the SCF and the SCI. A SFP reconciliation would start with the amount in a SFP line item (ie an asset, liability or equity item) at the beginning of the period. The change in the amount of that line item would be disaggregated into the four columns on the proposed reconciliation schedule and a column for noncash–nonincome items. Examples of noncash–nonincome items include converting debt to equity or obtaining an asset by entering into a finance lease.

Staff analysis

36. The SFP reconciliation includes line item descriptions from the SCF and the SCI that link the SFP line items to those two statements. Thus, the cohesiveness principle would be achieved in a single schedule across the statements of financial position, comprehensive income and cash flows. Some respondents to the discussion paper and meeting participants at the JIG-FIAG meeting thought Alternative B would provide useful information because it shows how the financial statements articulate with each other.

37. However, a few JIG and FIAG members are concerned with the line-by-line granularity of the SFP reconciliation. From a financial services perspective, some respondents think that requiring an entity to reconcile the more liquid financial assets and liabilities (eg debtors) would be costly and time consuming.

38. In addition, in a SFP reconciliation, the reconciling items between the SCI and the SCF are arranged by the SFP line item they affect rather than by the line items in the SCF and the SCI. The latter adds complexity and confusion rather than clarity to the financial statements. For example:

(a) there could be many SCI items related to one SFP item (eg a single trade payable line may relate to both material purchases and energy purchases) or

(b) a single SCI line item could have more than one SFP item linked to it. For example, the pension gain or loss in the SCI could link to a pension liability at the start of the year and an asset at the end of the year; or, revenue could link to several SFP lines including trade receivables and to customer prepayments.

Alternative C: Analyses of changes in significant line items on the SFP

39. Alternative C requires an entity to present in the notes to financial statements an analysis of the changes in balances of all significant asset and liability line items. The analysis should explain the nature of the transactions and other events that gave rise to a change in the account balance in sufficient detail and should separately distinguish the following components:

(a) changes due to cash inflows and cash outflows

(b) changes resulting from non-cash (accrual) transactions that are repetitive and routine in nature (eg credit sales, wages, material purchases)

(c) changes resulting from non-cash transactions or events that are non-routine or non-repetitive in nature (eg acquisition or disposition of a business)

(d) changes resulting from accounting allocations (eg depreciation)

(e) changes resulting from accounting provisions/reserves (eg bad debts, obsolete inventory)

(f) changes resulting from remeasurements. (In Alternative D, the staff suggest that a remeasurement be defined as "a change in the price or value of an asset or liability or a change in an estimated price or value.")

40. For Alternative C, an entity would consider the following factors in determining the asset and liability line items to analyse in the notes (no single factor by itself would necessarily lead to a judgment that a particular asset or liability line item is significant):

(a) the significance of the ending balance with respect to total assets or total liabilities

(b) the significance of a change in the account balance with respect to revenues or expenses

(c) the significance of the activity flowing through the account with respect to revenues or expenses

(d) the use of assumptions or judgments in measuring the asset or liability and the degree of uncertainty or variability in the measurement due to risk exposure and the nature of that exposure (eg credit, foreign exchange, interest rate)

(e) the nature and magnitude of transactions or events that are non-routine or non-repetitive

(f) any other transaction or event that could affect the future investment or credit decisions of a reasonable investor, creditor, or other user of financial statements.

Staff analysis

41. Alternative C is similar to one aspect of the disclosure framework proposed by the Investors Technical Advisory Committee (ITAC) in December 2007. ITAC's proposed framework includes a requirement to present the *composition* of significant line items in the financial statements. Composition in the context of the ITAC proposal refers to the gross (not netted) by-nature amounts included in a significant line item. The composition should include a "roll-forward" detailing the changes in the account by nature where appropriate.[2]

42. Alternative C requires an entity to use judgment in determining the SFP line items to include in the analyses of changes in significant line items. The staff believe that as suggested by ITAC in their proposal, consistency will develop over time through best practices. The staff think providing robust principles to guide an entity in that decision-making process (see paragraph 40a–f) will result in disclosure of the most relevant and decision-useful information.

43. Although Alternative C does not analyse **every** line on the SFP as Alternative B does, the staff think it provides more decision-useful information because the changes in a line item do not have to be disaggregated into defined columns.

[2] ITAC Disclosure Framework Proposal (December 11, 2007), pp.2-3.

The flexible nature of the analyses gives an entity the opportunity to provide information that is most relevant to that line item.

44. The illustration of Alternative C in Appendix A includes note disclosures that analyse the changes in the line items on ToolCo's SFP that the staff think meet one or more of the "significant" factors set out in Alternative C (Notes 1-6). The illustration also includes an analysis of changes in the remaining (ie, not significant) SFP line items (Notes 7-10) so the boards can see what would be "missing" if all line items are not analysed in the notes. As illustrated, an entity might choose to present relevant accounts (eg all its long-lived assets) together to present a clearer picture of its financial results.

45. Analysing the changes in asset and liability balances in separate note disclosures (rather than in a comprehensive schedule) also addresses some of the concerns expressed by respondents to the discussion paper.

46. Furthermore, Alternative C complements the information provided by either an indirect or a direct-method SCF.

    (a) Alternative C enhances an *indirect*-method SCF because it explains the differences between the changes in the balances on the SFP and the net change line items presented on the SCF. Respondents indicate that that information is decision-useful with respect to working capital and quality of earnings analyses.

    (b) Alternative C complements a *direct*-method SCF because the reconciliations provide a complete picture of the cash and non-cash changes by-nature of each significant line item in one place. The FASRI study on the proposed presentation model demonstrated the positive effects with respect to analysts' judgment and forecast of presenting *related information* together.

47. As noted previously, IFRS and US GAAP currently require disclosure of detailed roll-forwards or reconciliations for some line items on the SFP. Alternative C is not meant to duplicate those current disclosure requirements. However, the staff expects that if required, the analyses of changes in significant line items would replace or modify those current disclosure requirements.

Alternative D: Disaggregation of remeasurements on the SCI

48. Alternative D disaggregates and presents information about remeasurements on the SCI using a columnar format: one column for remeasurements (see definition below) and one column for the amounts recognized on the SCI that are not remeasurements. A third "total" column could be presented as well. (Alternative D is illustrated in Appendix A with 2 columns and with 3 columns.)

49. The staff suggest that the boards modify the definition of *remeasurements* proposed in the discussion paper to clarify that not all changes in carrying amounts of assets or liabilities represent remeasurements. Remeasurements include any change in the carrying amount of an asset or liability to a current price or value. Remeasurements generally are not persistent and therefore disaggregating them from other changes in assets and liabilities provides information that is useful in predicting future cash flows. Changes in the methods of allocating the original cost of assets to future periods, such as changes in bad debt provisions and depreciation amounts, are not remeasurements. That is because the carrying amount of the asset or liability is not remeasured to a current price or value, rather the change in method reflects changes in the timing or pattern of recognition of the original cost as expense over time.

50. The staff recommend that a remeasurement be defined as:

    An amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability to a current price or value (or to an estimate of a current price or value).

51. Examples of remeasurements that meet that definition include:

    (a) revisions to deferred tax assets

    (b) revaluation of a building (IFRSs only)

    (c) impairments of long-lived assets

    (d) gain or loss on disposal

    (e) changes in investment property values

    (f) change in a pension obligation due to market price changes or estimates of market prices

(g) foreign currency translation adjustments.

(h) realized and unrealized gains/losses on financial instruments that are measured at fair value.

Staff analysis

52. Users of financial statements support the separation of remeasurements on the proposed reconciliation schedule. Alternative D maintains that aspect of the schedule and "elevates" the presentation of that information to the primary financial statements. Alternative D accommodates those that want to analyse performance absent some remeasurements, as well as those that want to consider remeasurements when analysing performance.

53. The reconciliation schedule proposed in the discussion paper separated remeasurements into *recurring* FV changes and all others. The staff think further separation of *recurring* remeasurements on the SCI is not necessary, as the line item description should indicate what type of remeasurement it is. As respondents note, there are adequate disclosures about recurring fair value changes in US GAAP (currently IFRS 7 does not differentiate between recurring and non-recurring fair value changes, but the ED on *Fair Value Measurements* does). Furthermore, an approach that limits the disaggregation of information into two groups—the change is either a remeasurement or it is not—may be easier to operationalise than one that further distinguishes between different types of remeasurements (as in the reconciliation schedule proposed in the discussion paper).

54. Alternative D is also responsive to users of financial statements that consistently express an interest in segregating changes in fair value from other changes recognized in income or expense. As explained to the staff, users tend to view fair value adjustments as less relevant for forecasting because the value changes are out of management's direct control and due solely to market forces. Recent academic research[3] has even welcomed the boards' initiative to promote

[3] Shana M Clor-Proell and Terry D Warfield. "Financial Statement Presentation and Nonprofessional Investors Interpretation of Fair Value Information," University of Wisconsin working paper, January. 2009.

disclosures that highlight the effect of changes in fair value in the financial statements (eg Column D in the reconciliation schedule) and think that this would help bring attention to fair value disclosures required in particular standards (eg Topic 820, *Fair Value Measurements and Disclosures*).

55. Alternative D provides information about remeasurements on the SCI rather than in the notes in a manner that is transparent to users of financial statements and provided in a timely manner. A recent research study highlights the potential benefits to financial statement users of a format for reporting comprehensive income that disaggregates items into remeasurements and before remeasurements[4].

56. The staff assert that Alternative D could be viewed as an improvement to a one-column SCI because the focus of the statement might be on the information content of the components of comprehensive income (the two columns) rather than the totals and subtotals. (See the illustrations of Alternative D in Appendix A.)

57. Unlike some of the other alternatives discussed in this paper, Alternative D does not reconcile or align information on any of the financial statements. Thus, while disaggregating remeasurements on the SCI is another application of the disaggregation presentation principle, it does not further the cohesiveness presentation principle.

Staff recommendation

58. The staff think that Alternative C provides the most important elements of the proposed reconciliation schedule and does so in a cost effective and understandable way. An analysis of the changes in significant line items affords an entity the ability to provide information about the components of its financial results that are most relevant to users of its financial statements and moves away from what some perceive to be a compliance exercise of reconciling all line items.

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[4] Ann Tarca et al., "Identifying Decision Useful Information with the Matrix Format Income Statement," *Journal of International Management and Accounting* 19, no. 2 (2008).

59. Alternative C includes only some information about remeasurements and does so for individual SFP line items. Alternative D on the other hand presents information about remeasurements comprehensively and within the context of the SCI. Together, Alternatives C and D provide the most relevant aspects of the reconciliation schedule in a manner that is more transparent and easier to understand.

60. The staff think that Alternatives C and D address the cost and benefit concerns respondents expressed about the proposed reconciliation schedule. The staff also think that those alternatives are consistent with the objective of the proposed reconciliation schedule because:

    (a) Alternatives C and D provide 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)

    (b) Alternative C improves the articulation between the financial statements.

61. The staff recommend that the reconciliation schedule be replaced with analyses of changes in significant SFP line items in the notes (Alternative C) **and** that remeasurements be displayed separately on the SCI (Alternative D).

62. The staff recommend that remeasurements be defined as

    An amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability to a current price or value (or to an estimate of a current price or value).

Questions 1-4

Q1. The staff recommend that the notes to financial statements include analyses of the changes in balances of significant line items on the SFP. **Do the boards agree with that recommendation?**

a. If the answer to Q1 is yes**, do the boards agree with the factors** to consider for determining a significant line item listed in paragraph 39?

b. If the answer to Q1 is yes, **do the boards agree with the components** listed in paragraph 40 that should be included in the analyses?

Q2. If the answer to Q1 is no, **do the boards want to require an entity to disclose an analysis of *all* the line items on the SFP?**

a. If the answer to Q2 is yes, **do the boards agree with the components** listed in paragraph 40 that should be included in the analyses?

Q3. The staff recommend that remeasurements be disaggregated on the SCI in either a 2 or 3-column format. **Do the boards agree with that recommendation?**

a. If the answer to Q3 is yes**, do the boards prefer 2 columns** (before remeasurements/ remeasurements) **or 3 columns** (before remeasurements/ remeasurements/ comprehensive income)**?**

Q4. The staff recommend that for purposes of this project, a *remeasurement* be defined as “an amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability to a current price or value (or to an estimate of a current price or value).” **Do the boards agree with that recommendation?**

Appendix A: Illustrations of Possible Alternatives

Alternative A—Reconciliation schedule with fewer line items — ToolCo

STATEMENT OF CASH FLOWS TO STATEMENT OF COMPREHENSIVE INCOME RECONCILIATION FOR YEAR ENDING 31 DECEMBER 2010						
	Changes in Assets and Liabilities, Excluding Transactions with Owners					
	Not From Remeasurements		From Remeasurements			Statement of Comprehensive Income
Caption in Statement of Cash Flows	**Cash Flows**	**Accruals, Allocation and Other**	**Recurring Valuation Adjustments/FV Change**	**All Other**	**Total Comprehensive Income**	**Caption in Statement of Comprehensive Income**
CASH FLOWS FROM BUSINESS ACTIVITIES						**BUSINESS**
CASH FLOWS FROM OPERATING ACTIVITIES						**Operating**
Total cash collected from customers	2,812,741	674,859			3,487,600	Total revenue
Labor outflows	(810,000)	27,000			(783,000)	Labor costs
Materials outflows	(935,554)	(80,204)			(1,015,758)	Materials costs
Other business relation cash outflows	(260,728)	(22,352)			(283,080)	Administrative costs
Settlement of share-based remuneration	(3,602)	(12,171)	(6,250)		(22,023)	Stock remuneration expense
Lease payments	(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			-	
Disposal of property, plant, and equipment	37,650	(15,000)			22,650	Gain on disposal of PPE
Share of profit of associate*		23,760			23,760	Share of profit of associate A
Settlement of cash flow hedge	3,402	(594)	1,188		3,996	Realized gain on cash flow hedge
Sale of receivables	8,000	(12,987)			(4,987)	Loss on sale of receivables
						Impairment loss on goodwill
Net cash from operating activities	**407,709**	**524,490**	**12,938**	**(29,000)**	**916,137**	**Total continuing operating income**
CASH FLOWS FROM INVESTING ACTIVITIES						**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	Share of profit of associate B
Net cash from investing activities	**110,100**	**(37,850)**	**7,500**	**-**	**79,750**	**Total continuing investing income**
Net cash from business activities	**517,809**	**486,640**	**20,438**	**(29,000)**	**995,887**	**TOTAL CONTINUING BUSINESS INCOME**
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	(86,400)	86,400			-	
Interest paid	(83,514)	(27,838)			(111,352)	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**	**383,202**	**20,438**	**(29,000)**	**893,154**	**Income from continuing operating 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**	**330,798**	**20,438**	**(29,000)**	**559,529**	**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**	**342,138**	**20,438**	**(48,818)**	**538,469**	**NET INCOME**
						OTHER COMPREHENSIVE INCOME
			17,193		17,193	Unrealized gain on AFS securities (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 method
			1,825		1,825	**Unrealized gain on cash flow hedge (operating)**
			23,361	**-**	**23,361**	**Total other comprehensive income**
Changes in cash before equity items	**224,711**	**342,138**	**43,799**	**(48,818)**	**561,830**	**Total comprehensive income**

* Line items without values left as placeholders

Alternative B—Statement of financial position reconciliation — ToolCo

STATEMENT OF FINANCIAL POSITION RECONCILIATION AS OF 31 DECEMBER 2010

A	B	C	D	E	F	G	I	J	K	L
				Changes in Assets and Liabilities, Excluding						
				Not From Remeasurements	From Remeasurements		Statement of Comprehensive Income			
	31 December 2009	Total Cash Inflows (Outflows)	Caption in Statement of Cash Flows	Accruals, Allocations and Other	Valuation Adjustments	All Other	Total Comprehensive Income (C+E+F+G)	Caption in Statement of Comprehensive Income	Non-Cash / Non-Income	31 December 2010
BUSINESS										
Operating										
Accounts receivable, trade (net of allowance of 23,642, and 13,534 respectively)	527,841	622,988	Cash received from retail customers	(38,868)			584,120	Sales-retail	(12,960)	922,036
		1,868,963	Cash received from wholesale customers	467,518			2,336,481	Sales-wholesale		
		8,000	Sale of receivables	(12,987)			(4,987)	Loss on sale of receivables		
					1,040		1,040	FCTA - Consolidated Sub	560	
				(23,068)			(23,068)	Bad debt expense	12,960	
Advances from customers	(425,000)	81,000	Cash received from retail customers	60,750			141,750	Sales-retail		(182,000)
		243,000	Cash received from wholesale customers	182,250			425,250	Sales-wholesale		
Inventory	767,102			(60,250)			(60,250)	COGS - Change in inventory		679,474
					1,054		1,054	FCTA - Consolidated Sub	568	
						(29,000)	(29,000)	Loss on obsolete and damaged inventory		
Accounts payable, trade	(505,000)	(935,544)	Materials purchases	(107,556)			(1,043,100)	COGS - Materials		(612,556)
Wages, salaries and benefits payable	(200,000)	(391,034)	Compensation	13,034			(378,000)	Wages, salaries and benefits		(173,000)
		(418,966)	Labor	13,966			(405,000)	COGS - Labor		
		(160,800)	Overhead-transportation and other				(160,800)	COGS - Overhead - transportation and other		
		(12,960)	Other				(12,960)	Other		
Cash flow hedge	3,150	3,402	Settlement of cash flow hedge	(594)	1,188		3,996	Realized gain on cash flow hedge		6,552
					1,825		1,825	Unrealized gain on cash flow hedge (operating)	983	
		(13,500)	Other selling expenses				(13,500)	Other selling expenses		
Prepaid advertising	75,000	(65,000)	Advertising	5,000			(60,000)	Advertising expense		80,000
Property, plant, and equipment (less accumulated depreciation of 2,264,620, and 2,022,000, respectively)	3,041,500	(54,000)	Capital expenditures	54,000						2,817,460
									(35,000)	
		37,650	Disposal of property, plant and equipment	(15,000)			22,650	Gain on disposal of PPE	14,580	
				(58,320)			(58,320)	Depreciation expense-property, plant and equipment	35,000	
				(219,300)			(219,300)	COGS - Overhead - depreciation		
Building (net of accumulated depreciation of 1,500, and 3,000 respectively)	23,500			(1,500)			(1,500)	Depreciation expense-building		27,620
					3,653		3,653	Revaluation surplus (operating)	1,967	
Investment in associate A	240,000			23,760			23,760	Share of profit of associate A		261,600
					(1,404)		(1,404)	FCTA on equity method investee	(756)	
Goodwill & Intangibles	189,967							Impairment loss on goodwill		189,967
Current portion of lease liability	(33,500)	(33,500)	Lease payment	33,500					(35,175)	(35,175)
Interest payable on lease liability	(16,500)	(16,500)	Lease payment	1,675			(14,825)	Interest expense on lease liability		(14,825)
		(8,478)	Research and development				(8,478)	Research and development		
Accrued pension liability	(529,500)	(124,200)	Contributions to pension plan	(304)	18,000		(106,504)	Pension expense	2,554	(293,250)
		(216,000)	Payment of pension benefits	216,000						
				2,555			2,555	Amortization of prior service cost	(2,555)	
Share-based remuneration liability	(21,165)	(3,602)	Payment of pension benefits	(12,171)	(6,250)		(22,023)	Stock remuneration expense		(39,586)
Lease liability (excluding current portion)	(296,500)								35,175	(261,325)
Litigation reserve	(1,850)			(1,998)			(1,998)	Litigation expense		(3,848)
Asset retirement obligation	(14,250)			(810)			(810)	Accretion expense on asset retirement obligation	(14,580)	(29,640)
		(3,210)	Effect of Foreign Exchange							
Net Operating Assets	**2,824,795**	**407,709**	**Net cash received for operating activities**	**521,282**	**19,106**	**(29,000)**	**922,307**	**Comprehensive operating income**	**3,321**	**3,339,504**
Investing										
AFS securities	485,000		Purchase of available-for-sale securities		17,192		17,192	Unrealized gain on available for sale securities (investing)	9,258	473,600
		56,100	Sale of available-for-sale securities	(37,850)			18,250	Realized gain on AFS securities		
		54,000	Dividends received				54,000	Dividend income		
Investment in associate B	39,250				7,500		7,500	Share of profit of associate B		46,750
Total investing assets	**524,250**	**110,100**	**Net cash received (paid) for investing activities**	**(37,850)**	**24,692**		**96,942**	**Comprehensive investing income**	**9,258**	**520,350**
Net business assets	**3,349,045**	**517,809**	**Net cash received for business activities**	**483,432**	**43,798**	**(29,000)**	**1,019,249**	**Comprehensive business income**	**12,579**	**3,859,854**
FINANCING										
Cash	861,941	312,161	Change in cash							1,174,102
Total financing assets	**861,941**	**312,161**								**1,174,102**
		8,619	Interest received on cash				8,619	Interest income on cash balance		
Short-term debt	(400,000)	162,000	Proceeds from issuance of short-term debt	(162,000)						(562,000)
Interest payable	(112,563)	(83,514)	Interest paid	(27,838)			(111,352)	Interest expense		(140,401)
Dividends payable	(20,000)	(86,400)	Dividends paid	86,400					(86,400)	(20,000)
Long-term debt	(2,050,000)		Proceeds from issuance of long-term debt							(2,050,000)
Total financing liabilities	**(2,582,563)**	**705**		**(103,438)**			**(102,733)**		**(86,400)**	**(2,772,401)**
Net financing assets	**(1,720,621)**	**705**	**Net cash received (paid) for financing activities**	**(103,438)**			**(102,733)**	**Total financing expense**	**(86,400)**	**(1,598,299)**
DISCONTINUED OPERATIONS										
Assets held for sale	876,650	(12,582)		11,340		(19,818)	(21,060)	Loss on discontinued operations	(11,340)	856,832
Liabilities held for sale	(400,000)									(400,000)
Net assets held for sale	**476,650**	**(12,582)**		**11,340**		**(19,818)**	**(21,060)**	**Net loss on discontinued operations**	**(11,340)**	**456,832**
INCOME TAXES										
Income taxes payable	(63,679)	(281,221)	Cash paid for current tax expense	(8,835)			(290,056)	Income tax expense		(72,514)
Deferred tax asset	89,067			(43,569)			(43,569)	Income tax expense	(1,239)	44,259
Net income tax asset (liability)	**25,388**	**(281,221)**	**Cash paid for current tax expense**	**(52,404)**			**(333,625)**	**Income tax expense**	**(1,239)**	**(28,255)**
Net assets	**2,130,462**	**224,711**	**Net Cash flow before equity items**	**338,930**	**43,798**	**(48,818)**	**561,830**	**Total comprehensive income**	**(86,400)**	**2,690,132**

Alternative C—Analysis of changes in significant line items on the SFP

Statement of financial position — ToolCo ("Significant" line items are shaded)

STATEMENT OF FINANCIAL POSITION

For years ending 31 December

	2010	2009
BUSINESS		
Operating		
Accounts receivable, trade (net of allowance of 23,642, and 13,534 respectively) (See Note 1)	922,036	527,841
Inventory (See Note 2)	679,474	767,102
Cash flow hedge (See Note 9)	6,552	3,150
Prepaid advertising and other (See Note 9)	80,000	75,000
Total short-term assets	1,688,062	1,373,092
Property, plant, and equipment (less accumulated depreciation of 2,264,620, and 2,022,000, respectively) (See Note 3)	2,817,460	3,041,500
Building (net of accumulated depreciation of 1,500, and 3,000 respectively) (See Note 3)	27,620	23,500
Investment in associate A (See Note 7)	261,600	240,000
Goodwill (See Note 9)	154,967	154,967
Other intangible assets (See Note 9)	35,000	35,000
Total long-term assets	3,296,647	3,494,967
Advances from customers (See Note 1)	(182,000)	(425,000)
Accounts payable, trade (See Note 2)	(612,556)	(505,000)
Current portion of lease liability (See Note 3)	(35,175)	(33,500)
Interest payable on lease liability (See Note 3)	(14,825)	(16,500)
Wages, salaries, and benefits payable (See Note 4)	(173,000)	(200,000)
Share-based remuneration liability (see Note 8)	(39,586)	(21,165)
Total short-term liabilities	(1,057,142)	(1,201,165)
Accrued pension liability (See Note 4)	(293,250)	(529,500)
Lease liability (excluding current portion) (See Note 3)	(261,325)	(296,500)
Other long-term liabilities (litigation + Decommissioning) (See Note 3 & 8)	(33,488)	(16,100)
Total long-term liabilities	(588,063)	(842,100)
Net operating assets	**3,339,504**	**2,824,795**
Investing		
Available-for-sale securities (See Note 7)	473,600	485,000
Investment in associate B (See Note 7)	46,750	39,250
Total investing assets	520,350	524,250
Net business assets	**3,859,854**	**3,349,045**
FINANCING		
Financing assets		
Cash	1,174,102	861,941
Total financing assets	**1,174,102**	**861,941**
Financing liabilities		
Short-term debt (See Note 5)	(562,000)	(400,000)
Interest payable (See Note 5)	(140,401)	(112,563)
Dividends payable (see Note 8)	(20,000)	(20,000)
Total short-term financing liabilities	(722,401)	(532,563)
Long-term debt (See Note 5)	(2,050,000)	(2,050,000)
Total financing liabilities	**(2,772,401)**	**(2,582,563)**
Net financing assets	**(1,598,299)**	**(1,720,621)**
DISCONTINUED OPERATIONS		
Assets held for sale (See Note 10)	856,832	876,650
Liabilities held for sale (See Note 10)	(400,000)	(400,000)
Net assets held for sale	**456,832**	**476,650**
INCOME TAXES		
Short-term		
Income taxes payable (See Note 6)	(72,514)	(63,679)
Deferred tax asset (See Note 6)	4,426	8,907
Long-term		
Deferred tax asset (See Note 6)	39,833	80,160
Net income tax asset (liability)	**(28,255)**	**25,388**
Net assets	**2,690,132**	**2,130,462**
EQUITY		
Share capital	(1,427,240)	(1,343,000)
Retained earnings	(1,100,358)	(648,289)
Accumulated other comprehensive income	(162,534)	(139,173)
Total equity	**(2,690,132)**	**(2,130,462)**

Alternative C—Analysis of changes in significant line items – ToolCo

Note 1 - Revenues and Billings

	Accounts Receivable	Bad Debt	Customer Advances
Beginning balance 1 January 2010	541,375	(13,534)	(425,000)
Collections from customers	(2,491,950)	-	(324,000)
Sale of receivables	(8,000)	-	-
Total Cash Changes	(2,499,950)	-	(324,000)
Revenue accrual	2,920,600	-	567,000
Write-offs	(12,960)	12,960	-
Other adjustment - bad debt reserve	-	(23,068)	-
Remeasurement - loss on sale of receivables	(4,987)	-	-
Remeasurement - foreign exchange	1,600	-	-
Ending balance 31 December 2010	945,678	(23,642)	(182,000)

Note 2 - Inventory Costs

	Inventory	Inventory Accounts Payable
Beginning balance 1 January 2010	767,102	(505,000)
Cash paid for purchases	-	935,544
Total Cash Changes	-	935,544
Accrual - credit purchases	1,043,100	(1,043,100)
Allocation - wages, benefits, depreciation	624,300	-
Reduction from sales	(1,727,650)	-
Remeasurement - Loss on inventory	(29,000)	-
Remeasurement - foreign exchange	1,622	-
Ending balance 31 December 2010	679,474	(612,556)

Note 3 - Long-lived Assets

	PP&E Net	Building Net	Asset Retirement Obligation*	Lease Liability Including Interest
Beginning balance 1 January 2010	3,041,500	23,500	(14,250)	(346,500)
Cash paid to purchase PP&E	54,000	-	-	-
Cash paid for lease	-	-	-	33,500
Cash paid for interest	-	-	-	16,500
Cash received from sale of assets	(37,650)	-	-	-
Total Cash Changes	16,350	-	-	50,000
Accrual - interest	-	-	-	(14,825)
Allocation - depreciation, accretion	(277,620)	(1,500)	(810)	-
Remeasurement - gain on sale of assets	22,650	-	-	-
Remeasurement - ARO recognition	14,580	-	(14,580)	-
Remeasurement - revaluation surplus	-	5,620	-	-
Ending balance 31 December 2010	2,817,460	27,620	(29,640)	(311,325)

* Amount is included as part of Other long-term liabilities (litigation + Decommissioning) in the Statement of Financial Position.

Alternative C—Analysis of changes in significant line items (continued)

Note 4 - Compensation and Benefits

	Wages, Salaries, Benefits	Share-based Remuneration*	Pension Liability*
Beginning balance 1 January 2010	(200,000)	(21,165)	(529,500)
Cash paid for wages, salaries and benefits	810,000	-	-
Cash paid for stock remuneration	-	3,602	-
Contribution to plan	-	-	124,200
Payment of benefits	-	-	216,000
Total Cash Changes	810,000	3,602	340,200
Accrual	(783,000)	-	-
Accrual - stock remuneration	-	(15,773)	-
Accrual - pension expense (service cost)	-	-	(121,950)
Remeasurement - remeasurement of plan assets	-	-	18,000
Remasurement - fair value	-	(6,250)	-
Ending balance 31 December 2010	(173,000)	(39,586)	(293,250)

*Example to illustrate analysis of changes from SFP perspective. This disclosure would be combined with or replace disclosures currently required by IFRS or US GAAP.

Note 5 - Debt

	Long-Term	Short-Term	Interest
Beginning balance 1 January 2010	(2,050,000)	(400,000)	(112,563)
Cash received from issuance of debt	-	(162,000)	-
Cash paid for interest	-	-	83,515
Total Cash Changes	-	(162,000)	83,515
Accrual - interest	-	-	(111,353)
Ending balance 31 December 2010	(2,050,000)	(562,000)	(140,401)

Note 6 - Income Taxes*

	Deferred Taxes	Income Tax Payable
Beginning balance 1 January 2010	89,067	(63,679)
Taxes paid	-	281,222
Total Cash Changes	-	281,222
Other adjustment - reverse provision	(44,808)	-
Accruals - current tax	-	(290,057)
Ending balance 31 December 2010	44,259	(72,514)

*Example to illustrate analysis of changes from SFP perspective. This disclosure would be combined with or replace disclosures currently required by IFRS or US GAAP.

Alternative C—Analysis of remaining line items that are considered NOT significant

Note 7 - Investments

	AFS Securities	Associate A	Associate B
Beginning balance 1 January 2010	485,000	240,000	39,250
Sale of securities	(56,100)	-	-
Total Cash Changes	(56,100)	-	-
Share of profit of associate	-	23,760	7,500
Remeasurement - foreign exchange	-	(2,160)	-
Remeasurement - fair value	26,450	-	-
Remeasurement - gain on sale of securities	18,250	-	-
Ending balance 31 December 2010	473,600	261,600	46,750

Note 8 - Other Liabilities

	Short-term
Beginning balance 1 January 2010	(21,850)
Dividends paid	86,400
Total Cash Changes	86,400
Accruals - litigation	(1,998)
Accruals - dividend	(86,400)
Ending balance 31 December 2010	(23,848)

Note 9 - Other Assets

	Short-term	Long-term
Beginning balance 1 January 2010	78,150	189,967
Prepaid expense	65,000	-
Settle cash flow hedge	(3,402)	-
Total Cash Changes	61,598	-
Accruals - adjustment	(60,000)	-
Remeasurement - fair value	6,804	-
Ending balance 31 December 2010	86,552	189,967

Note 10 - Discontinued Operations

	Assets Held for Sale	Liabilities Held for Sale
Beginning balance 1 January 2010	876,650	(400,000)
Remeasurement - loss on disposal	(19,818)	-
Ending balance 31 December 2010	856,832	(400,000)

Alternative D—Disaggregation of remeasurements on ToolCo's SCI (2-column format)

For the Year Ending 31 December 2010	Income and Expense Except For Remeasurements	*Remeasurements*
BUSINESS		
Operating		
Sales-wholesale	2,790,080	
Sales-retail	697,520	
Total revenue	3,487,600	
Cost of goods sold		
Materials	(1,043,100)	
Labour	(405,000)	
Pension expense (service cost)	(60,975)	
Expected return on plan assets		*9,000*
Overhead-depreciation	(219,300)	
Overhead-transportation and other	(160,800)	
Change in inventory	(60,250)	
Loss on obsolete & damaged inventory		*(29,000)*
Total cost of goods sold	(1,949,425)	(20,000)
Gross profit	**1,538,175**	**(20,000)**
Selling Expenses		
Advertising expense	(60,000)	
Wages, salaries and benefits	(56,700)	
Bad debt expense	(23,068)	
Other selling expenses	(13,500)	
Total selling expenses	(153,268)	
General and administrative expenses		
Wages, salaries and benefits	(321,300)	
Pension expense (service cost)	(60,975)	
Expected return on plan assets		*9,000*
Depreciation expense-property plant and equipment	(58,320)	
Depreciation expense-building	(1,500)	
Employee share-based remuneration	(15,773)	
Change in FV of cash settled employee share-based payment transactions		*(6,250)*
Interest expense on lease liability	(14,825)	
Other	(12,960)	
Research and development	(8,478)	
Litigation expense	(1,998)	
Accretion expense on asset retirement obligation	(810)	
Total general and administrative expenses	(496,939)	2,750
Income before other operating items	*887,968*	*(17,250)*
Other operating		
Gain on disposal of PPE		*22,650*
Share of profit of associate A	23,760	
Realized gain on cash flow hedge		*3,996*
Loss on sale of receivables		*(4,987)*
Total other operating income	23,760	21,659
Total continuing operating income	**911,728**	**4,409**
Investing		
Dividend income	54,000	
Realized gain on AFS securities		*18,250*
Share of profit of associate B	7,500	
Total continuing investing income	**61,500**	**18,250**
TOTAL CONTINUING BUSINESS INCOME	**973,228**	**22,659**
FINANCING		
Interest expense	(111,353)	
Interest income on cash	8,619	
TOTAL CONTINUING FINANCING EXPENSE	**(102,733)**	
Income from continuing operations before taxes	**870,495**	**22,659**
Income tax expense	(333,625)	
Net income from continuing operations	**536,870**	**22,659**
DISCONTINUED OPERATIONS		
Loss on discontinued operations	(12,582)	
Loss on disposal		(19,818)
Tax benefit	11,340	
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**
NET PROFIT	**535,628**	**2,841**
OTHER COMPREHENSIVE INCOME (after tax)		
Unrealized gain on available for sale securities (investing)		*17,193*
Revaluation surplus (operating)		*3,653*
Foreign currency translation adjustment-consolidated subsidiary (operating)		*2,094*
Foreign currency translation adjustment on equity method investee (operating)		*(1,404)*
Unrealized gain on cash flow hedge (operating)		*1,825*
Total other comprehensive income		**23,361**
Profit before remeasurements	**535,628**	**26,202**
Total of remeasurements	**26,202**	
Total comprehensive income	**561,830**	

Alternative D—Disaggregation of remeasurements on ToolCo's SCI (3-column format)

For the Year Ending 31 December 2010	Income and Expense Except For Remeasurements	*Remeasurements*	Comprehensive Income
BUSINESS			
Operating			
Sales-wholesale	2,790,080		2,790,080
Sales-retail	697,520		697,520
Total revenue	3,487,600		3,487,600
Cost of goods sold			
Materials	(1,043,100)		(1,043,100)
Labour	(405,000)		(405,000)
Pension expense	(60,975)		(51,975)
Remeasurement of plan assets		*9,000*	
Overhead-depreciation	(219,300)		(219,300)
Overhead-transportation and other	(160,800)		(160,800)
Change in inventory	(60,250)		(60,250)
Loss on obsolete & damaged inventory		*(29,000)*	(29,000)
Total cost of goods sold	(1,949,425)	(20,000)	(1,969,425)
Gross profit	**1,538,175**	**(20,000)**	**1,518,175**
Selling Expenses			
Advertising expense	(60,000)		(60,000)
Wages, salaries and benefits	(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			
Wages, salaries and benefits	(321,300)		(321,300)
Pension expense	(60,975)		(51,975)
Remeasurment of plan assets		*9,000*	
Depreciation expense-property plant and equipment	(58,320)		(58,320)
Depreciation expense-building	(1,500)		(1,500)
Employee share-based remuneration	(15,773)		(22,023)
Change in FV of cash settled employee share-based payment transactions		*(6,250)*	
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	*887,968*	*(17,250)*	*870,718*
Other operating			
Gain on disposal of PPE		*22,650*	22,650
Share of profit of associate A	23,760		23,760
Realized gain on cash flow hedge		*3,996*	3,996
Loss on sale of receivables		*(4,987)*	(4,987)
Total other operating income	23,760	21,659	45,419
Total continuing operating income	**911,728**	**4,409**	**916,137**
Investing			
Dividend income	54,000		54,000
Realized gain on AFS securities		*18,250*	18,250
Share of profit of associate B	*7,500*		7,500
Total continuing investing income	**61,500**	**18,250**	**79,750**
TOTAL CONTINUING BUSINESS INCOME	**973,228**	**22,659**	**995,887**
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	**870,495**	**22,659**	**893,154**
Income tax expense	(333,625)		(333,625)
Net income from continuing operations	**536,870**	**22,659**	**559,529**
DISCONTINUED OPERATIONS			
Loss on discontinued operations	(12,582)		(12,582)
Loss on disposal		(19,818)	(19,818)
Tax benefit	11,340		11,340
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**	**(21,060)**
NET PROFIT	**535,628**	**2,841**	**538,469**
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 cash flow hedge (operating)		*1,825*	1,825
Total other comprehensive income		**23,361**	**23,361**
Total	**535,628**	**26,202**	**561,830**