



Project	Financial Statement Presentation
Topic	Costs, benefits, communication, and outreach

Introduction

1. At the working group meeting, we would like working group members to provide input on:
 - (a) How we can assess the costs and benefits of the financial statement presentation (FSP) model to be proposed in the exposure draft
 - (b) How we can best communicate about that proposed financial statement presentation model.

Overall costs of the proposed presentation model

2. During deliberations, the boards discussed the feedback received by respondents to the discussion paper and participants in the field test about the perceived costs, benefits, and effects of specific aspects of the proposed presentation model, particularly a direct method statement of cash flows (SCF), disaggregation by function and nature, and the reconciliation schedule. In January 2010, the boards received a summary of the input received on the *overall* costs of that model.
3. The input received provides a wide range of estimated costs. The range in estimates is attributable to a number of reasons, including the different approaches an entity could use to implement the proposed model, the entity's current reporting system, the size of the entity, and the country or countries in which the entity operates.
4. The staff think that the cost information received is of limited use in a cost-benefit analysis for the following reasons:

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- (a) The information is from a very limited number of companies that cannot be considered a representative sample from which we could extrapolate cost estimates.
 - (b) The information is anecdotal and difficult to verify because there are multiple implementation decisions and alternatives available. Therefore, we are unable to identify the cost and benefits for each of the viable alternatives.
 - (c) We have focused mainly on input from preparers of large multinational companies and select analysts, and have not considered all of the groups that would be affected by the proposed changes.
 - (d) We are unable to identify an appropriate time period over which costs and benefits will be realized.
5. However, the staff think that the overall cost information provides useful information regarding the potential effects of the proposed presentation model that the boards should consider in subsequent cost benefit discussions before finalizing a standard on financial statement presentation.

Understanding the benefits of the proposed presentation model

6. Both the field test and the Financial Accounting Standards Research Initiative's (FASRI) experimental study helped the boards assess the benefits of the presentation model proposed in the discussion paper. The staff also engaged in a number of outreach efforts to understand the benefits of a direct method SCF because that was repeatedly identified by field test participants and comment letter respondents as the most costly aspect of the discussion paper.
7. The boards addressed both the costs and benefits of the individual aspects of the discussion paper during deliberations. In addition, we have addressed how possible changes to the proposed presentation model would impact the expected costs and benefits with the boards' various advisory groups. The papers for the February 12, 2010 WG meeting describe the substantive changes that the boards have made to the presentation model proposed in the discussion paper, so we will not repeat them here.

Field testing the exposure draft

8. One way to gather additional information about the costs and benefits of the proposals in the exposure draft is to conduct a field test of those proposals

during the comment period. Two compelling reasons to test the revised presentation model are:

- (a) Several aspects of the presentation model have changed significantly since the issuance of the discussion paper;
 - (b) The field testing conducted on the discussion paper did not include sufficient information about financial services entities.
9. However, the changes made to the proposed model have been largely in response to field test results and comment letters. Therefore, additional field testing may not provide incremental benefits to the redeliberations process.

Discussion questions—costs and benefits

- 1. Do WG members think that we should conduct a field test on the proposals in the ED during the comment period? Why or why not?
- 2. As was the case with the discussion paper, we usually receive more information about the costs of proposed changes to accounting standards than about the benefits of those changes. Do WG members have any suggestions on how we might gather information about the benefits of the proposals?
- 3. Do WG members have any suggestions on how we can get a better handle on the range of estimated costs we receive about the proposed changes?

Communication and outreach efforts

10. In the past the boards have agreed to the following communication goals for the FSP project:
- (a) Clearly communicate why the current methods of presenting financial statements fail to meet user needs and how the proposed model will meet user needs
 - (b) Encourage broad participation in the consultation process to ensure that the best ideas are given due consideration by the boards
 - (c) Listen more and talk less.
11. A communication plan should provide the following benefits:
- (a) Reduce the amount of misinformation about the project in the market
 - (b) Obtain third-party input earlier in the process and early warning of constituent concerns.

12. Activities that support that plan include:
- (a) Update the project webpage to clearly explain the project's goals and objectives and the exposure draft proposals
 - (b) Develop key talking points
 - (c) Post webcasts or possibly podcasts, a PowerPoint package, and a frequently asked questions document on the boards' websites concurrent with publication of the exposure draft
 - (d) Engage key users and preparers in the consultation process through small group meetings, conference calls, and webcasts
 - (e) Hold meetings, forums, and roundtables with constituent groups to explain and seek feedback on the exposure draft
 - (f) Involve board members in the outreach process so that they get first-hand feedback.

Discussion questions—communication and outreach

- 4. What other activities should the boards or staff be engaged in to communicate the boards' views and help constituents to focus on the merits of the proposals?
- 5. How can JIG and FIAG members best assist the boards and staff in its communications about this project?