



Project **Financial statement presentation**
 Topic **Cover note**

1. The work plan for the financial statement presentation project envisages publication of an exposure draft in April 2010.
2. Below is a staff-prepared summary of the proposals included in the October 2008 discussion paper, *Preliminary Views on Financial Statement Presentation*, and the boards’ tentative decisions made in deliberations to an exposure draft.

Discussion Paper – October 2008	Tentative Decisions as of January 2010
Scope	
Affected Entities 1.18. The Boards intend that the proposals in this Discussion Paper would apply to all entities except: <ol style="list-style-type: none"> a. Not-for-profit entities. b. Entities within the scope of the IASB’s forthcoming IFRS for Private Entities. c. Nonpublic entities (U.S. GAAP). d. Benefit plans within the scope of IAS 26, Accounting and Reporting by Retirement Benefit Plans, or FASB Statement No. 35, Accounting and Reporting by Defined Benefit Pension Plans. 	The FASB will address application of the proposed model to non-public entities in February or March 2010.
Issues in the Scope of the Project	
1.22. This project will not address recognition or measurement requirements provided in other standards for individual assets, liabilities, or transactions. Therefore, the Boards decided not to consider in this project whether to change existing requirements that describe: <ol style="list-style-type: none"> a. Which items must or may be presented in other comprehensive income outside of profit or loss or net income b. Whether, when, and how items of other comprehensive income must be reclassified to profit or loss or net income (see paragraph 3.32). 	Retain this aspect of the discussion paper (July 2009)
Objectives of Financial Statement Presentation	
2.4. The Boards propose three objectives of financial statement presentation, namely that information should be presented in financial statements in a manner that: <ol style="list-style-type: none"> a. portrays a cohesive financial picture of an entity’s 	Rewrite the objectives of financial statement presentation as core presentation principles. Explain how the core presentation principles relate to the conceptual framework for financial reporting. (July 2009)

This paper has been prepared for discussion at a public meeting of the Analyst Representative Group of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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<p>activities</p> <p>b. disaggregates information so that it is useful in assessing the amount, timing, and uncertainty of an entity’s future cash flows</p> <p>c. helps users to assess an entity’s ability to meet its financial commitments as they become due and to invest in business opportunities.</p>	
<p>Cohesiveness Objective</p> <p>2.5. An entity should present information in its financial statements in a manner that portrays a cohesive financial picture of its activities.</p>	<p>Retain cohesiveness as one of the core presentation principles. (July 2009)</p>
<p>Disaggregation Objective</p> <p>2.7. An entity should disaggregate information in its financial statements in a manner that makes it useful in assessing the amount, timing, and uncertainty of its future cash flows.</p>	<p>Retain disaggregation as one of the core presentation principles. (July 2009) The core disaggregation principle should require an entity to consider disaggregation by function, nature, and measurement bases in the financial statements as a whole. The Exposure Draft should include guidance for applying that disaggregation principle in each financial statement. (October 2009)</p>
<p>Liquidity and Financial Flexibility Objective</p> <p>2.12. An entity should present information in its financial statements in a manner that helps users to assess the entity’s ability to meet its financial commitments as they become due and to invest in business opportunities.</p>	<p>Consider liquidity and financial flexibility in the context of the disaggregation principle, rather than as a separate core presentation principle. (July 2009)</p>
<p>Principles of Financial Statement Presentation and Related Application Guidance</p>	
<p>Presenting a Cohesive Set of Financial Statements</p> <p>2.15. To present a cohesive set of financial statements, an entity should align the line items, their descriptions, and the order in which information is presented in the statements of financial position, comprehensive income, and cash flows.</p>	
<p>2.16. The Boards’ preliminary view is that, ideally, financial statements should be cohesive at the line item level. Aligning line items across the financial statements should provide more information and increase the transparency of the information provided—something that users have requested repeatedly. However, alignment of every line in each of the three statements may not be feasible. The goal of line-item cohesiveness is for a user to find an asset or liability and the effects of a change in that asset or liability in the same or similar location in each financial statement and to be able to identify related information in different statements. In presenting information in its financial statements, an entity should comply with the spirit of that goal.</p>	<p>Modify application of the cohesiveness principle so that cohesiveness is not necessarily required at the line-item level. (July 2009)</p> <p>Require an entity to apply the cohesiveness principle at the category level for the SFP, SCI and SCF (December 2009)</p>

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<p>Separating Information into Sections and Categories 2.19. An entity should present information about the way it creates value (its business activities) separately from information about the way it funds or finances those business activities (its financing activities). a. An entity should further separate information about its business activities by presenting information about its operating activities separately from information about its investing activities. (See paragraphs 2.31–2.33.) b. An entity should present information about the financing of its business activities separately depending on the source of that financing. Specifically, information about nonowner sources of finance (and related changes) should be presented separately from owner sources of finance (and related changes). (See paragraphs 2.34–2.36.)</p>	<p>Retain this aspect of the discussion paper (September 2009)</p> <p>Retain this aspect of the discussion paper (October 2009)</p> <p>Retain this aspect of the discussion paper (September 2009)</p>
<p>2.20. An entity should present information about its discontinued operations separately from its continuing business and financing activities. (See paragraph 2.37.)</p>	<p>Retain this aspect of the discussion paper (September 2009)</p>
<p>2.21. An entity should present information about its income taxes separately from all other information in the statements of financial position and cash flows. In its statement of comprehensive income, an entity should separately present information about its income tax expense (benefit) related to income from continuing operations (the total of its income or loss from business and financing activities). An entity’s income tax expense (benefit) related to discontinued operations and other comprehensive income items should be presented in either the statement of comprehensive income or the notes to financial statements as required by IFRS and U.S. GAAP. If income tax expense or benefit relates to transactions with owners in their capacity as owners and IFRSs or U.S. GAAP require it to be charged or credited directly to equity, that income tax expense or benefit should be presented in the statement of changes in equity, not in the statement of comprehensive income.</p>	<p>Retain this aspect of the discussion paper (October 2009)</p>
<p>Presenting Meaningful Subtotals 2.23. An entity should present subtotals and related headings for each section and category within a section in the statements of financial position, comprehensive income, and cash flows. An entity may present additional subtotals and headings if such presentation is helpful to understanding its financial position and changes in its financial position and if those subtotals and headings are presented consistently in the three statements.</p>	<p>To be addressed in February 2010 (sweep issue)</p>
<p>Classifying Information in the Sections and Categories 2.27. An entity should classify its assets and liabilities in the business section and in the financing section in a manner that best reflects the way the asset or liability is used within the entity. This Discussion Paper refers to this as a management approach to classification.</p>	<p>Retain this aspect of the discussion paper, but do not refer to it as “management approach to classification” (September 2009)</p>
<p>An entity with more than one reportable segment (as that term is defined in IFRSs and U.S. GAAP) should classify</p>	<p>Retain this aspect of the discussion paper (September and October 2009)</p>

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<p>its assets and liabilities in the business and financing sections on the basis of the way those items are used in each of its reportable segments.</p>	
<p>2.28. Even though an entity uses a management approach to classify its assets and liabilities in the business and financing sections, it should refer to existing standards when classifying its assets, liabilities, and equity items in the income taxes section, the discontinued operations section, and the equity section. (See paragraphs 2.36–2.38.)</p>	<p>Retain this aspect of the discussion paper. In a change from the discussion paper, equity will be a category within the financing section rather than a separate section. (October 2009)</p>
<p>2.29. To present information in a cohesive manner, an entity should present changes in its assets, liabilities, and equity items in the same section and category in the statement of comprehensive income and the statement of cash flows that the asset or liability is classified in the statement of financial position. In other words, the classification of assets and liabilities in the statement of financial position determines the classification of changes in those assets and liabilities in the statements of comprehensive income and cash flows. For example, an entity would classify its revenues, expenses, gains, losses, and cash flows related to operating assets and liabilities in the operating category in the statements of comprehensive income and cash flows.</p>	<p>Slightly modify this aspect of the discussion paper to say that classification in the financial statements is generally determined by reference to classification on the SFP. (December 2009)</p>
<p>2.30. An entity should present changes attributable to transactions with owners in their capacity as owners in the statement of changes in equity.</p>	<p>To be addressed in February 2010 (sweep issue)</p>
<p>2.31. The business section should include assets and liabilities that management views as part of its continuing business activities and changes in those assets and liabilities. Business activities are those conducted with the intention of creating value, such as producing goods or providing services. The business section normally would include assets and liabilities that are related to transactions with customers, suppliers, and employees (in their capacities as such) because such transactions usually relate directly to an entity’s value-creating activities.</p>	<p>Retain this aspect of the discussion paper (September and October 2009)</p> <p>Add the <i>financing arising from operating activities</i> category to the business section (December 2009)</p>
<p>2.32. The operating category within the business section should include assets and liabilities that management views as related to the central purpose(s) for which the entity is in business. An entity uses its operating assets and liabilities in its primary revenue- and expense-generating activities. All changes in operating assets and liabilities should be presented in the operating category in the statement of comprehensive income (unless existing standards require a change to be recognized as an item of other comprehensive income) and the statement of cash flows.</p>	<p>Retain an operating and investing category within the business section.</p> <p>In a change from the discussion paper, the operating category should reflect the entity’s day-to-day business activities that generate revenue through a process that requires the interrelated use of the net resources of the entity. (October 2009)</p>
<p>2.33. The investing category within the business section should include business assets and business liabilities, if any, that management views as unrelated to the central purpose for which the entity is in business. An entity may use its investing assets and liabilities to generate a return in the form of interest, dividends, or increased market prices but does not use them in its primary revenue- and expense-generating activities. All changes in investing assets and liabilities should</p>	<p>Retain an operating and investing category within the business section.</p> <p>In a change from the discussion paper, the investing category should reflect the entity’s business activities that generate non-revenue income and create no significant synergies from combined assets. (October 2009)</p>

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<p>be presented in the investing category in the statement of comprehensive income (unless existing standards require a change to be recognized as an item of other comprehensive income) and the statement of cash flows.</p>	
	<p>Financing arising from operating activities category: Add a category to the business section in the SFP and SCI labelled <i>financing arising from operating activities</i>, which should include long-term liabilities tied to operating activities such as a net pension liability (or asset) and an asset retirement obligation. Cash flows related to items in this new category should be presented on the SCF in a category labelled <i>operating activities and financing arising from operating activities</i>. (December 2009)</p>
<p>2.34. The financing section should include a financing asset category and a financing liability category. Financing assets and financing liabilities are <i>financial assets</i> and <i>financial liabilities</i> (as those terms are defined in IFRSs and U.S. GAAP) that management views as part of the financing of the entity’s business and other activities. In determining whether a financial asset or financial liability is part of an entity’s financing activities, management should consider whether the item is interchangeable with other sources used to fund its business activities. For example, an entity could acquire equipment using cash, a lease, or a bank loan. The financing section would normally include liabilities that originated from an entity’s capital-raising activities (for example, a bank loan or bonds) because capital is usually raised to fund value-creating (business) activities. However, as discussed in paragraph 2.79, because of the management approach to classification used in the proposed presentation model, items classified in the financing section by a manufacturing entity may differ from those classified in that section by a financial services entity. All changes in financing assets and financing liabilities should be presented in the financing asset and financing liability categories, respectively in the statement of comprehensive income (unless existing standards require a change to be recognized as an item of other comprehensive income) and the statement of cash flows.</p>	<p>The <i>financing section</i> will include items that are part of an entity’s activities to obtain (or repay) capital and consist of two categories: debt and equity.</p> <ol style="list-style-type: none"> 1. The debt category will include liabilities where the nature of those liabilities is a borrowing arrangement entered into for the purpose of raising (or repaying) capital. 2. The equity category will include equity as defined in either IFRS or U.S. GAAP. <p>In a change from the discussion paper, the financing section will <i>not</i> include a treasury category—that is, cash and short-term financial assets (or financial liabilities) used as a substitute for cash will be included in the business section. (October 2009)</p>
Statement of Financial Position	
<p>Presenting Information about Liquidity and Financial Flexibility of Assets and Liabilities 3.2. An entity should classify its assets and liabilities (except those related to a discontinued operation) in the statement of financial position into short-term and long-term subcategories of the operating, investing, financing assets, and financing liabilities categories unless a presentation based on liquidity provides information that is more relevant. In a presentation based on liquidity, an entity should present its assets and liabilities in increasing or decreasing order of liquidity, and it should present in the notes to its financial statements information about the maturities of its short-term contractual assets and liabilities. All entities should present information about the maturities of their long-term contractual assets and</p>	<p>Retain the proposal that management is best placed to determine whether to present a classified SFP or a presentation of assets and liabilities in order of liquidity. The short-term and long-term classifications will be based on a fixed period of one year.</p> <p>In a change from the discussion paper, an entity that presents its SFP in order of liquidity is not required to present information about maturities of its short-term contractual assets and liabilities in the notes (as part of this project).</p> <p>(December 2009)</p>

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liabilities in the notes to financial statements.	
<p>Presenting <i>Cash</i> in the Statement of Financial Position 3.14. Cash equivalents should be presented and classified in a manner similar to other short-term investments. An entity should not present any securities as part of cash in the statement of financial position.</p>	<p>Retain this aspect of the discussion paper (December 2009) In a change from the discussion paper, specify that cash must be classified at the reporting entity level, which will mean that cash will be presented in one category in the SFP. (December 2009)</p>
<p>Disaggregating Similar Assets and Liabilities with Different Measurement Bases 3.19. An entity should disaggregate similar assets and similar liabilities that are measured on different bases and present them on separate lines in the statement of financial position.</p>	<p>Retain this aspect of the discussion paper.)</p>
<p>Total Assets and Total Liabilities 3.22. An entity should disclose total assets and total liabilities either in the statement of financial position or in the notes to financial statements. An entity that presents its assets and liabilities in short-term and long-term subcategories also should disclose subtotals for short-term assets, short-term liabilities, long-term assets, and long-term liabilities either in the statement of financial position or in the notes.</p>	<p><i>Require</i> an entity to display subtotals for total assets, total liabilities, and short-term assets, short-term liabilities, long-term assets, and long-term liabilities (the last four only if presenting a classified SFP) on the SFP. (December 2009)</p>
	<p>Bank overdrafts: Specify that bank overdrafts should be presented in the debt category of the financing section of the SFP. (December 2009)</p>
	<p>Minimum line item requirements: IASB: Include minimum line item requirements from IAS 1 in the exposure draft. FASB: Do not include minimum line item requirements in the FASB Exposure Draft. (December 2009) Difference to be addressed in Feb. 2010</p>
Statement of Comprehensive Income	
<p>A Single Statement of Comprehensive Income 3.24. An entity should present comprehensive income and its components in a single statement of comprehensive income. Items of other comprehensive income¹ should be presented in a separate section that is displayed with prominence equal to that of all the other sections (for example, business or financing). a. The statement of comprehensive income should display a subtotal of profit or loss or net income for the period. b. The statement of comprehensive income also should display the total amount of comprehensive income for the period.</p>	<p>The boards decided to develop guidance on the preparation of a single statement of comprehensive income that is convergent but would be issued separately by the IASB and FASB (and would be independent of the financial statement presentation project). (October 2009) [The FASB plans to issue their exposure draft in the first quarter 2010, the IASB in the second quarter 2010.]</p>
<p>3.25. For each item in the other comprehensive income section except a foreign currency translation adjustment on a consolidated subsidiary (and a proportionately consolidated joint venture [IFRSs]), an entity should identify and indicate in the statement of comprehensive income whether the item relates to (or will relate to) an operating activity, investing activity, financing asset, or</p>	<p>Retain this aspect of the discussion paper (October 2009)</p>

¹Other comprehensive income comprises items of income and expense that an entity does not immediately recognize in profit or loss or net income as required or permitted by IFRSs and U.S. GAAP.

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<p>financing liability. (See paragraphs 3.37–3.41.)</p>	
<p>3.26. An entity should reclassify an item in the statement of comprehensive income from the other comprehensive income section to one of the other sections or categories in that statement if and as required by existing standards. The item should be reclassified into the same category as the asset or liability in the statement of financial position that generated the income or expense.</p>	<p>Retain this aspect of the discussion paper (October 2009)</p>
<p>Disaggregating Income and Expense Items 3.42. An entity should disaggregate by function income and expense items within the operating, investing, financing asset, and financing liability categories in the statement of comprehensive income to the extent that this will enhance the usefulness of the information in predicting the entity’s future cash flows.</p>	<p>Retain this aspect of the discussion paper and clarify the guidance to be consistent with the core disaggregation principle and address concerns raised in the comment letters and the field test. (October 2009) All entities should disaggregate their income and expense items by function on the statement of comprehensive income. (January 2010)</p>
<p>3.44. An entity should further disaggregate its income and expense items by their nature within those functions to the extent that this will enhance the usefulness of the information in predicting the entity’s future cash flows.</p>	<p>An entity that has more than one reportable segment should present its disaggregated by-nature information in its segment note along with by-function information to keep it in context. (October 2009) In a change from previous tentative decisions, an entity with only one reportable segment should present its disaggregated by-nature information in the notes to financial statements, in a single note disclosure, along with by-function information to keep it in context. (January 2010)</p>
<p>3.48. An entity that does not disaggregate its income and expense items by function because such disaggregation would not enhance the usefulness of the information in predicting the entity’s future cash flows should nevertheless disaggregate those items by their nature to the extent that this will enhance the usefulness of the information in predicting the entity’s future cash flows.</p>	<p>The boards confirmed the view in the discussion paper that an entity should not disaggregate its income and expense items by function if such disaggregation would not enhance the usefulness of the information in predicting the entity’s future cash flows. (January 2010)</p>
<p>3.49. If an entity has an income or expense item that is not presented separately by function or nature and separate presentation of that item enhances the usefulness of the information in predicting the entity’s future cash flows, that item also should be presented separately in the statement of comprehensive income.</p>	<p>The boards did not explicitly address this issue (paragraph 3.49) but it is consistent with the overall disaggregation principle.</p>
<p>Allocating Income Taxes in the Statement of Comprehensive Income 3.55. An entity should apply existing requirements for allocating and presenting income taxes in the statement of comprehensive income. This may result in an entity presenting income tax expense or benefit in the discontinued operations and other comprehensive income sections in addition to the income tax section. An entity should not allocate income taxes to the business or financing section or to categories within those sections.</p>	<p>Retain this aspect of the discussion paper (October 2009)</p>
<p>Presenting Foreign Currency Gains and Losses in the Statement of Comprehensive Income Transaction Gains and Losses 3.63. An entity should present foreign currency transaction gains and losses, including the components of the net gain or loss on remeasuring the financial statements of an entity into its functional currency, in the same section and category as the assets and liabilities that gave rise to the gains or losses.</p>	<p>Retain this aspect of the discussion paper (December 2009)</p>

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Statement of Cash Flows	
<p>What is Cash in the Statement of Cash Flows? 3.71. An entity’s statement of cash flows should reconcile the beginning and ending amounts of cash.</p>	<p>Retain this aspect of the discussion paper (October 2009)</p>
<p>Disaggregating Cash Receipts and Payments 3.75. An entity should disaggregate cash receipts and payments within each of the sections and categories in the statement of cash flows in a manner that helps users to understand how those cash flows relate to information presented in the statements of comprehensive income and financial position. To accomplish that, an entity should present all of its cash flows directly, including its operating cash flows. This means that an entity should use a direct method of presenting its cash receipts and cash payments during the period.</p>	<p>Retain the proposal to present all cash flows directly, including operating cash flows. Specify that an entity should disaggregate its cash flow information such that significant or material cash flows are apparent to a user of the entity’s financial statements. In a change from the discussion paper, require the presentation of an indirect reconciliation of operating income to operating cash flows in the notes to financial statements. (October 2009)</p> <p><i>Financial services entities.</i> In January, the boards considered the application of the direct method statement of cash flows to financial services entities. In February, the boards will continue their discussion of how a financial services entity might present cash flow information in the financial statements, including how an entity might report cash flows related to deposit taking activities in a direct method statement of cash flows.</p>
Statement of Changes in Equity	
<p>3.84. An entity should present a statement of changes in equity that provides information about the beginning and ending amount of each component of equity and how each amount changed during the period. In preparing that statement, an entity should present the following:</p> <p>a. Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to the noncontrolling interest, if any</p> <p>b. For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:</p> <p>(1) Profit or loss or net income</p> <p>(2) Each item of other comprehensive income</p> <p>(3) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control</p> <p>c. For each component of equity, the effects, at the beginning of the earliest period presented, of retrospective application or retrospective restatement, recognized in accordance with IFRSs or U.S. GAAP.</p>	<p>To be addressed in February 2010 (sweep issue)</p>
<p>3.90. The Boards did not reach a preliminary view on how to classify and present the effects of basket transactions in the statements of comprehensive income and cash flows. Instead, they decided to seek respondents’ views on that issue. The Boards note that a fundamental decision would be whether the effects should be:</p> <p>a. Classified in more than one section or category, thereby</p>	<p>Require the presentation of the effects of a basket transaction in a distinct section in the SCI and the SCF. (December 2009)</p>

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requiring an allocation of the total effect; or b. Classified in a single section or category, which would not require allocation of the total effect.	
Notes to the Financial Statements	
Classification Accounting Policy 4.2. As a matter of accounting policy, an entity should explain its bases for classifying assets and liabilities in the operating, investing, financing assets, and financing liabilities categories and any change in its bases for classification.	To be addressed in February 2010 (sweep issue)
Information Related to the Liquidity and Financial Flexibility Objective Operating Cycle 4.5. An entity with an operating cycle longer than one year should describe its operating cycle in the notes to financial statements.	Retain this aspect of the discussion paper (December 2009)
Contractual Maturity Schedules 4.7. An entity that presents its assets and liabilities in order of liquidity in the statement of financial position should present information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements.	Do not retain this aspect of the discussion paper as other standards/projects address presentation of this type of information (December 2009)
4.11. An entity should present information about the maturities of its contractual long-term assets and liabilities in the notes to financial statements.	Do not retain this aspect of the discussion paper as other standards/projects address presentation of this type of information (December 2009)
Information about Noncash Activities 4.16. An entity should disclose in the notes all relevant information about its significant noncash activities unless that information is presented elsewhere in the financial statements. An entity may describe the information in a narrative disclosure or summarize it in a schedule.	Retain this aspect of the discussion paper (October 2009)
	Repatriation Limitations: An entity should disclose information about repatriation limitations and other restrictions on cash (and short-term investments similar to cash) in the notes to financial statements. (October 2009)

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<p>Reconciliation Schedule 4.19. An entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into the following components:</p> <p>a. Cash received or paid other than in transactions with owners b. Accruals (including contractual accruals and systematic allocations such as depreciation) other than remeasurements² c. Remeasurements that are recurring fair value changes³ or recurring valuation adjustments⁴ d. Remeasurements that are not recurring fair value changes or valuation adjustments.</p> <p>Unusual and Infrequent Events or Transactions 4.48. An entity should present information about unusual or infrequent events or transactions as part of the reconciliation schedule. [FASB’s preliminary view]</p>	<p>Replace the proposed reconciliation schedule with an analysis of the changes in balances of all significant asset and liability line items. Each line item analysis should distinguish the following components:</p> <ol style="list-style-type: none"> Changes due to cash inflows and cash outflows Changes resulting from noncash (accrual) transactions that are repetitive and routine in nature (for example, credit sales, wages, material purchases) Changes resulting from noncash transactions or events that are nonroutine or nonrepetitive in nature (for example, acquisition or disposition of a business) Changes resulting from accounting allocations (for example, depreciation) Changes resulting from accounting provisions/reserves (for example, bad debts, obsolete inventory) Changes resulting from remeasurements (October 2009)
<p>Alternatives Considered 4.47. The Boards discussed two other multicolumn formats for presenting disaggregated information that would help users of financial statements understand the cause of a change in recognized amounts of assets and liabilities: the statement of financial position reconciliation and the statement of comprehensive income matrix. Those alternatives are described and illustrated in paragraphs B.10–B.22 in Appendix B.</p>	<p>IASB: require an analysis of changes in specific line items (all the line items in the debt category, cash, any short-term investments, and finance leases) to be included in a single note disclosure. These line items typically constitute what users of financial statements sometimes refer to as net debt. (January 2010) This difference will be addressed in Feb 2010</p> <p>Present information about remeasurements in the financial statements.</p> <ul style="list-style-type: none"> FASB: require disaggregation of remeasurements on the face of the statement of comprehensive income (SCI) in a columnar format. Those two columns should be labelled <i>total comprehensive income</i> and <i>remeasurements</i>. IASB: require presentation of remeasurements in the notes to financial statements. <p>(October and December 2009) This difference will be addressed in Feb 2010</p> <p>Modify the definition of a <i>remeasurement</i>. The working definition is: an amount recognised in comprehensive</p>

²A *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. [This definition was modified during deliberations.]

³A *fair value change* (FASB) is a change attributable to a remeasurement of an asset or liability to fair value. A *recurring fair value change* arises when U.S. GAAP requires an asset or liability to be measured at fair value “on a recurring basis” as that notion is used FASB Statement 157.

⁴A *valuation adjustment* (IASB) is a change attributable to remeasurement of an asset or liability to a current value. A current value includes fair value, fair value less costs to sell, value in use, and net realizable value. A *recurring valuation adjustment* arises when IFRSs require an asset or liability to be measured at current value every period (on a recurring basis).

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	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). (October and December 2009) To be addressed in February 2010
	<p>Segment reporting: Require than an entity that presents by-nature income and expense information in its segment note to classify consistently between the SCI and the segment note</p> <ul style="list-style-type: none"> • Require an entity to present information about other operating activities that do not meet the criteria to be presented as a reportable segment separately from information about corporate activities • Require a reconciliation of operating profit (loss) of reportable segments to consolidated operating profit presented on the SCI <p>FASB only: An entity would be required to disclose for each reportable segment</p> <ul style="list-style-type: none"> • a measure of operating cash flow, the sum of which must be reconciled to operating cash flow from the statement of cash flows • a measure of liabilities if that is used by the chief operating decision maker (this requirement aligns US GAAP with IFRS 8) • A measure of operating assets and operating liabilities (January 2010) <p>This difference will be addressed in Feb 2010</p>

Questions for ARG members

3. We are most interested in whether ARG members think the proposals in for the exposure draft are an improvement over the discussion paper proposals. Further, we would like feedback on whether you think the proposals are operational. Below are some specific questions for ARG members to consider.

Questions for the ARG
<p>Q1. Do you think that the changes to the operating, investing and financing section definitions are an improvement? Are they clear and operational?</p> <p>Q2. Do you think the segregation of items that have both operating and financing characteristics in the operating category is an improvement?</p>

Q3: Is the requirement to present an analysis of the changes in balances of significant line items along with related information in the notes to the financial statements an improvement over the reconciliation scheduled proposed in the discussion paper? Will it result in decision-useful information?

Q4: Is there any reason why an entity should not be required to present an analysis of changes in a line item for a previous period(s) if it is presented for the current period?

Q5: Do you agree with the definition of 'remeasurements' proposed in the staff draft? If not, what do you propose? Do you think communicating information about remeasurements is useful?

Q6: The FASB thinks the most transparent way to present remeasurement information is on the statement of comprehensive income in the context of the other components of comprehensive income. The IASB does not support a multi-column statement of comprehensive income and thinks presentation in a single note along with narrative explanation will provide users with the information they are seeking without cluttering the statement of comprehensive income. Should remeasurements be presented on the statement of comprehensive income or in the notes?

Q3: Will the direct method statement of cash flows described in the staff draft provide more decision-useful information to capital providers than the statement of cash flows most entities prepare today?

Q3. Is the disaggregation criteria for the statement of cash flows clear and operational? Do you think we should prescribe minimum line items for disaggregating cash flows in the operating category? If so, which ones?

Additional materials [omitted from observer note]

4. Also included in your materials are chapters from a staff draft of the exposure draft *Financial Statement Presentation*. Specifically:
 - (a) Chapter 4 *General Features of Financial Statement Presentation*;
 - (b) Chapter 5 *Statement of Financial Position*
 - (c) Chapter 6 *Statement of Comprehensive Income*
 - (d) Chapter 7 *Statement of Cash Flows*; and

(e) the Illustrations.

The selected chapters should also help to place the boards' recent deliberations in context—that is, the staff draft should help ARG members to see the 'big picture.'

Understanding the staff draft chapters

5. The staff draft is written in the IASB's style; it also uses IAS 1 *Presentation of Financial Statements* as its foundation.
6. The FSP project is a cross-section of issues from IAS 1—that is, IAS 1 has not been redeliberated in its entirety. Much of the work related to topics that have been deliberated as part of the FSP project is located in Chapters 4—7 of the staff draft.
7. We expect to complete deliberations in early March 2010. Please note that there are several places where we indicate decisions that are tied to deliberations occurring in either February or March. Consequently, some of the drafting may change in between the time ARG members read the chapters and the ARG meeting is held.
8. We intend to circulate the pre-ballot draft on 9 March 2010 for external (fatal flaw) review. We would like some ARG members to participate in that review. Please let us know if you would be willing to do so; comments would be due on 23 March 2010.