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Project	<b>Financial Statement Presentation (FSP)</b>
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## Introduction

1. In June 2010, the boards decided to engage in additional outreach activities before finalising and publishing an exposure draft on financial statement presentation. In July 2010 the staff of the IASB and the FASB posted on each board's website a staff draft (which can be downloaded from: <http://www.ifrs.org/Current+Projects/IASB+Projects/Financial+Statement+Presentation/Phase+B/Staff+draft+of+proposed+standard.htm>) of an exposure draft that reflects the boards' cumulative tentative decisions on financial statement presentation, concluding with their joint meeting in April 2010. The proposals in that staff draft (draft proposals) are the basis for the staff outreach activities.
2. These activities will include: field tests where participating companies will be recasting their financial statements according to the draft proposals; field visits in which staff will meet with companies to discuss the types of systems and process changes that would be involved in implementing the draft proposals; and conference calls with users of financial statements, accounting firms, and other constituents. The activities will focus primarily on two areas:
  - (i) the perceived benefits and costs of the proposals, and
  - (ii) the implications of the proposals for financial reporting by financial services entities.

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This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee 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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3. The staff would like to use the WSS break-out session in two ways:
  - (a) to present the key features of the draft proposals and major changes from the discussion paper; and
  - (b) to discuss some of the areas where concerns have been raised.
4. The staff would like to discuss the following issues during the break-out session:
  - (a) Cohesiveness principle and classification

In a change from the discussion paper, cohesiveness will no longer be required on a line item by line item basis. The financial statements will align at either the section or category level as illustrated in the following table.

<b>Statement of financial position</b>	<b>Statement of comprehensive income</b>	<b>Statement of cash flows</b>
<b>Business section</b>	<b>Business section</b>	<b>Business section</b>
Operating category	Operating category	Operating category
Operating finance subcategory	Operating finance subcategory	
Investing category	Investing category	Investing category
<b>Financing section</b>	<b>Financing section</b>	<b>Financing section</b>
Debt category	Debt category	
Equity category		
	<b>Multi-category transaction section</b>	<b>Multi-category transaction section</b>
<b>Income tax section</b>	<b>Income tax section</b>	<b>Income tax section</b>
<b>Discontinued operation section</b>	<b>Discontinued operation section, net of tax</b>	<b>Discontinued operation section</b>
	<b>Other comprehensive income, net of tax</b>	

**Questions on cohesiveness and the proposed structure**

1. Do you think that the revised structure and modification to the cohesiveness principle will result in a meaningful presentation of financial information?

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2. Do you think that the benefit of segregating operating finance liabilities and related income/expense in the business section will outweigh any additional complexity that it may add to the format of the statements of financial position and comprehensive income?
3. Do you think that assets and liabilities should be classified in sections and categories (consistent with cohesiveness principle) on the statement of financial position?

## (b) Statement of cash flows

The draft proposals require to present:

- actual operating cash inflows and outflows (direct method), and separately
- a reconciliation of operating income to operating cash flows as an integral part of the statement of cash flows.

**Questions on the statement of cash flows**

4. Should there be more details about operating cash flows in the statement of cash flows? If so, what is the right level of disaggregation of operating cash flows information (e.g., what specific line items should be disaggregated)?
5. Do you think that disaggregation of operating cash flows as proposed in the staff draft will be more useful for financial services entities (than the statement of cash flows they prepare today)?

## (c) Analyses of changes and remeasurements

The draft proposals require disclosure in the notes to the financial statements an analyses (or roll-forwards) of changes between the opening and closing balances of asset or liability line items (or groups of line items) that management regards as important for understanding the current period change in the entity's financial position.

In addition, more detailed information would be provided in the notes on information about remeasurements. A remeasurement is a change in the net carrying amount of an asset or liability arising from amounts recognized in comprehensive income (for example, the effects of fair

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value remeasurements, as well as the effects of changes in estimates of the value of assets and liabilities, such as goodwill impairment).

**Questions on new note disclosures**

6. Do you think that the proposed requirement to disclose analyses of changes of asset and liability line items is operational? Do you think it will be cost beneficial? Should an entity be required to analyse the changes in **all** asset and liability line items?
7. Do you think that the remeasurement note requirement is operational? Do you think it will be cost beneficial?

## (d) Disaggregation

One of the core principles of the draft proposals is disaggregation, with its three main attributes being: function, nature, and measurement basis.

In a change from the discussion paper, entities do not have to present their disaggregated by-nature income and expense information on the face of the statement of comprehensive income – it can be in the notes to financial statements. In fact, the FASB is proposing that the information be disaggregated in the segment note.

**Questions on disaggregation**

8. Do you think that the three proposed disaggregation attributes (function, nature, and measurement basis) are appropriate? Is there an attribute that should be either added or removed from the disaggregation principle?
9. Do you think that the requirement to disaggregate income and expenses by nature (for each function) is operational? Do you think it will be cost beneficial?
10. Do you think that by-nature income and expense information should be presented for each reportable segment as proposed by the FASB?