

---

Project **Financial Statement Presentation**

Topic **Appendix F – Financial Services Entity Issues**

---

## INTRODUCTION

1. This paper will detail what the staff learned in its outreach concerning Financial Statement Presentation (FSP) as it relates to financial services entities.

## STAFF DRAFT OVERVIEW

2. The Staff Draft provides some examples and illustrations that accommodate banks and financial service entities. However, questions persist in applying some of the requirements in the Staff Draft.

## WHAT WE HEARD DURING OUTREACH ACTIVITIES

3. The majority of the financial services entity analysts we met with during our outreach didn't think the presentation model added much benefit to the statement of financial position (SFP) or the statement of comprehensive income (SCI). Some analysts didn't like the changes to the presentation of these statements as it would force them to change their models for what they perceived as little benefit.
4. Users were in favour of changes proposed in the model such as the presentation of particular cash flows, the categorization of the statement of cash flows (SCF), segment information and information about remeasurements.
5. One analyst would be in favour of a model that matched assets the entity holds with the liabilities that fund those assets.

**IASB/FASB Staff paper Appendix F**

6. Members of the Financial Institutions Advisory Group (FIAG) noted that financial service entities are different than other types of entities and therefore should have additional guidance in the Exposure Draft (ED) that addresses financial services entities specifically.
7. However, the members of the FIAG also stated that additional guidance should be provided to assist financial services entities in utilizing the same presentation model as other companies. This is because these entities are vying for the same capital as non-financial services entities.
8. Investment companies expressed their concerns as to how they would categorize amounts into operating, investing and financing in both the SCI and the SFP.
9. Field test participants also were inconsistent in their classification of assets and liabilities and felt additional guidance was needed to categorize amounts. However, some of the participants did see benefits from the proposals in the Staff Draft. Detailed results of the bank field test are included in Appendix G – Field Test Results.

**POSSIBLE MODIFICATIONS TO THE STAFF DRAFT**

10. The staff may ask the boards to consider additional guidance be added to the Staff Draft for categorization of items in the SFP, the SCI and the SCF. This additional guidance may be responsive to concerns raised by financial services entities on how to apply the requirements of the Staff Draft.
11. The staff is unsure it can satisfy concerns about whether this model is more useful for some industries over others. The staff does not believe that categorization of the SFP and the SCI, in isolation, will be of significant benefit when using financial services entity financial statements. The staff thinks that the requirements in the Staff Draft, when applied in totality, will provide incremental benefit to the users of those financial statements (for example seeing the assets and liabilities and how they relate to income and cash flows).

**IASB/FASB Staff paper Appendix F**

12. The staff does think that cohesiveness will result in a SCF that is more meaningful for financial services entities, even if that cash flow statement is viewed in isolation. This is because the classification of cash flows is more intuitive and particular cash flows would be shown gross that are shown net today.
13. The staff also thinks there are other benefits gained by applying the Staff Draft to financial services entities such as disaggregation by segment and maintaining a common presentation for all business entities.
14. Therefore, the staff may ask the boards to continue to require financial services entities to be within the scope of the standard while also asking the boards to consider modifications to the Staff Draft that will clarify how the requirements would be applied to financial services entities.