

**Organismo Italiano di Contabilità – OIC**  
**(The Italian Standard Setter)**  
Italy, 00187 Roma, Via Poli 29  
Tel. 0039/06/6976681 fax 0039/06/69766830  
e-mail: [presidenza@fondazioneoic.it](mailto:presidenza@fondazioneoic.it)

**Ms. Denise Gomez Soto**  
30 Cannon Street  
London EC4M 6XH  
United Kingdom  
[dgomez@iasb.org](mailto:dgomez@iasb.org)

14 April 2009

**Re: Discussion Paper Preliminary Views on Financial Statement Presentation**

Dear Sir/Madam,

we are pleased to have the opportunity to comment the *Discussion Paper Preliminary Views on Financial Statement Presentation*.

**Question 1: Would the objectives of financial statement presentation described in paragraphs 2.5–2.13 improve the usefulness of the information provided in an entity’s financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.**

We are broadly in favour of the proposed financial statement presentation objectives. However, we would be concerned should their application be required in a very rigid or mechanical way. For example:

- although we agree that it is very important that users should be able to understand the relationships between items across financial statements and that an entity’s financial statements complement each other as much as possible, we do not think that this imply that all items should necessarily has to be shown in the same order and disaggregated to the same extent in every statement presented.
- although we agree that an entity should provide disaggregated information that is as useful as possible to users, we do not think that all that information should be provided on the face of the financial statements. Too many lines can obscure as much as enlighten. More use of notes should be permitted (or required) instead.

**Question 2: Would the separation of business activities from financing activities provide information that is more decision-useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?**

We believe that the separation of business activities from financing activities, based on the management approach, would provide information that is decision-useful to users. However, we note that the banking and similar sectors might have difficulties drawing a clear-cut line between business and financing items. We suggest a further field testing with preparers.

**Question 3: Should equity be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36 and 2.52–2.55)? Why or why not?**

We agree that equity should be presented as a section separate from the financing section.

**Question 4: In the proposed presentation model, an entity would present its discontinued operations in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?**

We believe it is important that discontinued operations be clearly highlighted in the financial statements since they have different implications for future cash flows.

**Question 5: The proposed presentation model relies on a management approach to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34 and 2.39–2.41).**

- (a) Would a management approach provide the most useful view of an entity to users of its financial statements?**
- (b) Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?**

We agree with the proposed management approach. We do not think however that the DP intends to give management substantial —perhaps even absolute— discretion as to how the assets and liabilities are classified in the statement of financial position. Few classifications should be prescriptive. In all cases the management approach should be disclosed in the notes.

**Question 6: Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the statement of financial position. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities? Why or why not?**

We believe that the approach will benefit users as long as the grand totals of assets and liabilities are also shown on the face of the statement of financial position, considering that the proposed presentation model intends to facilitate the calculation of some key financial ratios.

**Question 7: Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have more than one reportable segment for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.**

We agree that the classifications should be done at the reportable segment level.

**Question 8: The proposed presentation model introduces sections and categories in the statements of financial position, comprehensive income and cash flows. As discussed in paragraph 1.21(c), the boards will need to consider making consequential amendments to existing segment disclosure requirements as a result of the proposed classification scheme. For example, the boards may need to clarify which assets should be disclosed by segment: only total assets as required today or assets for each section or category within a section. What, if any, changes in segment disclosures should the boards consider to make segment information more useful in the light of the proposed presentation model? Please explain.**

We think that if the new classification system's usefulness is to be maximised, it probably will be necessary to require assets and liabilities to be disclosed by category at the segment reporting level—if such information is available to the Chief Operating Decision Maker.

**Question 9: Are the business section and the operating and investing categories within that section defined appropriately (see paragraphs 2.31–2.33 and 2.63–2.67)? Why or why not?**

We support the sub-division of the business section into operating and investing categories, although we are not sure the DP is consistent in its explanations of what each of those categories should contain.

**Question 10: Are the financing section and the financing assets and financing liabilities categories within that section defined appropriately (see paragraphs 2.34 and 2.56–2.62)? Should the financing section be restricted to financial assets and financial liabilities as defined in IFRSs and US GAAP as proposed? Why or why not?**

We do not support the proposal that only financial assets and financial liabilities should be included in the financing category. For example, we think that non-contractual liabilities, including some postemployment benefit plan liabilities, should not be excluded from the financing liability category. The DP should in our opinion also be clearer as to whether the cost of the entity's structure, including the personnel, handling the entity's financing should (following the cohesiveness objective) be treated as a financing cost.

**Question 11: Paragraph 3.2 proposes that an entity should present a classified statement of financial position (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.**

- (a) **What types of entities would you expect not to present a classified statement of financial position? Why?**
- (b) **Should there be more guidance for distinguishing which entities should present a statement of financial position in order of liquidity? If so, what additional guidance is needed?**

The DP proposes to maintain the existing option to present assets and liabilities in order of liquidity, rather than on a current/non-current or short-/long-term basis. We support this proposal. We also agree with the fiscal year cut-off concept (rather than the length of the entity's operating cycle) proposed by the DP.

(a) We think that for entities (such as deposit-taking or insurance companies) that typically have financial assets and financial liabilities with a wide range of maturity dates within a short time period, it would be arbitrary to specify any particular maturity date to distinguish maturity sub-categories. So, for those entities, liquidity information is often more important than an arbitrary split between short-term and long-term.

(b) We believe in principle-based standards, and therefore would prefer less case-based guidance rather than more.

**Question 12: Paragraph 3.14 proposes that cash equivalents should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?**

We support the proposed treatment of cash equivalents.

**Question 13: Paragraph 3.19 proposes that an entity should present its similar assets and liabilities that are measured on different bases on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?**

We are not convinced that it is essential that it should be done through disaggregation on the face of the statement of financial position; we think providing the information in the notes is sufficient and clearer.

**Question 14: Should an entity present comprehensive income and its components in a single statement of comprehensive income as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?**

We agree that an entity should present comprehensive income and its components in a single statement of comprehensive income.

**Question 15: Paragraph 3.25 proposes that an entity should indicate the category to which items of other comprehensive income relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?**

We agree with the proposal.

**Question 16: Paragraphs 3.42–3.48 propose that an entity should further disaggregate within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses by their function, by their nature or both if doing so will enhance the usefulness of the information for predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?**

We are broadly comfortable with these proposals, but we have a general concern about the proposal in the DP that require to provide too much data on the primary financial statements. So we think that the disaggregation by nature of the items should be presented in the notes.

**Question 17: Paragraph 3.55 proposes that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56–3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.**

We are strongly against any further allocation of the tax expense/benefit to the relevant lines within the statement of comprehensive income, and are therefore, with one exception, pleased that the DP is proposing no changes to the existing requirements for allocating and presenting income taxes.

We, however, continue to strongly believe that it is not appropriate to require the allocation of the tax expense/benefit to each item of other comprehensive income and we wish to encourage the IASB to reconsider this part of current IAS 1.

**Question 18: Paragraph 3.63 proposes that an entity should present foreign currency transaction gains and losses, including the components of any net gain or loss arising on remeasurement into its functional currency, in the same section and category as the assets that gave rise to the gains or losses.**

- (a) **Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this information.**
- (b) **What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?**

We do not support this proposal, because we think that it would often be difficult to apply and would in many cases require a number of arbitrary assumptions and allocations. We believe that the net foreign currency transaction gain or loss should be included in a single category.

**Question 19: Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.**

- (a) **Would a direct method of presenting operating cash flows provide information that is decision-useful?**
- (b) **Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?**
- (c) **Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?**

We do not support the proposal that all entities should be required to use a direct method in presenting cash flows from operating activities in their statements of cash flows.

(a) In particular, we are not convinced that the direct method of presenting operating cash flows provides information that is more decision-useful than the indirect method. We understand that users are split as to which of the two model they prefer.

(b) We also do not think that the direct method is necessarily more consistent with the proposed financial statement presentation objectives than the indirect method. We are not in a position to quantify such costs now but we have reasons to believe that they may be substantial and in our view not justified by a purported better information.

It is also clear that there are concerns about the relative cost of implementing the direct method, since in several jurisdictions the entities' accounts are not organized in order to easily provide such information. Hence, that provision would require a bottom-up remake of the entities' bookkeeping procedures, with a consequent very high cost.

**Question 20: What costs should the boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between one-off or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?**

We think that the one-off implementation costs would significantly differ depending on whether the necessary information would be collected directly or derived indirectly using the so called indirect direct method. We believe that the one-off costs will be fairly substantial while ongoing costs might be less significant.

**Question 21: On the basis of the discussion in paragraphs 3.88–3.95, should the effects of basket transactions be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?**

We think that the effects of basket transactions should not be allocated on the face of the financial statements. In particular, our preference would be to apply Alternative B (i.e. present in the category that reflects the activity that was the predominant source of those effects).

**Question 22: Should an entity that presents assets and liabilities in order of liquidity in its statement of financial position disclose information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements as proposed in paragraph 4.7? Should all entities present this information? Why or why not?**

We agree that if a presentation based on liquidity is used, information about maturities should be provided within the notes to financial statements and that such information should cover both short and long-term contractual assets and liabilities.

**Question 23: Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components: (a) cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments and (d) remeasurements that are not recurring fair value changes or valuation adjustments.**

- (a) Would the proposed reconciliation schedule increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.**
- (b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit.**
- (c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.**

We are not convinced by the DP proposals that entities should be required to present a reconciliation schedule showing the accruals and remeasurements that reconcile each line of the statement of comprehensive income to the statement of cash flows.

This is primarily because we believe that the proposed reconciliation schedule will result in a very large number of data being disclosed, only some of which will likely be useful to justify the resources spent on providing them. In our view it would be better to focus the schedule on the remeasurements and the largest non-cash items, or to provide a reconciliation of net debt.

**Question 24: Should the boards address further disaggregation of changes in fair value in a future project (see paragraphs 4.42 and 4.43)? Why or why not?**

We would support the IASB carrying out further work on the subject, perhaps in the form of a future project on fair value disclosures.

**Question 25: Should the boards consider other alternative reconciliation formats for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B paragraphs B10–B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?**

Our concern about the discussion in the DP is that there still appears to be considerable differences of opinion as to what the objective is, as demonstrated by the very different reconciliations being proposed—each of which appears to provide a different (but overlapping) set of additional information.

**Question 26: The FASB’s preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users’ attention to unusual or infrequent events or transactions that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.**

- (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?**
- (b) Opinion 30 contains definitions of unusual and infrequent (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column?**
- (c) Should an entity have the option of presenting the information in narrative format only?**

We agree that this information should be disclosed because it’s decision-useful for users but we think it’s necessary a clear definition of the term unusual and infrequent. We do not like the suggestion that a memo column should be added to the reconciliation schedule.

Yours sincerely,

Angelo Casò  
(OIC Chairman)