



5 January 2011

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH

UNITED KINGDOM

Dear Sir David,

**AOSSG comments on the IASB Staff Draft of Exposure Draft  
'Financial Statement Presentation'**

The Asian-Oceanian Standard-Setters Group ("AOSSG") is pleased to provide comments on the IASB Staff Draft of Exposure Draft *Financial Statement Presentation*.

The AOSSG currently has 24 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, and Uzbekistan.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Other views that are consistent or otherwise with the overall AOSSG comments are also provided within this submission. Individual member standard setters may also choose to make separate submissions that are consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard setters may hold.

This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG's Financial Statement Presentation Working Group.

The AOSSG appreciates the IASB's efforts to enhance the financial information by developing this project. Our comments are as follows:

## **Overall Comments**

The AOSSG members understand the goal of the financial statement presentation project and its significance as well.

However, most members' concern is that applying or understanding the new IFRS for financial statement presentation would be a great burden to the preparers and the users of the financial statements.

Therefore, the AOSSG recommends the Board should postpone discussing the financial statement presentation project until other projects are completed and implemented smoothly.

## **General features of financial statement presentation**

### ***Core principles of financial statement presentation (paragraph 62-64)***

Some members expressed their preferences for a traditional segmentation by element (assets, liabilities and equities). And another member prefers the sections and categories being shown within the elements (assets, liabilities and equities). It is thought that total assets, total liabilities and equities continue to be one of the most important figures and the financial statements should be so designed as to show these numbers and their contents clearly.

One member disagreed with the use of the disaggregation principle as one of the core principles of financial statement presentation. There seems to be yet a compelling rationale established that having disaggregated information would result in more decision-useful information.

## **Structure of the financial statements**

### ***Presenting information in sections, categories and a subcategory (paragraph 72-81)***

Some members commented that the definitions of the categories are rule-based, and the substance may not be reflected in classifications. Thus, the clarified notion of "Core and non-core" should be reflected in their definitions as being principle-based. Moreover, it is pointed out that most financing activities exist inseparably with operating activities.

Regarding operating finance subcategory, some members commented that it is difficult to conclude whether the benefit from dividing up to operating subcategory is greater than the cost since it is arbitrary and burdensome. The proposal is not consistent in itself since it does not consider the concept of an investing finance subcategory.

A member insisted opposition to the IASB's plan to make significant amendments to current financial statements and categorize them into business section (including operating activities and investing activities) and financing section. The reasons are that there is no clear boundary between the two sections, and that it does not make much sense in application.

Some members commented the operating finance subcategory is better to be included in a debt category.

However, other members agreed with the definition of operating category and investing category proposed in the Staff Draft and some of them expressed their support for the creating operating finance subcategory. It was mentioned that the definition of Core or Non-core is vague, leaving much room to management's discretion in its application in practice and resulting in reducing the comparability of financial reporting.

A member also highlighted that investments in associates or joint ventures should be classified as operating category when the purpose of the investments is to create the synergy, in line with the general classification principle of the Staff Draft. (See paragraph 82 (f) of the Staff Draft)

#### ***Multi-category transaction section (paragraph 100-102)***

Some members noted that the proposal is not consistent with the cohesiveness principle. Moreover, a member added its concern that other standards, such as IAS 16 (paragraph 24) and IFRS 3 (paragraph 18), implicitly require allocation for basket transactions.

However, classification in an independent section, such as Multi-category transaction section, is regarded as more pragmatic and cost-effective than allocations.

There is an opinion that multi-category transaction should be presented in a category which it affects the most. If it is difficult to identify the category, the operating category, which has the largest coverage of all the categories, can be used as a default category as a practical expedience.

### **Statement of financial position**

#### ***Presentation of a statement of financial position (paragraph 117-118)***

Some members commented that cash equivalents function approximately same as cash, and furthermore, current requirements should remain until a sufficient principle is identified.

On the other hand, other members supported the proposal because they have opinion that cash equivalents have different economic characteristics than cash.

### **Statement of comprehensive income**

#### ***Presentation of operating profit or loss***

According to the discussion in the AOSSG meeting and the survey conducted by the KASB, most countries use the operating profit or loss as important financial information.

In some countries, regulators or the laws require entities to disclose operating profit or loss. In other countries, entities disclose operating profit or loss voluntarily. This has caused

decrease in the comparability between entities and countries and the understandability of the information.

The AOSSG suggests that the IASB should amend IAS 1 so that 'Operating activities' should be defined and the results of operating activities (operating profit or loss) should be presented as a line item in the statement of comprehensive income as soon as possible. We suggest that the presentation of operating profit or loss project can be added to the agenda of annual improvement projects and be conducted separately from the main part of this financial presentation project.

***Information to be presented in the statement of comprehensive income (paragraph 155-156)***

Although providing such information is useful in principle, it may raise concerns in practice. Thus, there needs to be clarification and more detailed definition of „Unusual' and „Infrequently occurring items' to distinguish those items from ordinary activities.

**Statement of cash flows**

***Presentation of a statement of cash flows (paragraph 168-169)***

Most members commented on the staff draft that the current accounting system is mostly based on an accrual basis, and the users are accustomed to the indirect cash flow statement. Thus, the cost of maintaining the required cash receipts and payments will be tremendous. In some jurisdictions, most preparers prefer the indirect method.

However, two members commented the majority of entities in their countries apply the direct method of presenting operating cash flows. And it is believed that provides decision useful information and is more consistent with the cohesiveness.

***Information to be presented in the statement of cash flows (paragraph 172-173)***

If the reconciliation is placed as an integral part of the statement of cash flows, most members commented that it might distract users' attention which results in obscuring the value of the statement of cash flows as a whole. Yet, many members agree that the starting point for the reconciliation should be operating income as proposed in the Staff Draft, while some thought it should be net income, if by any chance, the reconciliation is to be presented.

***Disaggregating cash flows (paragraph 177-184)***

The proposed principle is similar to the current IFRS and less onerous than the one proposed in the Discussion Paper.

We thank you for this opportunity to express our concerns, and hope that you would give due consideration to our comments. If you have any queries regarding this submission, please feel free to contact us. We think it's important for the IASB to continuously seek opinions from its constituents including users of financial statements.

Yours sincerely,

Handwritten signature of Ikuo Nishikawa in black ink.

Ikuo Nishikawa  
Chairman of the AOSSG

Handwritten signature of Dr. Chungwoo Suh in black ink, set against a light gray rectangular background.

Dr. Chungwoo Suh  
Leader of the AOSSG Financial Statement  
Presentation Working Group