

Financial Statement Presentation (FSP) Update

a joint FASB/IASB project

August 2010

The views expressed in this presentation are those of the presenters, not necessarily those of the IASB, the IFRS Foundation, the FASB or the Financial Accounting Foundation.



Project timeline

Timeline	
October 2008	Discussion Paper issued (6-month comment period)
July 2010	Staff draft issued
Q3 2010 – Q4 2010	Field testing & extended stakeholder outreach program
Q1 2011	Exposure Draft
Q4 2011	Final standard



Why a project on FSP?

- **Today** in the financial statements:
 - Lack of comparability
 - Lack of linkage
 - Lack of disaggregation



What are the project's main proposals?

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Standardise the organisation and presentation of information in financial statements (cohesiveness)

- Clarify links between financial statements
- Separate business and financing activities

Obtain more disaggregated information (by function, nature, measurement basis)

- Improve comparability and understandability
- Facilitate analysis as information is more apparent



Key features and changes from the discussion paper

- Financial statements should be **cohesive at the category level**
 - Don't have to align on a line-by-line basis
- **Common** sections and categories
 - More specific definitions:
 - **Business** section includes operating and investing categories and an *operating finance* subcategory
 - **Financing** section includes debt and equity categories



Key features and changes from the discussion paper *(Continued)*

- **Disaggregation** by function, nature and measurement bases
 - Consider disaggregation attributes for financial statements as a whole
- Disaggregation of income and expenses
 - **By-function on the face** of the SCI
 - IASB: **by-nature may be in the notes**
 - FASB: by nature as part of the segment note and disclose additional operating measures per segment



Key features and changes from the discussion paper *(Continued)*

- Present **operating cash receipts and payments** in the SCF:
 - **Less disaggregation** of operating cash flows; need not align with SCI line items
 - Also provide a **reconciliation** of operating income to operating cash flows



Key features and changes from the discussion paper *(Continued)*

- Proposed reconciliation schedule has been replaced by **disclosure of:**
 - **Analysis of changes** in balance sheet line items [IASB only – includes a net debt “rollforward”]
 - **Remeasurement** information in a single note



Proposed structure

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business section	Business section	Business section
Operating category	Operating category	Operating category
Operating finance subcategory	Operating finance subcategory	
Investing category	Investing category	Investing category
Financing section	Financing section	Financing section
Debt category	Debt category	Debt and equity
Equity category		
	Multi-category transaction section	Multi-category transaction section
Income tax section	Income tax section	Income tax section
Discontinued operation section	Discontinued operation section, net of tax	Discontinued operation section
	Other comprehensive income, net of tax	



Statement of Financial Position

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Changes from current practice:

- Assets and liabilities grouped by function (sections and categories) – not by elements
- Short- and long-term subcategories *or* arranged in order of liquidity
- Display total assets and total liabilities at bottom of SFP
- Classify cash balance in operating category

Benefits:

- Relationships across statements become more clear
- Easier to calculate “activity based” metrics



Statement of Comprehensive Income

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Changes from current practice:

- Income and expenses grouped by function (sections and categories)
- More disaggregation by function and nature
- OCI items identified as operating, investing, or financing activities

Benefits:

- Relationships across statements become more clear
- Activities of an entity become more transparent
- Distinction between profit or loss/net income and other comprehensive income (OCI)



Statement of Cash Flows

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Changes from current practice:

- Present operating cash receipts and payments (direct method)
- Reconciliation of *operating* income to operating cash flows
- Elimination of notion of cash equivalents
- Definitions of operating, investing and financing are different

Benefits:

- Operating cash movements are more explicit
- Provides a meaningful depiction of how an entity generates and uses cash



What is next?

- The boards welcome constituents to engage in their outreach activities that will be testing:
 - the costs and benefits of the proposals
 - the implications of the proposals for financial reporting by financial institutions
- Outreach activities will be in the form of field visits, field tests and meetings with users and preparers
 - more information on the website.

