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DSR – öffentliche SITZUNGSUNTERLAGE

DSR-Sitzung:	**130. / 02.04.2009 / 10:00 – 13:00 Uhr**
TOP:	**02 – DP Financial Statement Presentation**
Thema:	**Stellungnahme an den IASB**
Papier:	**02a_DP FSP_Entwurf DSR an IASB**

Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany
Der Standardisierungsrat

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Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street
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Berlin, 24. März 2009

Dear David,

Discussion Paper 'Preliminary Views on Financial Statement Presentation'

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Discussion Paper *'Preliminary Views on Financial Statement Presentation'* (herein referred to as 'the DP'). We appreciate the opportunity to comment on the DP.

We welcome the publication of the DP and in general support the IASB's goal of improving the decision-usefulness of the information provided in the entities financial statements. However, we have various concerns with the approach of the DP in general and with several proposals in particular.

From our point of view, the proposals in the DP merely present the results of the IASB's discussion and do not put up different alternatives of presentation with their advantages and disadvantages for discussion. We consider a discussion paper more as a chance to present and discuss alternative views. Furthermore, we see that in many instances the IASB does not give compelling arguments or evidence why and how certain proposals in the DP meet the goal of improving the decision-usefulness of information provided.

In particular, our main concerns with the proposals are related to the cohesiveness objective, the direct cash flow method and the reconciliation schedule. Please find our detailed comments on the questions raised in the DP in the appendix to this letter.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

APPENDIX

Objectives and principles of financial statement presentation

> **Question 1**
>
> Would the **objectives of financial statement presentation** proposed 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.

The objective of general purpose financial reporting as proposed in the IASB Exposure Draft '*An improved Conceptual Framework for Financial Reporting: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information'* is to provide financial information about the entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. Based on that, we think that the objectives of financial statement presentation should be to provide information in a manner that meets the fundamental objective of financial reporting.

We are concerned that the DP does not give stringent arguments and evidence why the proposed objectives for financial statement presentation (cohesiveness, disaggregation, liquidity) are appropriate to meet the superior objective of providing decision-useful information. In addition, we miss compelling arguments or evidence why a certain requirement proposed in the DP meets the objectives for financial statement presentation at best. For example, why does exactly the proposed disaggregation level meets the disaggregation objective best?

Cohesiveness

The DP states in paragraph 2.6 *'the cohesiveness objective responds to the existing lack of consistency in the way information is presented in an entity's financial statements'*. We in general support the approach of the IASB to link the single financial statements and make them more consistent than the financial statements are today as long as the linking results in information that is more decision-useful. However, it seems that cohesiveness is applied in an extreme way in the DP, partially at a line item level. We do not accept such an extreme way and have concerns that applying cohesiveness in that way would increase the complexity of financial statements and fails the goal of the financial statement presentation project of improving the decision-usefulness of information.

In addition, it seems that the IASB does not sufficiently consider the interactions of outcomes of the projects *'Financial Statement Presentation'* and *'Post-employment*

Benefits' carried out parallel. Paragraph 2.45 of the DP states that as long as entities are required to *'present plan assets and benefit liabilities on a net basis in its statement of financial position, the proposed presentation model requires an entity to classify its net post-employment benefit asset or liability in a single category in the statement of financial position'*. Paragraph 2.46 of the DP states further: *'Following the cohesiveness principle, an entity should classify the related post-employment benefit expenses, including items such as service cost, interest cost and return on plan assets, and cash flows in the same category as its net post-employment benefit asset or liability.'* Contrary to the proposals in the DP, the IASB tentatively decided within the project *'Post-employment Benefits'* that *'entities should disaggregate changes in the defined benefit obligation and in plan assets into employment, financing and remeasurement components, and recognise the components in the income statement'* (IASB Update, January 2009). We urge the IASB to bring the outcomes of the projects in line.

Hinweis:
Der DSR hat die Frage 2 bereits mehrfach diskutiert, aber nicht abschließend Position bezogen.

Aus dem Protokoll zur 128. Sitzung des DSR:
Der DSR ist grundsätzlich der Ansicht, dass ein einmal gewähltes Ordnungskriterium möglichst ohne Ausnahme anzuwenden ist. Unschlüssig ist sich der DSR darüber, ob das vom IASB genannte Kriterium der *cohesiveness* hierbei zielführend ist. Zudem wurde vom DSR kritisch diskutiert, ob die Zuordnung in der Bilanz die Zuordnung im *statement of comprehensive income* und im *statement of cash flows* determinieren sollte.

Auszug aus dem Protokoll zur 129. Sitzung des DSR:
- Nach den Vorstellungen des DSR sollte sich *cohesiveness* durch alle *statements* durchziehen, d. h. die Zuordnung zu einzelnen Klassifizierungen sollte in den *statements* identisch sein. Es muss aber beispielsweise nicht für jeden Vermögenswert in der Bilanz ein entsprechender GuV-Posten bzw. ein Cashflow-Posten gezeigt werden. Dies ist eine Frage der Tiefe der Darstellung, die in jedem *statement* anders sein kann, und nicht eine Frage der Zuordnung.
- Der DSR ist der vorläufigen Auffassung, dass eine Klassifizierung in die *sections business* und *financing* ausreichend ist. Eine weitere Unterteilung von *business* in die *categories operating* und *investing* wird in der GuV und der Kapitalflussrechnung ggf. für sinnvoll erachtet.
- *Non-financial liabilities* beinhalten einen Finanzierungseffekt. Der Finanzierungsanteil soll jedoch, um eine Aufteilung zu vermeiden, nach der Auffassung des DSR nicht separat unter *financing* dargestellt werden, sondern die *liability* vollständig in *business* abgebildet werden.

Fragen an den DSR:

- Auf welcher Disagreggationsebene (*sections* oder *categories*) ist nach Ansicht des DSR *cohesiveness* anzuwenden? (Hinweis: Die Beantwortung dieser Frage steht im Zusammenhang mit der Beantwortung der Frage 9 hinsichtlich der Unterteilung der *business section* in die *categories operating* und *investing*.)
- Sollte die Zuordnung von *assets/liabilities* (und den damit zusammenhängenden Aufwendungen/Erträgen und Cash Flows) zu den *sections* (und ggf. *categories*) nach dem primären Verwendungszweck oder durch evtl. Aufteilung in Komponenten erfolgen (Beispiel: Pensionen)?

Disaggregation

We agree that entities should disaggregate the information in their financial statements in a manner that the disaggregated information is decision-useful. However, we have concerns that, in some instances, the proposed disaggregation could result in a lot of lines that at least reduce the usefulness of information. One example is the proposed disaggregation of assets and liabilities in short-term and long-term within the categories in the statement of financial position. Instead of providing this information in the notes, it alternatively could be provided on the face of the primary financial statements to achieve a balance between too much and too little information.

In addition, we miss compelling arguments or evidence why the proposed disaggregation level meets the fundamental objective of providing decision-useful information better than the current disaggregation level. We wonder whether and why exactly the proposed disaggregation level meets the fundamental objective best.

Liquidity and financial flexibility

We note, that the IASB's Exposure Draft '*An improved Conceptual Framework for Financial Reporting – Chapter 1: The Objective of Financial Reporting, and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information'* (herein referred to as 'the ED') implicitly already includes the objective of liquidity as paragraph OB 9 in the ED states: *"Capital providers are interested in financial reporting because it provides information that is useful for making decisions … When making those decisions, capital providers are interested in assessing the entity's ability to generate net cash inflows …"*. Paragraph OB 10 in the ED further explains what assessing cash flows means, namely *'the prospects for those cash flows depend on the entity's existing cash resources and, of more importance, on its ability to generate enough cash to pay its employees and suppliers and satisfy its other operating needs, to meet its obligations when due, and to reinvest in operations.'* The wording of the last sentence is almost identical to paragraph 2.12 in the DP that describes the objective of liquidity and financial flexibility as follows: *'An entity should present information in its financial statements in a manner that helps users to assess the entity's ability to meet its financial commitments as they become due and to invest in business opportunities'*.

We think that the objective of liquidity and financial flexibility is more a superior objective of financial reporting that should be placed in the framework rather than being treated as a subordinated objective in the financial statement presentation discussion. Because the objective of liquidity will be included in the framework when the ED will be finalized, we think that it is not necessary to repeat this objective as a principle of financial statement presentation.

Hinweis:
Der DSR hat in der 129. Sitzung beschlossen, dass *comparability* als weiteres Ziel von *financial statement presentation* aufgenommen werden sollte.

Aus dem Protokoll zur 127. Sitzung des DSR:
Comparability sollte als zusätzliches Ziel aufgenommen werden.

Anmerkung des Projektmanagers:
- Im ED '*An improved Conceptual Framework for Financial Reporting – Chapter 1: The Objective of Financial Reporting, and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information'*, ist in Paragraph QC15 ausgeführt: *'Enhancing qualitative characteristics distinguish more useful information from less useful information. The enhancing qualitative characteristics are comparability, verifiability, timelessness and understandability. These characteristics enhance the decision-usefulness of financial reporting information …'*.
- *Comparability* ist somit bereits eine im Framework verankerte qualitative Anforderung an das *financial reporting* zur Erreichung des „Oberziels" der Vermittlung entscheidungsnützlicher Informationen. Da aus diesem „Oberziel" die „Sub-Ziele" einer *financial statement presentation* (*cohesivness, disagregation, liquidity*) abgeleitet werden, ist es nach Ansicht des Projektmanagers nicht erforderlich, *comparability* nochmals als weiteres „Sub-Ziel" zu berücksichtigen.

Frage an den DSR:
Stimmt der DSR der Argumentation des Projektmanagers zu?

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 a separation of business activities from financing activities generally provides information that is decision-useful. But we do not think that the proposed separation of business activities from financing activities provides information that is more decision-useful than that provided in the financial statement formats used in practice today, i.e. the presentation of operating and financing income in the income statement as well as operating and financing cash flows in the cash flow statement and the separate presentation of financial assets and liabilities in the notes. Certainly, the separate presentation of operating and financing income in the statement of comprehensive income should be considered common practice today, but is not required explicitly by IAS 1. We therefore support the proposed cohesive separation in business and financing in all financial statements.

However, we have concerns regarding the definition of the financing section that is discussed in our response to question 10 below.

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 do not support the proposed presentation of equity as a section separate from the financing section. We believe that equity should be presented in a separate line within the financing section, because equity is part of an entity’s overall financing. The same argument is also stated in paragraph 2.53 of the DP as one reason for presenting equity in the same section as financing assets and liabilities.

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 agree with the proposed presentation of discontinued operations in a separate section and the reasoning set out in paragraph 2.71 in the DP.

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?

The answer to the question whether the management approach provides the most useful view of an entity to users of its financial statements depends on what the term management approach does exactly mean. In case that management approach means that the management is fully free in classifying assets and liabilities in their financial statements we would not support that approach because it would reduce the comparability of financial statements between different entities. Another concern about the management approach relates to the consistency of the financial statements of one entity from period to period.

The term management approach currently is used in IFRS 8 *'Segment Reporting'*. Referring to 'management approach' in the DP first of all suggests that the same is meant as under IFRS 8. Having a closer look on the DP shows that several proposals are rules which conflict with a 'real' management approach, for example the rule to disaggregate the income and expenses in the statement of comprehensive income by function and by nature. We support that there is a need for some guidance for classification in order to achieve a certain level of comparability of financial statements between different entities. However, we do not support stringent, detailed rules as long as it is not clear whether they make the information provided in the financial statements more decision-useful. For example, as discussed with regard to question 16 below, we doubt that a disaggregation by function within the statement of comprehensive income for external purposes results in decision-useful information as long as the entity uses a disaggregation by nature for internal purposes and the other way round.

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 think that a separate presentation of assets and liabilities in a business and financing section could make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities. However, as already mentioned in our response to question 2, we have significant concerns regarding the proposed definition of the business and financing section.

In addition, we principally doubt the informative value and therefore the usefulness of ratios. Even if the calculation of financial ratios would be easier, the usefulness of the calculated ratios finally depends on whether entities apply the same or different accounting policies. The more the management approach finds its way into the accounting standards and therefore the more different the accounting policies are the less comparable and therefore less useful are the ratios between entities.

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.

Hinweis:
Der DSR hat die Frage 7 in seiner 127. Sitzung bereits diskutiert, aber nicht abschließend Position bezogen.

In der 127. Sitzung des DSR diskutierte Punkte:

- Die Regelung ist nur dann sinnvoll, wenn die Unternehmen alle *assets/liabilities* den Segmenten zuordnen.
- Die Segmentebene ist möglicherweise eine zu hohe Aggregationsebene; ist eine Zuordnung auf CGU-Ebene demnach vorzuziehen?
- Bei Befürwortung des *management approach* für die Segmentberichterstattung – nicht aber für die Hauptbestandteile/financial *statements* – wäre eine unterschiedliche Klassifizierung in den Hauptbestandteilen und dem Segmentbericht die Folge.

Frage an den DSR:
Welche Auffassung vertritt der DSR?

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 light of the proposed presentation model? Please explain.

Hinweis:

Der DSR hat die Frage 8 in seiner 127. Sitzung bereits diskutiert, aber nicht abschließend Position bezogen.

In der 127. Sitzung des DSR diskutierte Punkte:

- Generelles Problem: nicht alle *assets/liabilities* müssen Segmenten zugeordnet werden.
- Die Frage des IASB müsste eher umgekehrt gestellt werden: Was sollte aus der Segmentberichterstattung in andere Bestandteile eines Abschlusses übernommen werden?

Frage an den DSR:

Welche Auffassung vertritt der DSR?

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?

Hinweis:
Der DSR hat die Frage 9 in seiner 127. und 129. Sitzung bereits diskutiert, aber nicht abschließend Position bezogen.

Auszug aus dem Protokoll zur 127. Sitzung des DSR:
Der DSR diskutierte, ob man die Unterteilung in *operating* und *investing* benötige, da der Begriff „*investing*“ nur einen Bruchteil der Investitionstätigkeit im Sinne der klassischen Definition abdeckt. Eine abschließende Entscheidung wurde nicht getroffen.

Auszug aus dem Protokoll zur 129. Sitzung des DSR:
- Der DSR ist der vorläufigen Auffassung, dass eine Klassifizierung in die *sections business* und *financing* ausreichend ist. Eine weitere Unterteilung von business in die *categories operating* und *investing* wird in der GuV und der Kapitalflussrechnung ggf. für sinnvoll erachtet.

Fragen an den DSR:
- Welche Auffassung vertritt der DSR?
- Unterstützt der DSR die in Paragraph 2.64 des DP vorgeschlagene Abgrenzung: *„operating and investing categories are based on a notion of ‘core’ and ‘non-core’ activities“*?

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 as lined out in the DP that the financing section should be restricted to financial assets and financial liabilities as defined in IFRSs and US GAAP. We do not see why non-financial assets and non-financial liabilities should be excluded from the financing section when they can be viewed as part of the financing of the entity's business and other activities. The justification for this exclusion given in paragraph 2.62 of the DP is to *'add objectivity to the classification process'*. We deem this argument absolutely unconvincing. We think that excluding non-financial assets/liabilities from the financing section is in conflict with the proposed management approach. Further, it is inconsistent that the DP restricts the management to include non-financial assets/liabilities on the one hand but allow the management to exclude financial assets/liabilities from the financing section on the other hand. Either the management approach has to be applied for classification consistently or not.

In addition, we believe that the more problematical aspect of classifying would not be the decision whether a non-financial asset/liability could be viewed as business or financing, but the decision whether a financial asset/liability is business or financing. Post-employment assets/liabilities are one prominent example for the latter case.

<u>Hinweis:</u>
Der DSR hat in seiner 127. Sitzung gegen das Diskussionspapier eingewendet, dass unklar bliebe, was konkret mit *financial assets* und *financial liabilities* gemeint sei.

<u>Anmerkung des Projektmanagers:</u>
Im DP heißt es in Paragraph 2.34: *„financial assets und financial liabilities (as those are defined in IFRSs and US GAAP)"*. In IAS 32.11 sind die Begriffe *financial assets* und *financial liabilities* definiert.

<u>Frage an den DSR:</u>
Welche konkreten Unklarheiten bestehen für den DSR bzgl. der im DP verwendeten Begriffe *financial assets* und *financial liabilities* mit dem Verweis auf die Definition in den IFRS?

<u>Hinweis:</u>
Der DSR hat in seiner 127. Sitzung eingewendet, dass die Paragraphen 2.59 und 2.62 des DP im Widerspruch zueinander stehen.

<u>Auszug aus dem Protokoll zur 127. Sitzung des DSR:</u>
Nach Paragraph 2.62 des DP können nur *financial assets* und *financial liabilities* der *financing section* zugeordnet werden. Nach Paragraph 2.59 können auch nicht-finanzielle Verbindlichkeiten der *financing section* zugeordnet werden.

<u>Anmerkung des Projektmanagers:</u>
- Paragraph 2.62 des DP stellt heraus, dass *"only financial assets or financial liabilities should be included in the financing section. Therefore, the guidelines in paragraph 2.34 for classifying an item in the financing section are based initially on the characteristic of the asset or liability (it must be a financial asset or a financial liability), but provide flexibility in allowing management to determine which financial assets and financial liabilities serve the financing function. This means that an entity may exclude a financial asset or a financial liability from the financing section but cannot include a non-financial asset or a non-financial liability in that section."*
- Paragraph 2.59 steht hierzu nicht im Widerspruch, da sich dieser lediglich auf die grundsätzliche Zuordnung von *liabilities* zu einer *section* bezieht. Der IASB will außerhalb der allgemeinen Definition der *financing section* nicht vorgeben, welche *(financial) liabilities* dieser *section* zugeordnet werden sollen.

<u>Frage an den DSR:</u>
Ist der DSR weiterhin der Auffassung, dass die Paragraphen 2.59 und 2.62 im Widerspruch zueinander stehen?

Implications of the objectives and principles for each financial statement

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?

Hinweis:
Der DSR hat die Frage 11 allgemein sowie speziell die Frage 11(a) in seiner 127. Sitzung bereits diskutiert. Noch nicht diskutiert wurde die Frage 11(b).

Frage an den DSR:
Welche Auffassung vertritt der DSR zu Frage 11 (b)?

We generally support the proposed classified statement of financial position, because we believe that the information about short-term and long-term subcategories for assets and liabilities is decision-useful with respect to the assessment of the liquidity of an entity. However, we have concerns that presenting these subcategories in the statement of financial position would result in an information overload with too many detailed information that could make that statement less understandable. We therefore deem a presentation of short-term and long-term subcategories in the notes to the financial statements more appropriate. Nevertheless, we wonder how the definition of short-term and long-term based on the limit of twelve months goes together with the proposed management approach.

Question 11 (a)
We expect that in particular financial institutions or other entities with a large number of financial instruments will not present a classified statement of financial position. Instead they probably present based on an assessment of the liquidity of assets and liabilities because liquidity information of those entities is often more relevant for users. In this respect we agree with the reasoning outlined in paragraph 3.6 in the DP.

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 agree with the proposed presentation and classification of cash equivalents in a manner similar to other short-term investments, separately from cash. However, we question whether in the case of cash excess that is invested in an extreme short-term investment that investment is really different from cash. On the other hand, we note that without a clear guidance for classifying cash equivalents the management would be totally free in separating cash from cash equivalents. That could affect the decision-usefulness of the information for assessing liquidity. We therefore finally agree with the proposed clear guidance of separating cash and cash equivalents as a convention to prevent abuse by management. Nevertheless, we wonder whether the IASB is proposing a clear guidance that is from our point of view in conflict with the proposed management approach.

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 agree that a separate presentation of similar assets and liabilities that are measured on different bases provides information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases. However, we do not agree that the disaggregation should be presented in the statement of financial position and believe that a presentation in the notes to the financial statements would be more appropriate. Disaggregation in the notes avoids that the statement of financial position will be overloaded with too many detailed information that could make that statement less understandable.

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?

As the net income is an important measure of performance, we strongly support a separate presentation of net income and other comprehensive income. The question whether the separate presentation of the above-mentioned two components of comprehensive income should be made in one or two statements is from our point of view a pseudo debate. More important than a formal discussion about one or two statements is a clear guidance which items should be basically presented in the other comprehensive income. Currently, the IFRSs do neither contain a definition of other comprehensive income nor any guidance which items should be basically included; instead the single standards determine the items of other comprehensive income for the respective issues. We think that other comprehensive income should be basically defined in the framework and therefore urge the IASB to address this issue in the IASB's project *'Conceptual Framework'*.

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 wonder why the IASB is asking that question, because we think that an indication of the category to which items of other comprehensive income relate results from the proposed cohesiveness objective..

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 in 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 think that the crucial factor in deciding, whether an entity should disaggregate the statement of comprehensive income by nature and/or by function is the decision-usefulness of the information provided. We doubt that a disaggregation by function for external purposes results in decision-useful information as long as the entity uses a disaggregation by nature for internal purposes and the other way round. In addition, we have concerns that the requirement in the DP could lead to situations where an entity that disaggregates by nature internally has to present a disaggregation by function externally even if the entity does not have the information by function available. Furthermore, it seems to us that the proposed mandatory disaggregation is in conflict with the proposed management approach.

For all above-listed reasons we disagree with the required disaggregation by function and nature. Instead we support a disaggregation based on the management approach, i.e. entities should report disaggregated information in the statement of comprehensive income as well as they disaggregate their income and expenses for internal purposes, because that seems to meet the superior decision-usefulness objective best. However, in cases where entities use both disaggregation methods (by function and by nature) internally, the external reporting of both in the statement of comprehensive income might result in too much data that could make the statement of comprehensive income less clear and understandable. In these particular cases we deem a presentation of the financial information in line with one of the disaggregation methods (by nature or by function) in the notes to the financial statements to be more useful.

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.

In principle, we agree with the proposed allocation and presentation of income taxes within the statement of comprehensive income in accordance with existing requirements. However, we question the relevance of the information given by allocating income taxes to each item of the other comprehensive income. We doubt the usefulness of that information not least because income taxes related to continuing operations (business and financing) are presented in one line.

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 and liabilities 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?

Hinweis:
Der DSR hat diese Frage noch nicht diskutiert.

Diskussionsergebnisse der AG:
Die AG spricht sich bzgl. des Ausweises der *foreign currency transactions gains and losses* für eine Beibehaltung des Status quo aus.

Frage an den DSR:
Welche Auffassung vertritt der DSR zu den Fragen 18 (a) und 18 (b)?

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?

Question 19 (a)
We believe that the direct method of presenting operating cash flows provide information that is decision-useful. However, we are not convinced that this method of presentation does provide information that is more decision-useful than the indirect method of presentation. Further, the DP does not give any compelling evidence showing that the direct method is superior to the indirect method with respect to the decision-usefulness of the information provided. We ask the IASB to provide a comparison of both methods regarding their benefits and cost.

Question 19 (b)
It might be that the direct method is more consistent with the proposed cohesiveness objectives than an indirect method. However, as already discussed regarding question 1, we do not accept a cohesiveness principle applied in an extreme way as proposed in some instances in the DP, because it would increase the complexity of the financial statements and fail the superior objective of providing decision-useful information. Insofar, as the cohesiveness objective would be applied to classify assets and liabilities (and the related income, expenses and cash flows) in sections and categories, as we prefer to see the cohesiveness principle applied, we do not see why the direct method is more consistent with the cohesiveness objectives than an indirect method.

Hinweis:
Im vorstehenden Satz ist die Formulierung des Einschubs *„the cohesiveness objective would be applied to classify assets and liabilities … in sections and categories, as we prefer to see the cohesiveness principle applied“* von der Entscheidung des DSR bei Beantwortung der Frage 1 abhängig.

Regarding the disaggregation objective, we do not understand why a direct method should be more consistent with this objective than an indirect method.

Question 19 (c)

The information currently provided using an indirect method to present operating cash flows are similar but not identical to the information provided in the proposed reconciliation schedule. One example for a difference is: The indirect method refers to the statement of financial position by calculating changes in net working capital, while the reconciliation schedule does not contain any link to the statement of financial position.

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?

The costs of using a direct method to present operating cash flows are dependent on whether cash flows are captured directly or calculated on the basis of the movements in assets and liabilities. In the latter case of calculation we would not expect significant one-off or ongoing costs. But the direct capture of cash flows could require significant costs; in particular when groups consist of many subsidiaries with various accounting systems. Switching from applying the direct cash flow method to the indirect method would require system changes that go hand in hand with implementation and training costs. In addition, the amount of costs resulting from applying the direct method finally depends on the level of disaggregation within the statement of cash flows.

Finally, the most important issue is whether the benefits will justify the costs of applying the direct method. As mentioned above, we urge the IASB to provide a comparison of both methods regarding their benefits and costs.

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?

Hinweis:
Der DSR hat diese Frage noch nicht diskutiert.

Diskussionsergebnisse der AG:

- Die AG weist zunächst darauf hin, dass *basket transactions* häufig auftreten.
- Bezüglich einer der vorgestellten Varianten spricht sich die AG für Alternative C (*present in a separate section*) aus.

Frage an den DSR:
Welche Auffassung vertritt der DSR?

Notes to financial statements

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?

Hinweis:
Der DSR hat diese Frage noch nicht diskutiert.

Diskussionsergebnisse der AG:
Die AG begrüßt diesen Vorschlag und spricht sich dafür aus, derartige Angaben für alle Unternehmen vorzuschreiben.

Frage an den DSR:
Welche Auffassung vertritt der DSR?

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.

Hinweis: Der DSR hat die Frage 23 allgemein diskutiert. Die Diskussion erstreckte sich dabei noch nicht auf die Inhalte der Fragen 23 (b) und (c). Diskussionsergebnisse der AG zu den Fragen 23 (b) und (c): • Sollte ein *reconciliation schedule* eingeführt werden, so wird die unter b) vorgeschlagene Disaggregation abgelehnt. Die AG bezweifelt insbesondere, ob ein gesonderter Ausweises von *accruals other than remeasurement* vor dem Hintergrund der angestrebten verbesserten Informationsvermittlung tatsächlich notwendig ist. • Die unter c) angesprochene *guidance* wird insbesondere bezüglich der Abgrenzung *accrual/remeasurement* als unzureichend empfunden. **Frage an den DSR:** Welche Auffassung vertritt der DSR zu den Fragen 23 (b) und (c)?

Question 23(a)

In principle, we support the idea of providing information in the notes to financial statements that links the statement of cash flows with the statement of comprehensive income, because we believe that it will improve the understandability of the financial statements overall. However, we disagree with the procedural method as proposed in the DP. The proposed reconciliation schedule will result in a lengthy note disclosure with many detailed information. Preparers will probably be required to provide significant input and resources to provide this information and users will be faced with too many numbers that could make the financial statement less understandable. In addition, we doubt that the proposed line-by-line reconciliation is really decision-useful. Overall, we have concerns that the benefits will not justify the cost of providing that information. In our view, the reconciliation schedule should focus on specific line items where reconciliation is really useful.

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?

Hinweis:
Der DSR hat diese Frage noch nicht diskutiert.

Diskussionsergebnisse der AG:
Die AG spricht sich aufgrund der Komplexität und Bedeutung der Bewertung zum *fair value* bzw. der resultierenden Darstellungsoptionen für ein zukünftiges IASB- Projekt zu diesem Thema aus.

Frage an den DSR:
Welche Auffassung vertritt der DSR?

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?

Hinweis:
Der DSR hat diese Frage noch nicht diskutiert.

Diskussionsergebnisse der AG:
Die AG spricht sich grundsätzlich gegen die Einführung weiterer *reconciliation schedules* aus. Es besteht die Gefahr einer Überfrachtung mit Informationen. Jedes weitere mögliche Berichtsinstrument sollte auf seine Notwendigkeit hin genau überprüft werden. Diese Überprüfung schließt ein Abwägen des erwarteten Nutzens mit resultierenden Kosten ein.

Auszug aus EFRAGs Draft Comment Letter an den IASB (S. 36)
155 Questions for constituents:

- *The DP is suggesting that, even with the changes to the presentation of the primary financial statements being proposed, something is missing and that, as a result, some sort of reconciliation (of either statement of cash flows to statement of comprehensive income or opening statement of financial position to closing statement of financial position) or breakdown (of the statement of comprehensive income) is needed to provide more information about the transactions, accruals and remeasurements that have taken place.*
- *Do you agree that there is a need for such information that should be met in the financial statements?*
- *If you do, what exactly is that need and in your opinion which of the proposals in the paper best meets that need?*
- *Does some other form of disclosure meet the need even better? Does the type of disclosure needed vary depending on the type of entity involved? For example, should entities that primarily manage assets and liabilities rather than cash flows be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income?*

Fragen an den DSR:

- Welche Auffassung vertritt der DSR zu Frage 25 des IASB?
- Welche Auffassung vertritt der DSR zur *Questions for constituents* von EFRAG?

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) APB Opinion No. 30 *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, 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?

<u>Hinweis:</u>
Der DSR hat diese Frage noch nicht diskutiert.
Der untenstehende Formulierungsvorschlag zur Beantwortung der Frage 26 (a) wurde aus den Diskussionsergebnissen des Rates zu Frage 23 abgleitet.

<u>Diskussionsergebnisse der AG:</u>
- Aufgrund der Ablehnung der direkten Methode bzw. der resultierenden Ablehnung des reconcilitaion schedule sieht die AG auch keine Notwendigkeit für die Einführung einer separaten Spalte für *infrequent events or transactions* in einem evtl. *reconciliation schedule*.
- Insofern schließt sich die AG (wenn auch aus anderen Gründen) der Ansicht des IASB an.

<u>**Fragen an den DSR:**</u>
- Stimmt der DSR dem untenstehenden Formulierungsvorschlag zu Frage 26 (a) zu?
- Welche Auffassung vertritt der DSR zu den Fragen 26 (b) und (c)?

Question 26 (a)
As we do not support the proposed reconciliation schedule we do not support that information about unusual or infrequent events or transactions is provided in a memo column in the reconciliation schedule as proposed. Nevertheless, we believe that this information itself may be useful for users of the financial statements, because it helps users to identify recurring numbers to make their assessment of future cash flows.

Question 27

As noted in paragraph 1.18(c), the FASB has not yet considered the **application of the proposed presentation model to non-public entities**. What issues should the FASB consider about the application of the proposed presentation model to non-public entities? If you are a user of financial statements for a non-public entity, please explain which aspects of the proposed presentation model would and would not be beneficial to you in making decisions in your capacity as a capital provider and why.

Vorschlag:
Da der DSR seine Stellungnahme gegenüber dem IASB und nicht gegenüber dem FASB abgibt, sollte die Stellungnahme keine Antwort zu dieser Frage enthalten.

Frage an den DSR:
Stimmt der DSR dem Vorschlag des Projektmanagers zu?