

IASB Staff paper

Appendix B: Illustration—OCI displayed with their related tax effect⁹

Revenue	390,000
Cost of sales	<u>(245,000)</u>
Gross profit	145,000
Other income	20,667
Distribution costs	(9,000)
Administrative expenses	(20,000)
Other expense	(2,100)
Finance costs	(8,000)
Share of profit of associates	<u>35,100</u>
Profit before tax	161,667
Income tax expense	(40,417)
Profit for the year from continuing operations	121,250
Loss for the year from discontinued operations	<u>-</u>
PROFIT FOR THE YEAR	121,250

Other comprehensive income:

Items that will not be reclassified:

Gain (loss) on strategic equity securities including dividends received ¹⁰ (net of 120 tax)	400
Gain (loss) on property revaluation (net of 333 tax)	600
Actuarial gains (losses) on defined benefit pension plans (net of 167 tax benefit) ¹¹	(500)
Share of other comprehensive income of associates ¹²	-

Items that will be reclassified:

Available-for-sale financial assets ¹³ (net of 6,000 tax benefit)	(18,000)*
Exchange differences on translating foreign operations (net of 1,334 tax)	4,000 *
Cash flow hedges ¹⁴ (net of 167 tax benefit)	(500)*
Share of other comprehensive income of associates ¹⁵	<u>400</u>
Other comprehensive income, net of tax	<u>(13,600)</u>
TOTAL COMPREHENSIVE INCOME	<u>107,650</u>

* This illustrates the aggregated presentation, with disclosure of the current year gain or loss and reclassification adjustment presented in the notes. Alternatively, a gross presentation can be used.

⁹ Based on Illustrative presentation of financial statements in IAS 1 (September 2007).

¹⁰ Proposed in ED *Financial Instruments: Classification and Measurement*.

¹¹ Classification based on proposal in Discussion Paper *Preliminary Views on Amendments to IAS 19*.

¹² This means the share of associates' OCI items attributable to owners of the associates that will not be reclassified. It is after tax and non-controlling interests in associates.

¹³ Proposed to be eliminated in ED *Financial Instruments: Classification and Measurement*.

¹⁴ Hedge accounting is being currently reconsidered by the IASB.

¹⁵ This means the share of associates' OCI items attributable to owners of the associates that will be reclassified. It is after tax and non-controlling interests in associates.

IASB Staff paper

Appendix C: Illustration—OCI Disaggregated¹⁶

Revenue	390,000
Cost of sales	<u>(245,000)</u>
Gross profit	145,000
Other income	20,667
Distribution costs	(9,000)
Administrative expenses	(20,000)
Other expense	(2,100)
Finance costs	(8,000)
Share of profit of associates	<u>35,100</u>
Profit before tax	161,667
Income tax expense	(40,417)
Profit for the year from continuing operations	121,250
Loss for the year from discontinued operations	<u>0</u>
PROFIT FOR THE YEAR	121,250
Other comprehensive income:	
<i>Items that will not be reclassified:</i>	
Gain (loss) on strategic equity securities including dividends received ¹⁷ (net of 120 tax)	400
Gain (loss) on property revaluation (net of 333 tax)	600
Actuarial gains (losses) on defined benefit pension plans (net of 167 tax benefit) ¹⁸	(500)
Share of other comprehensive income of associates ¹⁹	-
<i>Items that will be reclassified:</i>	
Available-for-sale financial assets ²⁰	
Gains arising during the period (net of 333 tax)	1,000
Reclassification of gains included in profit or loss (net of 6,333 tax benefit)	(19,000)
Exchange differences arising on translating foreign operations (net of 1,667 tax) ²¹	4000
Cash flow hedges ²² (net of 167 tax benefit)	
Gains (losses) arising during the period (net of 1,168 tax benefit)	(3,500)
Reclassification of gains included in profit or loss (net of 833 tax)	2500
Amounts transferred to initial carrying amount of hedged item (net of 167 tax)	500
Share of other comprehensive income of associates ²³	<u>400</u>
Other comprehensive income, net of tax	<u>(13,600)</u>
TOTAL COMPREHENSIVE INCOME	<u>107,650</u>

¹⁶ Based on Illustrative presentation of financial statements in IAS 1 (September 2007).

¹⁷ Proposed in ED *Financial Instruments: Classification and Measurement*.

¹⁸ Classification based on proposal in Discussion Paper *Preliminary Views on Amendments to IAS 19*.

¹⁹ This means the share of associates' OCI items attributable to owners of the associates that will not be reclassified. It is after tax and non-controlling interests in associates.

²⁰ Proposed to be eliminated in ED *Financial Instruments: Classification and Measurement*.

²¹ There was no disposal of a foreign operation. Therefore, there is no reclassification adjustment for the period presented.

²² Hedge accounting is being currently reconsidered by the IASB.

²³ This means the share of associates' OCI items attributable to owners of the associates that will be reclassified. It is after tax and non-controlling interests in associates.

Appendix A

Alternative 1- Direct-Method SCF

CONSOLIDATED STATEMENT OF CASH FLOWS (TOOLCO)	
CASH FLOWS FROM BUSINESS ACTIVITIES	2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Total cash collected from customers	2,812,741
Labor outflows	(810,000)
Materials outflows	(935,554)
Other business related cash outflows	(260,728)
Settlement of stock-based compensation	(3,602)
Lease payment	(50,000)
Pension outflows	(340,200)
Capital expenditures	(54,000)
Disposal of property, plant, and equipment	37,650
Investment in affiliates*	
Settlement of cash flow hedge	3,402
Sale of receivables	8,000
Net cash from operating activities	407,709
CASH FLOWS FROM INVESTING ACTIVITIES	
Dividends received	54,000
Purchase of available-for-sale securities*	
Sale of available-for-sale securities	56,100
Net cash from investing activities	110,100
Net cash from business activities	517,809
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends paid	(86,400)
Interest paid	(83,514)
Interest received on cash	8,619
Proceeds from issuance of short-term debt	162,000
Proceeds from issuance of long-term debt*	
Proceeds from reissue of treasury stock	84,240
Net cash from financing activities	84,945
Net cash from continuing operations before taxes	602,754
Cash paid for current tax expense	(281,221)
Change in cash before equity items and disc. ops.	321,533
CASH FLOWS FROM DISCONTINUED OPERATIONS	
Cash outflows from discontinued operations	(12,582)
Total change in cash from discontinued operations	(12,582)
Change in cash before foreign exchange	308,951
Effect of foreign exchange	3,209
Change in cash	312,160
Beginning cash	861,941
Ending cash	1,174,101

* Line items without values left as placeholders

Alternative 1 – Direct-Method SCF (continued)

Note X - Indirect Reconciliation of Operating Cash Flows

	<u>2010</u>
OPERATING ACTIVITIES	
Operating earnings	916,137
Adjustment to reconcile operating earnings to cash flow from operating activities of continuing operations:	
Loss(earnings) in equity of associate A	(23,760)
Realized loss(gain) on future contracts	(3,996)
Loss(gain) on disposal of property, plant and equipment	(22,650)
Loss on sale of accounts receivable	4,987
Non-cash charges and credits	
Depreciation and amortization	279,120
Bad debt expense	23,068
Loss on obsolete and damaged inventory	29,000
Impairment loss on goodwill*	
Litigation expense	1,998
Net changes in working capital deferrals and accruals	
Account receivable, trade	(420,650)
Other current assets	(8,402)
Inventory	60,250
Advances from customers	(244,605)
Account payable	80,556
Change in other assets and liabilities	(216,896)
Cash inflows and outflows from other operating activities	
Settlement of cash flow hedge contract	3,402
Sale of property, plant, and equipment	37,650
Capital expenditure	(54,000)
Cash paid on lease liability	(33,500)
CASH FLOW FROM OPERATING ACTIVITIES	<u>407,709</u>

* Line items without values left as placeholders

Alternative 2 - Indirect-Method SCF

CONSOLIDATED STATEMENT OF CASH FLOWS (TOOLCO)

	2010
OPERATING ACTIVITIES	
Operating earnings	916,137
Adjustment to reconcile operating earnings to cash flow from operating activities of continuing operations:	
Loss(earnings) in equity of associate A	(23,760)
Realized loss(gain) on future contracts	(3,996)
Loss(gain) on disposal of property, plant and equipment	(22,650)
Loss on sale of accounts receivable	4,987
Non-cash charges and credits	
Depreciation and amortization	279,120
Bad debt expense	23,068
Loss on obsolete and damaged inventory	29,000
Impairment loss on goodwill*	
Litigation expense	1,998
Net changes in working capital deferrals and accruals	
Account receivable, trade	(420,650)
Other current assets	(8,402)
Inventory	60,250
Advances from customers	(244,605)
Account payable	80,556
Change in other assets and liabilities	(216,896)
Cash inflows and outflows from other operating activities	
Settlement of cash flow hedge contract	3,402
Sale of property, plant, and equipment	37,650
Capital expenditure	(54,000)
Cash paid on lease liability	(33,500)
CASH FLOW FROM OPERATING ACTIVITIES	407,709
INVESTING ACTIVITIES	
Dividends received	54,000
Purchase of available-for-sale securities*	
Sale of available-for-sale securities	56,100
CASH FLOW FROM INVESTING ACTIVITIES	110,100
Net cash from business activities	517,809
FINANCING ACTIVITIES	
Dividends paid	(86,400)
Interest paid	(83,514)
Interest received on cash	8,619
Proceeds from issuance of short-term debt	162,000
Proceeds from issuance of long-term debt*	
Proceeds from reissue of treasury Stock	84,240
CASH FLOW FROM FINANCING ACTIVITIES	84,945
Net cash from continuing operations before taxes	602,754
INCOME TAXES	
Cash paid for current tax expense	(281,221)
Change in cash before equity items and disc. ops.	321,533
DISCONTINUED OPERATIONS	
Cash outflows from discontinued operations	(12,582)
Total change in cash from discontinued operations	(12,582)
Change in cash before foreign exchange	308,951
Effect of foreign exchange	3,209
Change in cash	312,160
Beginning cash	861,941
Ending cash	1,174,101

* Line items without values left as placeholders

Alternative 2 - Indirect-Method SCF (continued)

Note X - Supplemental cash flow disclosures

The company collected \$2,815,950 from customers for the year ended 31 December 2010.

The following table reconciles working capital changes on the cash flow statement versus the changes to the corresponding accounts on the statement of financial position:

Line item	Change per balance Sheet	Foreign Currency	Other remeasurement	M&A	Change per cash flow
Accounts Receivable, Net	\$ 394,195	(1,600)	28,055	-	420,650
Inventory	87,628	1,622	(29,000)	-	60,250

-or-

Below are supplemental reconciliations of the Company's significant accounts as in Alternative C from IASB agenda paper 7B/FASB memorandum 70B.

Note Y - Revenues and Billings

	Accounts Receivable	Bad Debt	Customer Advances
Beginning balance 1 January 2010	\$ 541,375	\$ (13,534)	\$ (425,000)
Collections from customers	(2,491,950)	-	(324,000)
Sale of receivables	(8,000)	-	-
Total Cash Changes	(2,499,950)	-	(324,000)
Revenue accrual	2,920,600	-	567,000
Write-offs	(12,960)	12,960	-
Other adjustment - bad debt reserve	-	(23,068)	-
Remeasurement - loss on sale of receivables	(4,987)	-	-
Remeasurement - foreign exchange	1,600	-	-
Ending balance 31 December 2010	945,678	(23,642)	(182,000)

Note Z - Inventory Costs

	Inventory	Inventory Accounts Payable
Beginning balance 1 January 2010	\$ 767,102	\$ (505,000)
Cash paid for purchases	-	935,544
Total Cash Changes	-	935,544
Accrual - credit purchases	1,043,100	(1,043,100)
Allocation - wages, benefits, depreciation	624,300	-
Reduction from sales	(1,727,650)	-
Remeasurement - Loss on inventory	(29,000)	-
Remeasurement - foreign exchange	1,622	-
Ending balance 31 December 2010	\$ 679,474	\$ (612,556)

* Line items as placeholders to demonstrate possible reconciling line items

** If this alternative is pursued, a determination as to which accounts are presented would have to be determined. Examples are not intended to be a complete prescribed list.

Alternative C—Analysis of changes in significant line items on the SFP**Statement of financial position — ToolCo (“Significant” line items are shaded)**

STATEMENT OF FINANCIAL POSITION		
For years ending 31 December		
	2010	2009
BUSINESS		
Operating		
Accounts receivable, trade (net of allowance of 23,642, and 13,534 respectively) (See Note 1)	922,036	527,841
Inventory (See Note 2)	679,474	767,102
Cash flow hedge (See Note 9)	6,552	3,150
Prepaid advertising and other (See Note 9)	80,000	75,000
Total short-term assets	1,688,062	1,373,092
Property, plant, and equipment (less accumulated depreciation of 2,264,620, and 2,022,000, respectively) (See Note 3)	2,817,460	3,041,500
Building (net of accumulated depreciation of 1,500, and 3,000 respectively) (See Note 3)	27,620	23,500
Investment in associate A (See Note 7)	261,600	240,000
Goodwill (See Note 9)	154,967	154,967
Other intangible assets (See Note 9)	35,000	35,000
Total long-term assets	3,296,647	3,494,967
Advances from customers (See Note 1)	(182,000)	(425,000)
Accounts payable, trade (See Note 2)	(612,556)	(505,000)
Current portion of lease liability (See Note 3)	(35,175)	(33,500)
Interest payable on lease liability (See Note 3)	(14,825)	(16,500)
Wages, salaries, and benefits payable (See Note 4)	(173,000)	(200,000)
Share-based remuneration liability (see Note 8)	(39,586)	(21,165)
Total short-term liabilities	(1,057,142)	(1,201,165)
Accrued pension liability (See Note 4)	(293,250)	(529,500)
Lease liability (excluding current portion) (See Note 3)	(261,325)	(296,500)
Other long-term liabilities (litigation + Decommissioning) (See Note 3 & 8)	(33,488)	(16,100)
Total long-term liabilities	(588,063)	(842,100)
Net operating assets	3,339,504	2,624,795
Investing		
Available-for-sale securities (See Note 7)	473,600	485,000
Investment in associate B (See Note 7)	46,750	39,250
Total investing assets	520,350	524,250
Net business assets	3,859,854	3,349,045
FINANCING		
Financing assets		
Cash	1,174,102	861,941
Total financing assets	1,174,102	861,941
Financing liabilities		
Short-term debt (See Note 5)	(562,000)	(400,000)
Interest payable (See Note 5)	(140,401)	(112,563)
Dividends payable (see Note 8)	(20,000)	(20,000)
Total short-term financing liabilities	(722,401)	(532,563)
Long-term debt (See Note 5)	(2,050,000)	(2,050,000)
Total financing liabilities	(2,772,401)	(2,582,563)
Net financing assets	(1,598,299)	(1,720,621)
DISCONTINUED OPERATIONS		
Assets held for sale (See Note 10)	856,832	876,650
Liabilities held for sale (See Note 10)	(400,000)	(400,000)
Net assets held for sale	456,832	476,650
INCOME TAXES		
Short-term		
Income taxes payable (See Note 6)	(72,514)	(63,679)
Deferred tax asset (See Note 6)	4,426	8,907
Long-term		
Deferred tax asset (See Note 6)	39,833	80,160
Net income tax asset (liability)	(28,255)	25,388
Net assets	2,690,132	2,130,462
EQUITY		
Share capital	(1,427,240)	(1,343,000)
Retained earnings	(1,100,358)	(648,289)
Accumulated other comprehensive income	(162,534)	(139,173)
Total equity	(2,690,132)	(2,130,462)

Alternative C—Analysis of changes in significant line items – ToolCo**Note 1 - Revenues and Billings**

	Accounts Receivable	Bad Debt	Customer Advances
Beginning balance 1 January 2010	541,375	(13,534)	(425,000)
Collections from customers	(2,491,950)	-	(324,000)
Sale of receivables	(8,000)	-	-
Total Cash Changes	(2,499,950)	-	(324,000)
Revenue accrual	2,920,600	-	567,000
Write-offs	(12,960)	12,960	-
Other adjustment - bad debt reserve	-	(23,068)	-
Remeasurement - loss on sale of receivables	(4,987)	-	-
Remeasurement - foreign exchange	1,600	-	-
Ending balance 31 December 2010	<u>945,678</u>	<u>(23,642)</u>	<u>(182,000)</u>

Note 2 - Inventory Costs

	Inventory	Inventory Accounts Payable
Beginning balance 1 January 2010	767,102	(505,000)
Cash paid for purchases	-	935,544
Total Cash Changes	-	935,544
Accrual - credit purchases	1,043,100	(1,043,100)
Allocation - wages, benefits, depreciation	624,300	-
Reduction from sales	(1,727,650)	-
Remeasurement - Loss on inventory	(29,000)	-
Remeasurement - foreign exchange	1,622	-
Ending balance 31 December 2010	<u>679,474</u>	<u>(612,556)</u>

Note 3 - Long-lived Assets

	PP&E Net	Building Net	Asset Retirement Obligation*	Lease Liability Including Interest
Beginning balance 1 January 2010	3,041,500	23,500	(14,250)	(346,500)
Cash paid to purchase PP&E	54,000	-	-	-
Cash paid for lease	-	-	-	33,500
Cash paid for interest	-	-	-	16,500
Cash received from sale of assets	(37,650)	-	-	-
Total Cash Changes	16,350	-	-	50,000
Accrual - interest	-	-	-	(14,825)
Allocation - depreciation, accretion	(277,620)	(1,500)	(810)	-
Remeasurement - gain on sale of assets	22,650	-	-	-
Remeasurement - ARO recognition	14,580	-	(14,580)	-
Remeasurement - revaluation surplus	-	5,620	-	-
Ending balance 31 December 2010	<u>2,817,460</u>	<u>27,620</u>	<u>(29,640)</u>	<u>(311,325)</u>

* Amount is included as part of Other long-term liabilities (litigation + Decommissioning) in the Statement of Financial Position.

Alternative C—Analysis of changes in significant line items (continued)**Note 4 - Compensation and Benefits**

	Wages, Salaries, Benefits	Share-based Remuneration*	Pension Liability*
Beginning balance 1 January 2010	(200,000)	(21,165)	(529,500)
Cash paid for wages, salaries and benefits	810,000	-	-
Cash paid for stock remuneration	-	3,602	-
Contribution to plan	-	-	124,200
Payment of benefits	-	-	216,000
Total Cash Changes	810,000	3,602	340,200
Accrual	(783,000)	-	-
Accrual - stock remuneration	-	(15,773)	-
Accrual - pension expense (service cost)	-	-	(121,950)
Remeasurement - remeasurement of plan assets	-	-	18,000
Remeasurement - fair value	-	(6,250)	-
Ending balance 31 December 2010	(173,000)	(39,586)	(293,250)

*Example to illustrate analysis of changes from SFP perspective. This disclosure would be combined with or replace disclosures currently required by IFRS or US GAAP.

Note 5 - Debt

	Long-Term	Short-Term	Interest
Beginning balance 1 January 2010	(2,050,000)	(400,000)	(112,563)
Cash received from issuance of debt	-	(162,000)	-
Cash paid for interest	-	-	83,515
Total Cash Changes	-	(162,000)	83,515
Accrual - interest	-	-	(111,353)
Ending balance 31 December 2010	(2,050,000)	(562,000)	(140,401)

Note 6 - Income Taxes*

	Deferred Taxes	Income Tax Payable
Beginning balance 1 January 2010	89,067	(63,679)
Taxes paid	-	281,222
Total Cash Changes	-	281,222
Other adjustment - reverse provision	(44,808)	-
Accruals - current tax	-	(290,057)
Ending balance 31 December 2010	44,259	(72,514)

*Example to illustrate analysis of changes from SFP perspective. This disclosure would be combined with or replace disclosures currently required by IFRS or US GAAP.

Alternative C—Analysis of remaining line items that are considered NOT significant**Note 7 - Investments**

	<u>AFS Securities</u>	<u>Associate A</u>	<u>Associate B</u>
Beginning balance 1 January 2010	485,000	240,000	39,250
Sale of securities	(56,100)	-	-
Total Cash Changes	<u>(56,100)</u>	<u>-</u>	<u>-</u>
Share of profit of associate	-	23,760	7,500
Remeasurement - foreign exchange	-	(2,160)	-
Remeasurement - fair value	26,450	-	-
Remeasurement - gain on sale of securities	18,250	-	-
Ending balance 31 December 2010	<u>473,600</u>	<u>261,600</u>	<u>46,750</u>

Note 8 - Other Liabilities

	<u>Short-term</u>
Beginning balance 1 January 2010	(21,850)
Dividends paid	86,400
Total Cash Changes	<u>86,400</u>
Accruals - litigation	(1,998)
Accruals - dividend	(86,400)
Ending balance 31 December 2010	<u>(23,848)</u>

Note 9 - Other Assets

	<u>Short-term</u>	<u>Long-term</u>
Beginning balance 1 January 2010	78,150	189,967
Prepaid expense	65,000	-
Settle cash flow hedge	(3,402)	-
Total Cash Changes	<u>61,598</u>	<u>-</u>
Accruals - adjustment	(60,000)	-
Remeasurement - fair value	6,804	-
Ending balance 31 December 2010	<u>86,552</u>	<u>189,967</u>

Note 10 - Discontinued Operations

	<u>Assets Held for Sale</u>	<u>Liabilities Held for Sale</u>
Beginning balance 1 January 2010	876,650	(400,000)
Remeasurement - loss on disposal	(19,818)	-
Ending balance 31 December 2010	<u>856,832</u>	<u>(400,000)</u>