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Sir David Tweedie
Chairman of the
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30 Cannon Street

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Berlin, 17 July 2006

Dear Sir David

Re: Exposure Draft of Amendments to IAS 1 - *Presentation of Financial Statements: A Revised Presentation*

We appreciate the opportunity to comment on the Exposure Draft ED IAS 1 *Presentation of Financial Statements: A Revised Presentation*. We generally support the Board's aim to improve IAS 1. However, we believe that the issues raised in the ED should be considered in Phase B of the Financial Statement Presentation Project rather than within a separate ED. Questions addressed in the ED are closely connected with issues of Phase B so that the proposed changes of IAS 1 may need to be revised in the near future as a result of the next phase of the project. Multiple changes within such a short period of time are unacceptable and should be avoided. Therefore, we suggest that the Board refrains from finalizing the ED and deliberates related issues in Phase B. This procedure would give an additional chance to enhance co-ordination with the FASB in this important convergence project.

If, notwithstanding these severe concerns, the Board believes that it is necessary to proceed with the amendment of IAS 1, we would like to comment on the ED as follows:

Question 1 – Do you agree with the proposed titles of the financial statements (bearing in mind that an entity is not required to use those titles in its financial statements)? If not, why?

We do not agree with the proposed titles. The titles for the individual financial statements as proposed in ED IAS 1 are not defined in the IFRS Framework.

Question 2 – Do you agree that a statement of financial position as at the beginning of the period should be part of a complete set of financial statements, and that an entity presenting comparative information should therefore be required to present three statements of financial position in its financial statements? If not, why?

We do not agree with this proposal. Information contained in the balance sheet as at the beginning of the previous period is either directly presented in the previous year's financial statements or - in case of adjustments related to the changes in accounting policies and correction of errors - is sufficiently explained by disclosures according to IAS 8, par. 28, par. 29 and par. 49. We are therefore not convinced that the presentation of the balance sheet as at the beginning of the previous period will result in considerable additional benefits for users of financial statements. In our view it is superfluous and will overload financial statements. Furthermore, for entities reporting to the SEC, the implementation of this proposal would result in the presentation of four balance sheets.

Question 3 – Do you agree that non-owner changes in equity should be referred to as 'recognised income and expense' (bearing in mind that an entity is not required to use the term in its financial statements)? If not, why?
Is the terminology used in the Standard important if entities are permitted to use other terms in their financial statements? If so, what term would you propose instead of 'recognised income and expense'?

We notice that the adjective "recognised" may be misleading in certain circumstances. However, we could agree with this title provided that the new titles will remain non mandatory. In this regard we refer to our general considerations presented in the preface to this comment letter again.

Question 4 – Do you agree that all non-owner changes in equity (ie components of recognised income and expense) should be presented separately from owner changes in equity? If not, why?

We generally support the requirement that all non-owner changes in equity should be presented separately from owner changes in equity. However, additionally we suggest permitting to break down the line "total recognised income and expense" in the statement of changes in equity into at least two lines: "profit or loss" (result according to the statement of profit or loss) and "other recognised income and expense" (sum of the positions of OCI). We are convinced that there is a qualitative difference between the components of the former income statement and the elements of OCI. The ED introduces an option to present the statement of recognised income and expenses in two statements. We think that this option demonstrates that the Board itself accepts (at least to a certain extent) the difference in the nature of these elements of income and expense. This qualitative difference should be reflected not only in the format of statement of recognised income and expense but also in the statement of changes in equity.

Question 5 – Do you agree that entities should be permitted to present components of recognised income and expense either in a single statement or in two statements? If so, why is it important to present two statements rather than a single statement? If you do not agree, why? What presentation would you propose for components of recognised income and expense that are not included in profit or loss?

We would like to point out that we strongly recommend addressing the issue of question 5 in Phase B of the Financial Statement Presentation Project. If the Board wishes to proceed with the ED, the option to present all income and expenses either in a single statement or in two statements would be an appropriate solution at the current stage of development. If reporting entities will not be permitted to choose a presentation format, we strongly support the mandatory application of the two-statement approach.

The Exposure Draft requires the disclosure of reclassification adjustments relating to each component of other recognised income and expense (see paragraphs 92–96 of the draft Standard and paragraphs BC21–BC23 of the Basis for Conclusions). Question 6 – Do you agree with this proposal? If not, why?

We support the proposed disclosure of reclassification adjustments relating to each component of other recognised income and expense for reasons given in the ED IAS 1.BC22-.BC23. Furthermore, we support the option to present reclassification adjustments either on the face of the income statement or in the notes. Additionally, we suggest substituting the term “reclassification” by the term “recycling”, because the term “reclassification” is often used in other contexts.

The Exposure Draft requires the disclosure of income tax relating to each component of other recognised income and expense (see paragraph 90 of the draft Standard and paragraphs BC24 and BC25 of the Basis for Conclusions). Question 7 – Do you agree with this proposal? If not, why?

We do not agree with this proposal. The presentation of tax effects related to the separate components of profit or loss is not required at present (except tax effects related to discontinued operations). We do not believe that the presentation of tax effects related to the separate components of other recognised income and expense will be useful.

The Exposure Draft does not propose changes to IAS 33 Earnings per Share. Therefore, earnings per share will be the only per-share measure presented on the face of the statement of recognised income and expense. If an entity presents any other per-share measure, that information is required to be calculated in accordance with IAS 33 and presented in the notes (see paragraph BC26 of the Basis for Conclusions).
Question 8 – Do you agree that earnings per share should be the only per-share measure that is required or permitted to be presented on the face of the statement of recognised income and expense? If not, which other per-share measures should be required or permitted to be presented on the face of a statement and why?

We share the Board's view that at present earnings per share according to IAS 33 should be the only per-share measure presented on the face of the statement of recognised income and expense, regardless of its presentation as one or two statements.
Furthermore, we recommend an explicit clarification in IAS 1, that by presentation of two statements, earnings per share should be presented on the face of the first statement and not on the face of the second statement. In our opinion a clarification in the Illustrative Examples only is not sufficient.

If you would like further clarification of the issues set out in this comment letter, please do not hesitate to contact me.

Yours sincerely

Prof. Dr. Harald Wiedmann
President