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3 April 2009

Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO BOX 204
COLLINS ST WEST VIC 8007

Email: standard@aasb.gov.au

Dear Bruce

ITC 19 Request to Comment on IASB Discussion Paper *Preliminary Views on Financial Statement Presentation*

Thank you for the opportunity to comment on the Australian Accounting Standards Board (AASB) ITC 19 Request to Comment on IASB Discussion Paper *Preliminary Views on Financial Statement Presentation*.

CPA Australia represents the diverse interests of more than 122,000 members in finance, accounting and business in 100 countries throughout the world. Our mission is to make CPA Australia the global professional accountancy designation for strategic business leaders. We make this submission not only on behalf of our members in public practice but also for the accounting profession generally and in the broader public interest.

Our comments have been prepared in consultation with our members through our Asia-Pacific Financial Reporting Advisory Group which is a Board Committee representing a regional perspective from South-East Asia and Oceania and our Financial Reporting and Governance Centre of Excellence.

Conceptually, CPA Australia believes that the presentation of information that separates business activities from financing activities and is then classified based on the management approach would provide information that is decision useful.

However, CPA Australia is not convinced that users are looking to the financial statements for the proposed quantum of information. We think it important that the development of the Discussion Paper's proposal does not take place in a vacuum; and instead the International Accounting Standards Board (IASB) be cognisant of the other publicly available sources of information available for use by capital market participants in their decision making. To do otherwise would impose costs on the preparer of financial information in excess of the benefits of the proposed financial statement presentation. We have encouraged the IASB to continue its dialogue with practicing analysts in order to gain a better understanding of their models, and the use of financial statement information in those models. We think this approach might prove useful to reducing the Discussion Paper's proposed quantum of financial statement information.

Our detailed comments to the questions posed by the IASB and those of the AASB are attached.

If you require further information on any of our views, please contact Dr Mark Shying, CPA Australia's Financial Reporting and Governance Senior Policy Adviser via email at mark.shying@cpaaustralia.com.au.

Yours sincerely

Geoff Rankin FCPA
Chief Executive Officer

cc: M Shying

Attachment

Chapter 2: 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 statements presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.

CPA Australia broadly supports the proposed three objectives of financial statement presentation, they being cohesiveness; disaggregation; and liquidity and financial flexibility. However, we believe that there may be times when financial statement presentation in accordance with the three objectives is not consistent with a management approach to classification. Our discussion of each follows.

Cohesiveness objective
The Discussion Paper proposes an entity should present information in its financial statements in a manner that portrays a cohesive financial picture of its activities. Therefore, an entity's financial statements complement each other as much as possible and bring clarity to the relationships between items across financial statements. The Discussion Paper notes the importance of the cohesiveness objective in the presentation of financial information that is comparable and can be used as an input into the models of those users making investment decisions.

CPA Australia thinks the cohesiveness objective is a good objective. However, we do not think the Discussion Paper's starting point of the statement of financial position is best able to drive the cohesive objective. The Statement of Comprehensive Income may be more appropriate as it connects with the performance of entities activities rather than position. We understand that analysts seek to ascertain the entity's underlying (sustainable) earnings – hence the focus on comprehensive income, with the statement of cash flow used as a quality check.

Disaggregation objective
The Discussion Paper proposes an entity should disaggregate information in its financial statements in a manner that is useful in assessing the amount, timing and uncertainty of its future cash flows. Therefore, the disaggregation of items with essentially different economic characteristics is essential to the presentation of information that facilitates analysis. The International Accounting Standards Board (IASB) notes the delicate balance between having too much information and too little information.

CPA Australia agrees that information in the financial statements should be disaggregated in a way that is meaningful for users. However, we have concerns about the quantum of additional line items in the financial statements that will be required. Our evaluation of the illustrative financial statements appended to the Discussion Paper does not give us comfort that the IASB has struck the right balance.

Liquidity and financial flexibility objective
The Discussion Paper proposes 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.

CPA Australia thinks the liquidity and financial flexibility objective a good objective. However, we note that there is no reference to financial flexibility in the existing or proposed IASB Framework. We would expect such a reference.

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?

The Discussion Paper proposal requires that the financial statements present information about the way value is created (i.e., the business activities of operating and investing) separately from the ways the entity funds or finances those business activities (i.e., financing activities). The presented information is then classified in a manner that best reflects the way in which management uses the presented assets and liabilities. That classification is then applied to the related income and expenses and related cash flows. If an entity cannot clearly identify an asset or liability as relating to operating, investing or financing activities, the default position is that the asset or liability relates to the operating activities of the entity.

The Discussion Paper paragraphs S8 to S13 state that should the proposals proceed, the changed financial statements should make it easier for users to:

- calculate some key financial ratios for an entity's operating and/or investing business activities;
- assess how changes in operating assets and liabilities will generate operating income and cash flows;
- predict future cash flows;
- relate information about operating assets and liabilities and operating income and expenses to operating cash receipts and payments; and
- analyse the separate components of income in a manner that is consistent with their different power for predicting future cash flows and assessing earnings quality.

Conceptually, CPA Australia believes that the presentation of information that separates business activities from financing activities and is then classified based on the management approach would provide information that is decision useful (however, we note that financial institutions might have some difficulties in the separation of their activities). We understand that some academic experimental-design research using a model similar to that proposed in the Discussion Paper concluded that subjects (sophisticated and unsophisticated users of financial statements information) made statistically significant better investments decision when using the financial statement presentation model similar to that proposed in the Discussion Paper (compared with their investment decisions when using the current IAS *1 Presentation of Financial Statements*).

However, we are not convinced that users are looking to the financial statements for the proposed quantum of information. The Exposure Draft of *An Improved Conceptual Framework for Financial Reporting*: Chapters 1 and 2 paragraph OB13 notes "Financial reporting by a particular entity is but one source of information needed by capital providers. Those users of financial reports also need to consider pertinent information from other sources…". We understand that corporate briefings to analysts play an important role in informing the operation of the capital markets. The continuous disclosure regimes of the capital markets in conjunction with jurisdiction-specific insider trading laws help to ensure that all users of financial information have access to this information; and not just analysts.

Further, we understand that analysts seeking to perform valuations of companies, typically derive an underlying profit figure (based on adjustments to the net profit after tax in accordance with International Financial Reporting Standards [IFRS]) that is then either projected into the future, using various assumptions, and then typically capitalised to determine a current company valuation. Alternatively, underlying profit is used as a basis for projecting future cash flows, which are then discounted to arrive at a present value.[1] We understand that there is any number of different models used by analysts (and other users of financial statement information).

[1] AICD & FINSIA 2009, Underlying Profit: Principles for Reporting of Non-Statutory Profit Information, AICD & FINSIA, Sydney.

CPA Australia thinks it important that the development of the Discussion Paper's proposal does not take place in a vacuum; and instead the Board be cognisant of the other publicly available sources of information available for use by capital market participants in their decision making. To do otherwise, would impose costs on the preparer of financial information in excess of the benefits of the proposed financial statement presentation.

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?

CPA Australia supports the Discussion Paper proposal to separately present equity from the financing section on the basis that the dichotomy is familiar to users.

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?

CPA Australia thinks it important that the information about discontinued operations is presented separately to enable users of the financial statements to better evaluate the financial effects. We reason that the different cash flows expected to arise from the discontinued operations and continuing operations justify separate presentation.

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?

CPA Australia thinks the Discussion Paper's proposal to rely on a management approach has merit if the management approach is able to reflect the way management manages the entity. An issue with the approach is the potential lack of comparability. A management approach is consistent with a comparison of entity performance from one year to another. However, when the focus of comparability is comparability between entities, the presentation of financial information using a management approach does not seem consistent with between-entities comparison. We think comparability can be improved through the provision of greater clarity around the definitions.

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?

CPA Australia thinks the Discussion Paper's proposal to present assets and liabilities in the business section and the financing section of the statement of financial position will result in a less coherent statement of financial position than at present. We envisage that education of capital markets participants may be necessary. We believe the proposal to require totals of all assets and liabilities important.

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.

CPA Australia thinks the Discussion Paper's proposal to classify assets and liabilities (and related changes) at the reportable segment level would have increased predictive power as it should better represent the way an asset or liability is used within an entity.

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.

CPA Australia encourages the IASB to undertake a timely post-implementation review of IFRS 8 *Operating Segments* to ascertain whether it is working effectively and in the way intended, and to understand how IFRS 8 would work in the context of the Discussion Paper proposals.

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?

Our answer to Question 9 is incorporated into our response to Question 10.

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?

The Discussion Paper proposals are that the:

- business section should include assets and liabilities that management views as part of its continuing business activities and changes in those assets and liabilities;

  - business activities are separated into operating and investing categories, whereby:
    - the operating category should include business assets and liabilities that management views as related to the central purpose(s) for which the entity is in business; and
    - the investing category should include business assets and liabilities that management does not view as related to the central purpose(s) for which the entity is in business;

- financing section should include financing assets and financing liabilities that are financial assets and financial liabilities as defined by IFRS that management views as part of the financing of the entity's business and other activities.

CPA Australia thinks the descriptions used are imprecise. The operating category relates to the central purpose(s) for which the entity is in business. It is not always clear whether "purpose" is a synonym for "activity", or has a different meaning. Further, we are not certain why an entity would have investing activities that are not related to the central purpose(s) for which the entity is in business. Put differently, if the business activities are not operating, are they not then part of the financing section? If our reasoning were correct, the investing category would be redundant.

We note that the financing section excludes financing assets and financing liabilities that are not financial assets or financial liabilities. We do not think the exclusion appropriate as it is not consistent with a management approach to classification. The Discussion Paper paragraph 2.59 contains a reference to working capital – however, it is not clear whether working capital is part of the financing section or classified differently. The Discussion Paper paragraph 2.62 claims that the proposal to exclude non-financial assets and liabilities adds objectivity to the classification process. We disagree. Objectivity is not added by arbitrarily excluding certain items from a category.

CPA Australia encourages the Board to work with industry groups to develop appropriate guidance material. We think that in the absence of such material there will be a significant vacuum that is likely to be filled by industry groups issuing guidance independently of the IASB.

Chapter 3: 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?

CPA Australia supports principles-based standard setting. Accordingly, we do not think there is a need for more guidance for distinguishing which entities should present a statement of financial position in order of liquidity.

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?

CPA Australia agrees with the Board's conclusion that excluding cash equivalents from the amount of cash presented in the statement of financial position would better help achieve the liquidity and financial flexibility objective (Discussion Paper paragraph 3.17).

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 statements 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?

CPA Australia broadly supports the Discussion Paper proposal that an entity should not combine similar assets and liabilities measured on different bases into a single line item in the statement of financial position. We think disaggregation is likely to improve the predictive power of the presented financial information. However, we do not think it necessary that the disaggregation be presented on the face of the statement of financial position. We think providing the information in the notes appropriate.

Further, we are not sure of the level of separation proposed. For example, is measurement at historical cost the same as measurement at historical cost less impairment? Is fair value measurement using a quoted price (unadjusted) in active markets for identical assets or liabilities the same as measurement at fair value using unobservable inputs? Our support for disaggregation is at the upper level (e.g., cost-based amounts v current-value-based amounts).

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?

CPA Australia thinks resolution of the issue of whether items of other comprehensive income should continue to be presented in a manner different from all other income or expense items is a critical step that requires an answer prior to decisions being made about presentation in a single financial statement (and not two separate statements). The Discussion Paper paragraph 3.33 notes resolution of this issue would require recognition and measurement issues to be addressed. We think this issue should be addressed now as part of the work arising from the Discussion Paper.

CPA Australia's submission to the 2006 Exposure Draft of Proposed Amendments to IAS 1 *Presentation of Financial Statements: A Revised Presentation* supported the presentation of components of recognised income and expenses in two statements: a statement displaying components of profit or loss and a second statement beginning with profit or loss and displaying other components of other recognised income and expense. Our reasoning was the improvement in understandability and transparency of the financial information presented. We noted that unreported research indicated that one statement might be acceptable. In the absence of further work by the Board (as suggested above), CPA Australia thinks a choice of statement presentation is appropriate.

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?

CPA Australia thinks it likely that an indication of the category to which items of other comprehensive income relate would result in information that is decision useful.

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 loses 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?

The Discussion Paper proposes that:

- an entity should disaggregate income and expense items within each category by function; and
- an entity should disaggregate the items in that disaggregation-by-function further by nature; or
- when an entity does not disaggregate income and expense items by function because such disaggregation would not enhance the usefulness of the information in predicting the entity's future cash flows, the entity should disaggregate those items by their nature to the extent that this will enhance the usefulness of the information in predicting the entity's future cash flows.

The Discussion Paper paragraph 3.52 notes the Board reasoned that although entities might be able to disaggregate their income and expenses by function, they choose not to because that information is not as relevant to the analysis of the performance of their business as is other information.

CPA Australia understands the Discussion Paper paragraph 3.42 use of the words "would enhance" requires disaggregation by function if there is any incremental enhancement in the predictive power of the information (no matter the magnitude of the enhancement). We do not support such an outcome. We think the requirement of IAS 1 *Presentation of Financial Statements* paragraph 99 "An entity shall present an analysis of expenses recognised as profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is more reliable and more relevant" a more appropriate approach as the disaggregation presented would be that with the greatest predictive power.

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 our response to the 2006 Exposure Draft of Proposed Amendments to IAS 1 *Presentation of Financial Statements: A Revised Presentation* CPA Australia supported the disclosure of income tax relating to each component of other recognised income and expense. We continue to support the existing requirements.

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?

We have no response to Question 18 at this time.

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?

Prior to Australia's adoption of IFRS, Australia required cash flows arising from operating activities to be presented in the statement of cash flows using the direct method, whereby each major class of gross cash receipts and gross cash payments was disclosed. CPA Australia supports the Discussion Paper proposal that an entity should use a direct method of presenting cash flows in the statement of cash flows. We think the direct method is superior in its reporting of detailed cash flows.

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?

We have no response to Question 20 at this time.

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?

The Discussion Paper paragraph 3.92 claims that most entities are not likely to engage in basket transactions (as the term is defined in paragraph 3.88) in each reporting period, and many entities may engage in them only rarely. CPA Australia is somewhat surprised by this claim. The IASB Business Combinations Phase II Project Summary and Feedback Statement (January 2008) asserts that in 2006 there were more than 13,000 mergers and acquisitions worldwide (with about half completed by entities that apply IFRS). We would understand that many mergers and acquisitions (if not all) would be basket transactions as defined. We understand that for many mergers and acquisitions the acquired businesses are very often quickly integrated into existing businesses – an outcome that does not seem to provide support for Alternative C: Present in a separate section. However, for basket transactions that are not mergers and acquisitions (or are mergers and acquisitions that do not result in the acquired business being integrated into existing businesses) Alternative C would seem appropriate.

Chapter 4: 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?

CPA Australia thinks an entity that present assets and liabilities in order of liquidity in its statement of financial position should disclose by way of note, information about the maturities of short-term and long-term contractual assets and liabilities. We note the terms "contractual asset" and "contract liability" are not defined. We think the definition of these terms should be addressed now as part of the work arising from the Discussion Paper.

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.

Our response to Question 2 stated that CPA Australia was not convinced that users are looking to the financial statements for the proposed quantum of information proposed by the Discussion Paper. We noted that corporate briefings to analysts would seem to play an important role in capital markets and that continuous disclosure regimes and insider trading laws ensure this briefing information is available to the users of financial statement information. Further, we noted that analysts seeking to perform valuations of companies, typically derive an underlying profit figure (based on adjustments to the net profit after tax in accordance with IFRS, and there are any number of different models used by analysts (and other users of financial statement information).

We think the broad range of financial statement information required by the Discussion Paper is the result of the opaque nature of the models used by analysts. We believe that if more was known about the analysts' models the quantum of disclosures required could be scaled back. We think the IASB should continue its dialogue with practicing analysts as part of the work arising from the Discussion Paper.

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?

CPA Australia's submission to the IASB Discussion Paper *Reducing Complexity in Financial Reporting* (2008) stated our view that the measurement of financial instruments should be considered and assessed as part of a long-term IASB financial instruments project. We think this long-term project should seek to arrive at a solution that is less complex and results in useful information and include measurement related issues such as impairment and recognition of gains and losses and disaggregation.

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?

CPA Australia thinks that all the various alternative reconciliation formats for disaggregating information in the financial statement would involve a significant amount of work. We are not sure that the benefits of the various alternative formats outweigh their cost. As we have stated above, we think the broad range of information required by the Discussion Paper is the result of the opaque nature of the models used by analysts. We believe that if more was known about the analysts' models the quantum of disclosures required could be scaled back. We think the IASB should continue its dialogue with practicing analysts as part of the work arising from the Discussion Paper.

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?

CPA Australia's preference is for presentation of the information in a narrative format, as we believe this format resonates better with users.

Questions specific to FASB

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.

We have no response to Question 27 at this time.

Other AASB questions specifically related to public sector/NFP entities

Question B1
Considering the fact that both illustrative examples in the IASB DP relate to for-profit entities, do you think one or more illustrative examples are needed in respect of NFP entities?

Yes. CPA Australia thinks one or more illustrative examples would be needed. However, we have not yet determined our position on the suitability of the proposed presentation format for not-for-profit entities.

Question B2
Based on the proposed presentation format, what issues may arise in relation to GAAP/GFS harmonised reporting by General Government Sectors, Whole of Governments and, subject to the outcome of AASB ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]*?

We expect that the difference in approach proposed in the Discussion Paper and the approach required of the General Government Sectors and the Whole of Governments will create significant difficulties that will only be overcome by major compromise and/or an extremely complicated reconciliation.