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Sir David Tweedie  
Chairman  
International Accounting Standards Board  
First Floor, 30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear David

**Discussion Paper: Preliminary Views on Financial Statement Presentation**

Thank you for the opportunity to comment on this Discussion Paper (DP).

We support the development of a framework that improves the presentation of financial information for the benefit of users of financial statements. However, we are fundamentally opposed to the proposed presentation model set out in the DP. Further, we consider that there are higher priorities that the Board should address including fair value measurement, a common approach to impairment, and removal of inconsistencies in accounting for financial instruments as well as other deficiencies in existing standards. Our preference is to maintain the existing presentation model and address these deficiencies.

Since the introduction of IFRS in Australia in 2005, significant effort has been made by entities to educate and inform users about the form and content of financial statements prepared under IFRS. Whilst the adoption of IFRS was undoubtedly beneficial it did take users of financial statements a considerable period to understand the new accounting framework, the nuances of IFRS and the changes from previous GAAP. It is only recently that there is a strong understanding of IFRS amongst users of accounts and therefore we question whether wholesale change to the presentation of financial statements is either warranted or appropriate at this stage.

We consider that the proposed changes do not represent a better model than current requirements. We are concerned that the proposals will result in financial statements that look cluttered and will be more difficult for users to read and understand. We also question whether financial statements will be more decision-useful because they are cohesive at the line item level across the primary statements. The imposition of a rigid line item disaggregation will not always result in information that is decision-useful and may in fact impair the ability to present information that is relevant, understandable and faithfully representative of the activities of the entity. We also note that the separation of activities across operating, financing and investing is not adopted by financial services analysts and would therefore question whether the proposals meet the needs of the marketplace.

The proposals will require significant operational and system changes to be made. For example, currently banks disaggregate income and expenses by nature, and the requirement to further disaggregate such items by function will result in additional complexity and require significant judgement to be made by management in determining an appropriate allocation of items across functional categories. The costs of implementing these proposals, in our view, far outweigh the benefits.


The management approach underpinning the proposals may adversely impact the ability of users to compare the financial performance and position of different entities. This is because a variety of practices are likely to be adopted by entities that result in entity specific classifications. Clearly, there is a need to balance comparability of financial statements with the flexibility inherent in the management approach. In a broader context we believe that this is a fundamental and compelling reason not to proceed with these changes.

The proposed presentation model is of doubtful relevance to banks. The majority of transactions of banks are operating in nature, therefore we question whether a separate financing section is meaningful to banks as very few transactions would in practice be categorised as financing. Furthermore, in the banking industry cash flow statements do not provide information that is useful for assessing the entity's ability to generate future cash flows and manage liquidity risk. So the requirement for banks to prepare a cash flow statement is itself of questionable relevance. We consider the requirements of IFRS 7 provides more useful information which enables users to assess the liquidity risks arising from banks' financial assets and financial liabilities.

In summary, we are not supportive of the proposals in the DP as they will unnecessarily complicate the way users read and analyse banks' financial statements, and will result in the imposition of significant additional costs for little or no apparent benefit.

Should you have any queries on our comments, please contact Rob Goss, Head of Accounting Policy, Governance and Compliance at [Rob.Goss@anz.com](mailto:Rob.Goss@anz.com).

Yours sincerely



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cc: Bruce Porter, Acting Chairman AASB