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IAS 1 Amendments
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Via email: CommentLetters@iasb.org

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

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation. CGA-Canada is a leading accounting organization with 64,000 members and students in Canada and internationally. Any proposals to amend existing standards are of considerable interest to all our members and we are pleased to respond to the eight questions posed by the Board.

In making our submission we have difficulty in restricting our comments to the specific amendments in the Exposure Draft without referring to other considerations. IAS 1 is closely linked to the Board's Framework for the Preparation and Presentation of Financial Statements and this, in itself, is potentially subject to significant amendments depending on the joint project of the IASB and FASB on a conceptual framework. We recognise that this project will take many years to come to fruition but the draft releases of the first chapters indicate substantial changes in store that will have an impact on IAS 1.

We are also uncertain of the robustness and acceptability of the current mode of operation where the IASB Exposure Draft limits itself to Segment A, bringing it closer in line the current US SFAS No 30. Segment B, which addresses more fundamental issues, is being tackled jointly with FASB and that body intends to issue Segment A and B together. The question arises whether it would be more appropriate for the IASB to also issue Segments A and B together so that a complete understanding could be gained of the proposed changes rather than what appears to be a piecemeal approach.

In addition to these general qualifications, we also have reservations concerning the proposed amendments. The proposals do not appear to have been thoroughly explored and it is our opinion that the restrictions the Board had placed on itself in addressing only

certain issues has led to gaps in the coherence of the standard. These concerns are commented on in our responses to the eight questions.

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 consider that the use of unambiguous titles for the financial statements assists preparers and auditors and also contributes to the understanding of the users. Unfortunately, the Board has only partially applied the rationale from the Framework in the proposed amendment to reflect the **function** of the financial statements. Paragraph 12 of the Framework states, “The objective of financial statements is to provide information about the financial position, performance and changes in financial position...” and this is repeated in paragraph 9 of the Exposure Draft. The rationale to change the title Balance Sheet to Statement of Financial Position is established and, logically, the Statement of Recognised Income and Expense should therefore be Statement of Financial Performance.

The proposed title in the Exposure Draft uses the elements of the statement, i.e. income and expenses, not the function as set out in the Framework. Paragraphs 69 – 73 of the Framework make it clear that income and expenses are elements of financial performance. As the Statement of Financial Position comprises of the elements of assets, liabilities and equity so the Statement of Financial Performance comprises the elements of income and expense. The matter of recognition is critical but not a matter to be incorporated into the proposed title.

The Exposure Draft, and interestingly, the question posed, states that the use of the titles is not mandatory. This is tantamount to arguing that it is not necessary to voice disagreement with the titles in that they are not required anyway. Referring to paragraph 12 of the Framework again, this states that the information “... is useful to a wide range of users ...” It is difficult to appreciate how users can benefit from the information if a variety of titles could be used. We recommend that, to comply with IFRSs, entities should use the prescribed titles.

On a less important manner, the ordering of the wording for the statements does not immediately emphasise the function of the statement (e.g. financial statements and not statements of financials) and we recommend that the word Statement is at the end so that the titles would be:

Cash Flows Statement
Changes in Equity Statement
Financial Performance Statement
Financial Position Statement

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 sympathise with the intention of this proposal but we would argue that the Board should accept that there are limitations to the amount of information that entities should be required to provide and that users require. The main rationale given is that analysts and other investors require this information for calculation of ratios. In our experience serious investors already have, or can easily acquire, this information and would require it for a minimum five-year period.

Rather than introduce information load of data that is already easily available to those who require it, we suggest that the Board should consider issuing a standard on a financial highlights statement. Many companies voluntarily provide significant data extracted from their Financial Position and Financial Performance Statements for a minimum five-year period. Unfortunately, there are no controls on this information and we have found that it is often difficult to determine how the figures have been calculated and why certain information is provided and seemingly more important data ignored. We recommend that the IASB launch a project to investigate the feasibility of our recommendation.

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?

We consider it essential that the IASB has clarity and consistency in the terms that it uses and non-owner changes in equity should be referred to as “recognised income and expense”. As commented above, the benefit to the user of clarity and consistency is reduced if entities are not required to use the specified terms. Consistency is not only within the financial statements of one entity but assists users in the comparison of the financial statements of several entities.

We recognise, however, that there are limits to the monitoring and enforcement that can be used. At this stage in developments, we consider that the mandatory use of the titles for the financial statements, as we recommend above, should alert the user to any terms that are used within those statements that are not in accordance with IASB usage. The worst position is where an entity could use whichever title it wishes for the financial statements and then introduces within those statements other non-IASB terms. That is the position where the proposals in this Exposure Draft will lead without the necessary amendments being made.

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

We agree with this proposal. Although, strong arguments have been made in various quarters for a re-ordering in presentation that would integrate non-owner and owner changes in equity, we consider that the majority of users are familiar with these being separated and would be confused if this clear distinction was not retained.

Question 5 – Do you agree that all entities should be permitted to present components of income and expense either in a single statement or in two statements?

We concur with the Board's preference given in paragraph BC 13 of the Basis for Conclusions for a single statement of all non-owner changes in equity. Unfortunately, although the Framework is conceptually sound it does not have the persuasiveness required to influence those who prefer two statements. The compromise position proposed by the Board and the reasons given in paragraph BC 15 of the Basis for Conclusions reinforces our earlier expressions of doubt on the value of issuing an Exposure Draft for Segment A instead of waiting until Segment B is completed and issuing jointly with FASB the complete amendments.

Question 6 - Do you agree with this proposal? If not, why?

We agree with the Board's view as stated in paragraph BC 22 of the Basis for Conclusions to require the disclosure of reclassification adjustments relating to each component of other recognised income and expense.

Question 7 – Do you agree with this proposal? If not, why?

As stated in paragraph BC 24 of the Basis for Conclusions there are advantages to the user in the presentation of components of other recognised income and expense either before or after their related tax effects. We agree that the additional disclosure of income tax relating to each component of other recognised income and expenses should be provided. We do not have sufficient information to determine whether this may cause problems for entities working under different tax regimes.

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 agree that the earnings per share measure should be the only measure required **and** permitted to be presented on the statement of recognised income and expense (Financial Performance Statement). We note that Board will reconsider changes and improvements to per-share measures as part of the Segment B of the project (paragraph BC 26 of the Basis for Conclusions). In our opinion, this will be a valuable exercise but we hope that it would not lead to a relaxation in the present requirements.

In conclusion, we consider the re-ordering and non-substantive changes to wording in the Exposure Draft to be a useful exercise. There are certain parts of the Exposure Draft where more careful attention is required. In particular the proposed changes to the titles of the financial statements is illogical and the proposal to require a Financial Position Statement at the beginning of the period is cumbersome with no evidence to support the proposal. Some of the other amendments give us concern on the value of issuing the Exposure Draft for Segment A when Segment B is being conducted jointly with FASB and will address more fundamental issues.

Should you wish to discuss or require elaboration on any of the items presented above, please do not hesitate to contact Amar Goomar at agoomar@cga-canada.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Anthony Ariganello', written in a cursive style.

Anthony Ariganello, FCGA, CPA (Delaware)
President and CEO