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Mouvement des Entreprises de France

A F E P
Association Française des Entreprises Privées

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, April 17, 2009

Re: *DP "Presentation of financial statements"*

We welcome the opportunity to comment on the IASB discussion paper dealing with "*Presentation of financial statements*".

We welcome IASB's preliminary views on the presentation of financial statements as having the potential to bring significant improvements to IFRS presentation requirements. We are particularly supportive of the following features:

- the call for cohesive primary financial statements;

- the request that assets and liabilities be classified in such a way that primary financial statements reflect the business and financing activities of an entity faithfully; we believe that a classification based on the economic role assigned to assets and liabilities rather than solely on their nature is likely to increase the relevance of financial reporting significantly; we also believe that the classification requested is likely to *increase comparability* of entities rather than undermining it; we therefore believe that, provided that this feature is well understood as a requirement, the DP proposals do reach two overriding objectives of the project: to define presentation principles that are applicable to all forms of activities and to meet a difficult trade-off between standardisation and relevance;

- the presentation of the balance sheet in such a way that meaningful subtotals such as working capital or net debt are displayed on the face of primary financial statements and can feed the determination of widely used ratios;

- the acknowledgement that net income needs to be presented on the face of the income statement.

Nonetheless, the DP raises the following serious concerns:

- defining a principle or guideline in order to distinguish gains and losses included in net income from other comprehensive income should be an objective of the IASB's project; presentation decisions will have to be made in other projects such as Employee Benefits and Financial Instruments; these decisions need to be made on the basis of a common and agreed principle; making them in isolation and without any pre-defined guideline would impair the quality and meaningfulness of the information presented; determining whether changes in value are to be presented in profit or loss or in OCI is **not** a **measurement** issue, it **is** a **presentation** issue (1.22)

- the existing option of presentation of the separate income statement should not be eliminated.

- the direct method of presenting the statement of cash flows should not be made mandatory; if the IASB wishes to eliminate the option, it should eliminate the direct method: the field test shows that the direct method is neither in use anywhere (only an indirect – direct method is in use and it provides a very poor information content) nor practicable; all users are adamant that they need the information provided by the indirect method;

- preparing the reconciliation schedule is not practicable either. It presents information at a level of detail that is not helpful to users; some reconciling items are useful (such as the variations of net debt and of working capital); others are already required as disclosures in the existing IFRS; the requirements should be limited to the information identified as being truly useful;

In addition to the above, we believe that the IASB needs to re-focus on the usefulness and clarity of the primary statements. Although we support the three principles identified, we believe that their implementation should be reviewed in order to comply with the overriding objective of presenting meaningful information, and only meaningful information.

- the statement of cash flows needs to be presented in such a way that it reconciles with the variation of net debt. The indirect method – enhanced by the application of the cohesiveness principle - provides the reconciliation between operating income and cash flows that users need, at a level of aggregation that makes the information fully relevant. We provide an illustration of a possible alternative in the appendix to this letter;

- the net debt notion is meaningless for financial institutions, as is the existing statement of cash flows. The IASB should consider removing the requirement for those institutions; if the IASB wants to avoid an industry-specific exemption, the exemption can be built on the use of the financing section;

- liquidity and financial flexibility information would be best provided in a comprehensive note to the financial statements. The proposed required split of all items shown on the balance sheet into short term and long term undermines the clarity and understandability of other sub-totals shown in the statement. The display in the bottom of the balance sheet of total assets and total liabilities analysed into short term and long term should be required, and information required on the face of the statement be limited to that requirement;

In addition to these main comments, answers to the detailed questions of the invitation for comment are provided in the appendix.

Should you wish any supplementary comment or explanation, please do not hesitate to contact us.

ACTEO	AFEP	MEDEF
Patrice MARTEAU	**Alexandre TESSIER**	**Agnès LEPINAY**
Chairman	Director General	Director of economic and financial affairs

Appendix to our letter on IASB DP "Presentation of financial statements". Answers to the specific questions raised in the invitation for comments

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 statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.*

1.1 Cohesiveness

We agree with the Board that primary financial statements should be viewed as a set of interrelated statements, supplementary to each other, none of which being able to provide a complete picture of an entity's financial performance and position. As a result, we agree with the cohesiveness principle, as being designed to help primary statements to present clear and understandable interrelations, capable of leading to meaningful aggregates and ratios. We therefore agree with the cohesiveness principle, provided that it is implemented:

- at an appropriate level of detail, consistent with the search for useful and meaningful information; in addition requirements need to be defined with pragmatism,.

- in the context of a management approach, as proposed.

As a result, *we **disagree** with the preliminary view by the Board that the **cohesiveness principle should apply at the line level***. While cohesiveness at the level of required and optional subtotals is desirable, judgement should be left to management to implement the cohesiveness principle beyond that requirement to provide useful and relevant information to users. Cohesiveness applied at the line level generates too detailed information, because the lowest level of detail needed in each statement commands the same levels of detail in other statements where they have not been identified as useful. Also, the relevant ordering of individual items within categories in one statement may not be the best in another. The recasting exercise that some preparers have accepted to carry out confirms our expectation that primary financial statements are more detailed (more lines presented) than the equivalent primary financial statements presented in compliance with existing IAS 1, as did the illustrative examples provided in the DP Would the requirement to apply the cohesiveness principle at the line level be removed, primary financial statements would still gain in relevance while their understandability would not be undermined.

Furthermore the search for useful and meaningful information may lead to making a few exceptions to the principle. We note that the IASB has already identified areas where exceptions would be desirable (basket transactions, currency translation adjustments…).

We believe that pensions is probably another good candidate, as the variation of the net defined benefit obligation in one period may have to be disaggregated into different categories in the income statement in view of providing meaningful performance sub-totals. The recent deliberations at Board level confirm that the requirement in 2.45 has to be reconsidered. While the service cost component would belong to operating, other movements in the net defined obligation would be better isolated in the so-called investing category, if investors are to be provided with an operating income sub-total that they consider meaningful.

Other good candidates are items that, in our view, are subject to accounting requirements that undermine relevance. For example, we believe that income and expenses relating to foreign currency derivative instruments used for hedging purposes classified in the operating section should be limited to variations related to the spot value of these instruments when the hedged item is based on this spot value. The presentation of expenses and income related to forward points would distort the relevance of the operating section, if presented therein.

1.2 Disaggregation

We support the disaggregation objective and agree that significant elements of an entity's financial position or performance having different economic characteristics should be displayed separately. We approve of the responsibility left to management to identify and decide the appropriate level of disaggregation, on the basis of explanations given in paragraphs 2.8 to 2.10. The board should acknowledge, we believe, that to best deal with the constraint described in paragraph 2.10, management should have the ability to provide relevant details either on the face of the primary statements or in the notes.

However we question the relevance and intent of paragraph 2.11, the content of which we cannot relate to the proper content or implementation of the disaggregation principle. Indeed paragraph 2.11 refers to forward looking information whereas primary financial statements do not contain any information of that kind.

1.3 Liquidity and financial flexibility

We support the liquidity and financial flexibility principle set by the board; however we believe it better be implemented in a different fashion from what is proposed as preliminary views, unless an entity presents its assets and liabilities in order of liquidity.

Overall we welcome the analysis in the various sections and categories as proposed by the Board and believe that grouping assets and liabilities playing the same economic role in the balance sheet will greatly enhance the clarity and understandability of the balance sheet (please see below). Analysis of assets and liabilities into short term and long term subcategories leads to lose most of the improvement brought by the IASB's proposal as such an analysis requires assets to be classified with other assets (and liabilities with other liabilities) to be relevant.

Nonetheless we agree that some liquidity and financial flexibility information should be presented on the face of the balance sheet. As a result we propose that totals of assets and liabilities be required to be presented in the bottom of the balance sheet and be analysed into short term and long term assets and liabilities.

All the more detailed information relevant to fulfil the liquidity and financial flexibility objective would be best provided in a comprehensive note to the financial statements, along with information resulting from other existing IFRS requirements (for example IFRS 7 requirements).

In addition to the comments and proposals above, we disagree with the Board's view that the operating cycle would play no longer any role in the classification of assets and liabilities between short-term/ long term. We believe that consistently with the IFRS requirements today, short term should mean 12 months or less only when the reference to the operating cycle is not workable. Non-financial items of working capital (inventories and work in progress) are not easily or well depicted on the basis of such a distinction. The length of an operating cycle is an economic characteristic of a business that users are fully aware of and fully apprehend.

1.4 Other objectives

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?*

We fully support the separation of business activities from financing activities as described in paragraph 2.19, for the reasons explained in paragraph 2.51. This proposal and all decisions that derive from it are the source of significant potential improvements for IFRS presentation requirements.

We welcome such classification as requiring that net debt is shown on the face of the balance sheet as the financing section's sub-total. We therefore support the requirement that only financial assets and liabilities be classified as financing.

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?*

We support the presentation of an equity section distinct from the financing section, as we believe that a clear owner/ non-owner distinction is desirable, as we have supported in the last revision of IAS 1. We are aware nonetheless that the relevance of this distinction depends heavily on the debt/equity split the IASB has started reconsidering, as mentioned in paragraph 2.55.

The IASB clearly describes why dividends remain classified as part of financing in the DP. We agree with the IASB that the balance sheet should remain based on the split between equity and liabilities in accordance with IFRS. We would however prefer to show dividends payable within equity rather than within financing, as we believe that the financing category should be restricted as proposed by the Board to those financial assets and liabilities that participate of the entity funding activity. Dividends in our view should be presented in the equity section of the cash flow statement, where all cash flows between the entity and its shareholders belong.

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?*

We agree with the presentation of discontinued operations in a separate section, for the reasons explained in paragraph 2.71.

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?

We support the classification requirements displayed in paragraph 2.27 and believe they would enhance the relevance of financial reporting for users, as explained in paragraph 2.40.

We understand those requirements as being compulsory – the same requirements for all entities - , i.e. an area where management ***must*** exercise judgement, however ***does not have the freedom*** to select the classification of its choice, independently from the economic role that various assets and liabilities play in the entity.

We encourage the Board to re-enforce the mandatory approach to classification on the basis of the definitions of categories provided in the DP. To that purpose we note that the reference to a "management approach" tends to imply that presentation of financial statements would be left to the full discretion of management. We would suggest a change in terminology that better conveys that classification is driven by the economic function that assets and liabilities serve in the entity, in the eyes of management.

As a result, we believe that, provided that the so-called management approach is well understood as a requirement, the DP proposals do reach two overriding objectives of the project: to define presentation principles that are applicable to all forms of activities and to meet a difficult trade-off between standardisation and relevance.

(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?

We do not believe that users would suffer of any lack of comparability and believe rather that they will benefit from enhanced relevance.

In classifying assets and liabilities and changes in them in the appropriate sections, management would provide a new insight into the economic role that different assets and liabilities play in the financial position of an entity, whether they contribute to the creation of wealth or to the leverage of the entity. Management is not left with any choice, it is required to classify assets and liabilities according to clearly set principles. As a result, indeed different entities would report assets and liabilities similar in nature in different categories, increasing the relevance of financial reporting, as those assets and liabilities play a different role in the economics of entities and therefore deserve to be presented differently. Differences in presentation will mean differences in economic relation to the entity that have an impact on the assessment of future cash flows. We therefore do not believe that comparability would be undermined. Rather, differences that are relevant to users would be apparent instead of remaining hidden.

Furthermore, consistency of presentation over time is safeguarded by the disclosures that would be required (paragraphs 2.41 and 4.2 - 4.4). Arguments justifying the board's decisions call for display and disclosure of changes in use of assets and liabilities, as considered in paragraph 2.42. However we believe that a change in economic role of an asset or liability is more akin to a change of estimates than a change of accounting policy. We therefore believe that while disclosures would be required, the change would be applied prospectively. To apply the change retrospectively would be an invitation of users to compare apples with pears.

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?*

We concur with the board's observations and conclusions on classification, however wish to mention some caveats. In our answer to question 1, we have supported the cohesiveness principle, provided that only meaningful and useful information would be presented. We have therefore rejected that the cohesiveness principle would apply line by line, and rejected the principle as an overriding principle. Key financial ratios are usually calculated on the basis of relevant subtotals, rarely on a line by line basis. Also a 100% cohesive presentation may be achieved at the expense of relevance: the classification of pension gains and losses is an example of this. All issues unresolved so far described in paragraphs 2.43 – 2.46 are examples of issues that require the need for exceptions to the cohesiveness principle, if the usefulness of financial reporting is to remain the overriding objective.

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.*

We support the Board's decision and reasoning in paragraph 2.77.

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.*

We do not think that there is the need for any consequential amendment to existing segment disclosure requirements. As explained in our answer to question 5 (b), the "management approach" described in the DP has nothing to do with the "management approach" on which IFRS 8 is based. The fact that management will be have to reflect the economic role of assets and liabilities does not automatically modify or change internal reporting requirements, although it may in the longer run have an indirect influence on the evolution of internal reporting. Disclosures justifying accounting policy choices by segment are all what is needed, we believe.

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?*

We concur with the general objective of the classification proposed which is to distinguish assets and liabilities (and changes in them) that contribute to the creation of wealth from those that contribute to financing.

We believe nonetheless that the distinction between operating and investing is necessary. We therefore agree to the Board's proposal. We believe that the investing category would be useful to make the operating category all the more relevant and useful for the users of financial statements, while the financing section is devoted to the presentation of net debt.

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?*

We agree with the conclusions reached by the board on the financing category content and display.

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?*

Whatever the diversity of financial positions which are to be encountered in practice, there is already enough diversity observed to justify the present flexibility in IAS 1. That flexibility should be safeguarded.

(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?*

No we do not believe there is any need for additional guidance. Relying on judgement is likely to bring the highest level of relevance.

Beyond our responses to questions 11 (a) and (b), we have additional comments to make on the requirements for presentation of a classified statement of financial position. We disagree with:

- switching from an operating cycle notion to a 12 months notion in distinguishing short-term assets and liabilities from long-term assets and liabilities; users who invest in a business sector are aware of the financial characteristic of the sector and the operating cycle is one of those;

- having to subdivide new categories of assets and liabilities into short-term and long-term assets and liabilities; these subdivisions best apply to a separate presentation of assets on one hand, liabilities on the other; subdividing the operating, investing and financing categories into short term and long term would impair the clarity and benefit of the newly proposed presentation. As a result, we believe that only subdivisions of total assets and total liabilities into short term and long term should be required in the bottom of the balance sheet while a comprehensive disclosure would provide all relevant details on liquidity and flexibility.

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?*

We agree with the Board's reasoning and conclusion. However we would like to draw the Board's attention to the reality of cash management. The objective of treasurers is to ensure that "pure" cash amounts are limited to the minimum possible.

As a result:

- this proposal makes sense only in the perspective of the cash flow statement reconciling to the variation in net debt;

- the distinction is necessary in a cash flow statement that reconciles to cash; otherwise the cash flow statement's relevance is further undermined by the elimination of the distinction.

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 statement 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?*

We believe that disaggregation of assets and liabilities into different measurement bases would provide useful information. However we believe that it better not be made on the face of the balance sheet, but rather in the notes to financial statements, for the same reason as explained in the second part of our answer to question 11.

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?*

We remain firmly opposed to the presentation of a single statement of comprehensive income encompassing the income statement and the OCI items. None of the arguments brought forward by the Board is convincing, and none of them is related to the usefulness of the information presented or to the qualitative characteristics financial reporting should have:

- US GAAP do not require one single statement of comprehensive income at present; convergence is not an argument (3.28);

- The option remaining open in IAS 1 does not impair comparability, as the difference in presentation that IAS 1 allows after revision does not amount to more than whether there is – or there is no – page break (3.29);

- Users have requested that net income would remain as it is a performance indicator used as a starting point in their analysis; with the latest changes brought to IAS 1 there is no uncertainty as to where other comprehensive income items are presented; they are placed immediately after net income is presented, nothing like being presented in "unexpected locations". Arguments displayed in 3.30 and 3.31 are irrelevant.

We are not surprised that the IASB fails to bring any convincing argument to force the display of a "single" statement of comprehensive income, as there is no real option left at present, except the possibility to present the statement of comprehensive income in either one or two pages. When the IASB presented IAS 1 revision proposals, we had indicated that full thinking of the disaggregation of items of income and expense into those included in net income and those included in other comprehensive income needed to be undertaken.

We had hoped that such thinking and analysis would be part of phase B of the presentation project. We regret to see that the IASB has finally decided not to address the issue at that stage. As a result – and consistently with the views we had already expressed - we believe that no further change should be brought to the presentation of the statement of comprehensive income.

We are seriously concerned to read in paragraph 3.32 that the IASB refers to the distinction between net income and OCI as “a recognition and measurement” issue. We disagree. We believe this is a presentation issue, and a robust principle should be set that would be applied consistently throughout standards. We observe that EFRAG has launched a discussion paper to stimulate the debate and are very much supportive of that initiative.

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?*

Presenting items of comprehensive income in a separate section/ statement is no breach brought to the cohesiveness principle. Indeed there is no reason why those changes in assets and liabilities would not be able to be classified as others are. As there are only very few OCI items at present, we believe that the indication required by the Board is an expedient way to comply with the cohesiveness principle without burdening the presentation of OCI items unnecessarily. We therefore agree with the proposal. We recommend that the future standard clearly highlights – at least in the basis for conclusions – that such presentation allows the cohesiveness principle to be thoroughly applied.

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 losses **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?*

We fully agree with the requirements as set in paragraphs 3.42 – 3.50. In paragraph 3.48 disaggregation by nature is permitted if disaggregation by function would not enhance the usefulness of the information provided. In paragraph 3.49 the board explains that it would not want to require an entity to provide information by function if that information is not deemed relevant and therefore not provided internally. We agree. We therefore suggest that the future standard makes the presentation by function a requirement only if it is already provided as part of the internal reporting (defined as in IFRS 8).

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.*

We believe income taxes should be split/ allocated into four parts, as was the case prior to the latest revision of IAS 1:

- income tax expense related to items included in net income;
- income tax expense related to OCI (without the need to measure the tax impact on each of these);
- income tax expense related to transactions with owners;
- income tax expense related to discontinued operations.

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 believe that the proposed split of foreign exchange gains and losses across categories could add useful information. However, in order to allocate foreign exchange effects to categories, preparers have to isolate foreign exchange effects at item levels in order to add them up to generate the total amount of the category. Tracking foreign exchange effects at transaction level is not currently done by preparers and, if required, may necessitate significant system developments.

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?

We have already agreed with the Board that implementing the cohesiveness principle would result in a more useful presentation of financial statements. A majority of users have consistently repeated that they favoured the indirect method of presenting cash flows in the statement of cash flows. They have however requested two major improvements:

- first that they be able to clearly relate the statement of cash flows to the balance sheet movements; this should be obtained with the adoption of the cohesiveness principle;
- second that the cash flow information be reconciled to the variation in net debt; none of the board's proposals deal with that demand.

We include as a supplementary appendix an alternative proposal of presentation of the cash flow statement which deals with both demands by users. That alternative proposal speaks for itself: it is compliant with the cohesiveness principle, is prepared following the indirect method and reconciles to the variation in net debt.

We therefore recommend that the Board adopt our proposal – or a similar alternative – and abandon both the direct method and the reconciliation schedule. Those data would generate both initial and on-going supplementary costs and detailed information at a level which is not useful.

Finally the cash flow statement is acknowledged as not being relevant for banking and insurance activities. We recommend the Board to propose an exemption for these activities (and eventually work out representatives of those sectors appropriate supplementary requirements if needed).

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?*

Both the implementation of the direct method and the preparation of the reconciliation schedule would trigger significant implementation and on-going costs. Indeed the information required to comply with these two new requirements is not available at present. The field test undertaken by the Board has shown that information needed to apply the direct method of presentation of the statement of cash-flows and prepare the reconciliation schedule does not exist, whatever method, direct or indirect, is used for the presentation of the cash flow statement today. Indeed those that claim to present a cash flow statement using the direct method implement a form of direct – indirect method on very few line items, bringing a statement with quite poor information content. The Board must be made fully aware that implementing the direct method is not practicable.

Heavy on-going costs would be involved also because all cash flows would have to be codified at a level of detail unheard of, totally useless for internal management purposes and would involve supplementary supervision and control costs, and we are not convinced of the feasibility in practice.

Moreover, at present the reliability of detailed codification of revenue and expenses is supported by internal budgetary procedures and control. Such procedures would not exist for detailed cash-flow information, as sound cash flow management is not carried out on such a basis.

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?*

We agree that there should not be any allocation of so-called basket transactions. We favour option B, because option B is the option the most consistent with the cohesiveness principle.

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?*

In our response to questions 1 and 11, we have already supported disclosures allowing users to assess liquidity and financial flexibility in the entity's financial position. We have recommended that they form part of a comprehensive note. We believe that such requirements should be set taking into account the existing relevant requirements in IFRS 7. As displayed in the DP, we fail to see how all requirements interrelate, and as a result are not in a position to form a view at that stage.

That said, we have not answered to question 22. The question raised is whether entities that present assets and liabilities in order of liquidity should disclose information about the maturities of its short term contractual assets and liabilities. We believe it should not. Since the split between short and long term assets and liabilities has not been deemed relevant, we do not think that disclosures that supplement such a split would be relevant.

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 intro 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.*

Please refer to our answers to questions 19 and 20 which are relevant to both the direct method and the reconciliation schedule.

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?*

Our answer to that question is two-fold:

(a) On various occasions we have called for a comprehensive debate on measurement, including when and why fair value may be a relevant measurement attribute. An outcome of such a debate is to identify when fair value information (including potentially the disaggregation of changes in fair value) is useful to the users of financial statements.

(b) IFRS include already very detailed and burdensome disclosure requirements. Late decisions made in response to shortcomings that the financial crisis has enlightened tend to increase the disclosure burden quite significantly. Every decision seems to be made in isolation, resulting in potentially overlapping, redundant, similar but yet different requirements. Before the IASB undertakes any project requiring increased disclosures, the IASB should work on a disclosure framework project.

Both steps described above should come before the IASB addresses further disaggregation of changes in fair value.

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 of why not?*

The Board should not consider any of the formats mentioned in the DP. We recommend the Board to review our alternative format for the statement of cash flows. Please refer to our answer to question 19.

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 N° 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?

We believe that the ability of highlighting unusual transactions (in frequency or amount) on the face of the income statement is useful. We do not support the separate column solution because it is limited to the current year and does not help with the comparatives. We would be in favour of:

- a split of existing captions to isolate unusual transactions,
- the addition of specific line items when the unusual item is of an unusual nature,
- narratives in disclosures explaining what the transaction and why it has been identified as unusual.

Supplement to ACTEO – MEDEF – AFEP's answer to IASB Preliminary Views on Financial Statement Presentation: proposal for an alternative presentation of the cash flow statement.

Cash From BUSINESS

operating income (loss)	**916 137**
Adjustments to reconcile operting income (loss) to net cash flows from operating activities:	
- depreciation and amortization of tangible and intangible assets	279 120
- Pensions	(236 250)
- Loss on obsolete inventory and bad debt	52 068
- Share-based payments	18 421
- Lease	(35 175)
- Cash-flow hedge	(594)
- Share of profit of associate	(23 760)
- Gain on sales and disposal of PP&E	(22 650)
- Others	(2 192)
Cash from operating activities before changes in operating assets and liabilities, capital expenditures, disposal of tangible and intangible assets & cash in(out) on specific natures	945 125
Changes in operating assets and liabilities:	
- Operating working capital	(521 066)
Increase in trade and other receivables , and advances	*(661 872)*
Decrease in inventory	*60 250*
Increase in trade payables	80 556
Cash received (paid) on specific operating natures	na
Cash paid to acquire a consolidated entity	na
Cash on operating activities before capital expenditures and disposal of PP&E and intangibles	**424 059**
Capital expenditures	(54 000)
Cash collected on disposal of PP&E and intangibles	37 650
Cash received (paid) on operating activities	**407 709**
Investing	
Dividends received	54 000
Proceeds from sales of AFS	56 100
Cash received (paid) on investing activities	**110 100**
TOTAL CASH RECEIVED (PAID) ON BUSINESS ACTIVITIES	**517 809**
Tax	(281 221)
Discontinued activities	(12 582)
TOTAL	**224 006**

Change in equity

debit ; (credit)	Opening	Issue of share capital	Dividend paid	Total cash impact	forex impact	Other non cash impact	Closing
Share capital	(1 343 000)	(84 240)		**(84 240)**			(1 427 240)
Retained earnings	(648 289)					(452 069)	(1 100 358)
Others OCI	(139 173)				(690)	(22 671)	(162 534)
Dividend payable	(20 000)		86 400	**86 400**		(86 400)	(20 000)
Total equity	**(2 150 462)**	(84 240)	86 400	**2 160**	**(690)**	**(561 140)**	**(2 710 132)**
				(A)			

Change in net debt

debit ; (credit)	opening	Subscription / reimbursement	Cost of net debt	Total cash impact	forex impact	Other non cash impact	Closing
Short-term borrowings	(400 000)	(162 000)		**(162 000)**	0	0	(562 000)
Interest payable	(112 563)		83 514	**83 514**		(111 352)	(140 401)
Long-term borrowings	(2 050 000)			**0**			(2 050 000)
Total financing liabilities	**(2 562 563)**	**(162 000)**	**83 514**	**(78 486)**	**0**	**(111 352)**	**(2 752 401)**
Cash	861 941	162 000	(74 895)	**300 332**	3 210		1 174 102
Total net debt	**(1 700 622)**	**0**	**8 619**	**221 846**	**3 210**	**(111 352)**	**(1 578 299)**
				(B)			

TOTAL A+ B **224 006**