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Dear Stig

## Performance Reporting: A European Discussion Paper

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the above PAAinE Discussion Paper (DP).

The GASB welcomes the publication of this discussion paper and supports the PAAinE aim of initiating a comprehensive debate on the issue of Performance Reporting, which is a matter of fundamental importance. It is necessary to integrate the views of users, preparers, auditors, standard setters and other groups involved in financial reporting. In our view, the PAAinE discussion paper represents a valuable contribution to the international debate. Notwithstanding this fact, we do not share all the conclusions reached so far.

After careful consideration, the GASB has decided to respond merely to the second question in the Invitation to Comment in the DP, because the observation contained therein, that there is no generally agreed notion of what represents 'performance', is crucial to the direction how to tackle the issues surrounding Performance Reporting and we are not in agreement with this observation.

*Do you agree with the observation in this chapter [Chapter 3: What is performance?] that, at the level at which standards are written, there is no generally agreed notion of what represents 'performance' and that in fact performance is a complex, multi-faceted issue that cannot be encompassed in one or a few numbers? If you do not, please explain your reasoning.*



We agree that performance is a complex, multi-faceted issue; even though there are undoubtedly a lot of possible dimensions of performance that could be measured and reported, we should not lose sight of the essential need for Financial Statements to report financial performance.

Furthermore, we do not agree that there is no generally agreed notion of what performance or, more precisely, financial performance represents. There are different views regarding the meaning of financial performance; in order to develop a consistent model of reporting on the economic situation of an entity, it is essential to agree on a broad view at least. In our opinion, the discussion in the first part of the paper is not of great value to the evaluation of the models presented later on. The development of and the debate on the different models does not follow from the discussion of what performance does or does not represent.

We suggest that the next step of the debate should focus on the development of a general understanding of the notion of financial performance; this is absolutely vital for developing a consistent and stringent model for disaggregating income and expense.

To summarise, it should be apparent, the way to move forward is to go back to basics and, as a first step, to work out the meaning of the term 'financial performance'.

Should you or your staff have any questions on our comments, please do not hesitate to contact us.

Yours sincerely

*Liesel Knorr*

President