SwissHoldings

Verband der Industrie- und Dienstleistungskonzerne in der Schweiz
Fédération des groupes industriels et de services en Suisse
Federation of Industrial and Service Groups in Switzerland

14 April 2009

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comment Letter on Discussion Paper (DP) – Financial Statement Presentation

Dear Madam/Sir,

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 49 Swiss groups, including most of the country's major industrial and commercial firms. We very much welcome the opportunity to comment on the above-mentioned Discussion Paper (DP). Our response below has been prepared in conjunction with our member companies.

Please find in the attachment the answers to the various questions raised in the DP.

We would, however, like to make the following general comments which we would like you to also take into account in your deliberations:

1. **Financial statements need to be a means for preparers to communicate appropriately with their investors and other users**

   We are very pleased that the Boards are looking into ways of improving the presentation of financial statements as we are convinced that these could be improved to the benefit of all concerned in the capital markets. We are, however, concerned that the DP proposals in their present form will not improve the ability of preparers to communicate with their investors and other users. The current proposals could have the effect of impeding rather than improving the ability to communicate the annual results. The financial statements could become overloaded with details and yet will still not provide our investors with a clear overview of the annual performance of the entity in a format that our investors and other users consider important.

   For the next stage of the project we would like to suggest that the Boards work more closely and directly with active users of the financial statements, such as the Corporate Reporting Users Forum (CRUF), and look at the information which they would find practically useful. The increase in the amount of non-IFRS information being presented, e.g. in management commentaries, and the reduced interest of many analysts in the financial statements themselves indicate that non-IFRS information is considered extremely useful by active users. We therefore suggest that the Boards should concentrate on potential improvements without major upheavals in transactional systems etc. The proposal based on the cohesiveness principle, to create an "operating" category in the financial statements, already provides an excellent starting-point for bringing useful non-IFRS concepts like EBIT, EBITDA and Free Cash Flow into the IFRS fold. This would also have the advantage for users of a more standardised approach to such key indicators and thus hopefully enhance their confidence in this information.

   Similarly, we would urge the Boards to continue to explore some of the more practical ideas in the reconciliation statement proposal, such as separating out more clearly for users elements such as remeasurements and unusual items as well as identifying more explicitly the underlying

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movements in components of net working capital. From our regular contacts with active users we believe that such information would considerably increase the practical usefulness of financial statements.

2. **Financial statements should not be a pure compliance exercise. At least elements of the financial statements should be aligned with the way that management runs its business**

   It is important that externally reported financial data is at some level aligned with the way that management internally measures performance and sets targets. Without this alignment the preparation of financial statements could become an academic compliance exercise. If this were to occur, parallel internal financial reporting will commence and there is a real danger that the quality of the "official" financial data will suffer. We therefore strongly support the integration of the management view of reporting financial data within the "official" financial statements.

3. **There is a concern that certain of the proposals will lead to substantial additional costs with minimal benefits**

   Certain of the proposals will result in substantial one-off and recurring costs to produce the financial statements without clear benefit. The obvious area where this is the case is the proposal to introduce the direct cash flow method. If this is to be applied in its purest form then major changes in the internal reporting and data collection systems would be necessary. We are not convinced that this would produce substantial benefits for our investors and other users of our financial statements.

Should you wish to further discuss the points raised in this letter, we would be happy to do so.

We thank you for the opportunity to contribute to the due process and for taking into consideration our comment.

Yours sincerely,

SwissHoldings

Breu P. Baumgartner

Dr. Raymund Breu
Current Chair of SwissHoldings
(CFO Novartis Group)

Dr. Peter Baumgartner
Chairman Executive Committee

cc SH Board

SwissHoldings (SH) response to Questions for Respondents

Chapter 2: Objectives and Principles of Financial Statement Presentation

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.	In general SH supports the Boards undertaking this project. The intention to achieve consistency amongst the financial statements and additional information by disaggregation could improve usefulness to the users in particular with regard to getting: • a better view of the inter-relation of the items reported in the various statements • more transparency on ongoing business and one-time events The application of the management approach is in SH's opinion essential. However, while giving to preparers the most relevant view of the entity's business it may lead to less standardization across peer companies in the same industry. In this regard SH would like to emphasize that • disaggregation should be limited to relevant data in order to avoid overloading the financial statements which hinders transparency. The financial statements cannot provide all relevant information related to the business. For this purpose appropriate disclosures are required. In order not to overload the financial statements much of the additional data should only be given in the notes. • flexibility should be maintained related to the classification of functions or costs by nature, especially because for some businesses this classification might not be applicable or feasible at all. One obvious area of real concern is the ability to split out certain components of cost of sales by nature where standard costing systems are involved.

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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.	• it is important that the fact that investors and lenders are interested in how well the directors and management have discharged their responsibilities ("stewardship") should be reflected in the objectives and in the supporting paragraphs. It would improve the understanding of and the reasoning behind the proposed format and provide clarity going forward. We are in this context somewhat surprised that the DP does not identify as an objective of financial statement presentation the need to assist users to assess the performance of the entity, even if it as yet has no solution to how the objective can best be fulfilled. For many users (and preparers) this is *the* key objective of financial statements.
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?	SH agrees that the separation of business activities from financing activities provides useful information to the users. Even though different companies will allocate different items between the two activities based on their respective business models, it helps to understand how management runs its business e.g. to which extent net assets are used and consumed in the operating cycle and to which extent used to fund these operational activities. In addition, this separation supports the proposal covered in question 6 below to improve cohesiveness by requiring the cash flow statement to reconcile all other movements with the movement in the financing category of the balance sheet (which in effect would be considered "net debt") rather than with the movement in cash (see our response to Q6 below).

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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?	SH prefers to separate equity from financing activities since it allows to clearly distinguish between transactions with stakeholders having a different focus (owners and lenders).
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?	SH agrees to present discontinued operations (assuming the definition of a discontinued operation is revised as proposed in the project to amend IFRS 5) in a separate section, in order to improve transparency of the continuing business activities. Also in respect of forecasting future cash flows it is more useful to separate discontinued operations from the continuing business. In this regard SH would like to raise a minor issue arising from the Toolco Statement of Financial Position in "Illustration 1A: Proposed format": The items (and the total) of the Discontinued operations section are described as "Assets held for sale". SH assumes that this is a coincidence, i.e. in this example all assets held for sale also qualify as discontinued operations, but presentation of held for sale items and discontinued operations should not be confused.

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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?	As set forth in question 1 above, SH regards the application of the management approach as a key element when preparing financial statements. A fixed defined standard format would be too rigid and could be misleading or hinder achieving a good understanding of the entity's business model. In this regard SH would like the Boards to consider that a reporting entity's business model and consequently its management approach may change over time. In SH's view the Boards need to improve guidance on how such changes should be reflected in the entity's financial statement presentation – for example whether classification changes should be applied retrospectively.

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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?	SH considers that the benefits of the management approach to provide the most relevant view of each entity's business outweigh the lack of standardization as this would show the information used by management to run the business and will therefore be the most relevant as the starting point for external communication. The management approach is also more in line with the principles based IFRS. SH considers the management approach should only be overridden in very rare circumstances and in these cases detailed reasons need to be provided by the Board as to why the management approach needs to be overridden. In this respect SH would like to emphasize the potential conflict arising from the proposed restrictions related to post-employment benefits of (a) a cohesiveness approach that requires that the income statement categorization is based on categorization in the balance sheet and (b) the financing section containing only financial assets or liabilities (discussed in paragraphs 2.45-2.47): SH would expect in particular with regard to the presentation of post-employment benefits the management approach to prevail which may result in a net figure being recorded in the balance sheet but exceptionally a split categorization in the income statement (e.g. supported by the respective disclosures).

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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?	The change in the structure would facilitate the calculation of some key operational business figures while other key figures related to the existing structure (in particular on liquidity) would have to be provided in the notes. SH's view is that there would be a benefit, particularly by bringing together assets and liabilities in the financing section. As explained in the answer to Q2 above, SH would propose to improve cohesiveness by requiring the cash flow statement to reconcile to the movement in the financing category of the balance sheet (which in effect would be considered "net debt") rather than with the movement in cash. The proposed structure would, however, lead to a loss of information on the solvency of companies. Consideration should be given to also include the old structure of the balance sheet (long term vs. short term and total assets and liabilities) in the notes to the accounts or in total on the face of the statement of financial position.
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.	SH believes that classification of assets and liabilities as they are managed and used at the respective reportable segment level would further improve informative value of the financial statements and is in alignment with the project's overall objective to provide the most relevant information to the users and increase transparency and enable management to comment best on the segment activities. If the segment classification is different to the entity level classification an appropriate reconciliation should be considered so as not to undermine the entity level cohesiveness. However SH does not consider that it is necessary to make segment details to assets and liabilities a mandatory requirement, as if this is not used to manage the business, it would involve additional costs with little benefit to the management.

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

	SH's understanding is that complying with the management approach, an entity with centrally managed financial assets and financial liabilities to the other reported segments, would be allowed to keep these activities in a separate reportable segment.
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.	In developing IFRS 8, the Board decided that segment information should be presented in accordance with the management view. SH believes it is important that this principle is retained, and that any additional segment disclosures (a) do not conflict with that management view, and (b) are only required to the extent that the information is already provided to management. In SH's view and experience analysts focus much more on the segment reporting than the total Group figures, so SH would strongly support additional guidance concerning applying the proposed DP for segments, e.g. to expand the segment information requirements related to working capital and operating cash flow (assuming that the information is available internally.) If using the management approach key elements recorded in the total entity's financial statements are not allocated to the segments e.g. items such as share-based compensation, post-employment benefit expense, impairments, research & development expenses etc. then, in order to improve comparability between peer companies, at a minimum, there should be a reconciliation of amounts recorded in the segments to the entity's total amounts for such items.

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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?	SH believes that the proposed presentation and categorization of assets and liabilities, that are in Management's view unrelated to the central purpose for which the entity is in business, separate from the "core" operating assets and liabilities would be decision-useful by giving the users a better, i.e. more differentiated picture of the entity's underlying business model. As a consequence of this many preparers may not even need to report any activity in this category because all assets and liabilities are either part of the core activities (i.e. operating) or part of the financing activities. The rationale to make this distinction based on core and non-core business activities is reasonable and also from a practicability perspective easy to decide on. However, SH considers that in this regard the term "investing category" is inappropriate and even misleading, since SH expects the term investing to be further used within a narrower "more traditional" definition (e.g. capital expenditures in PPE). Therefore, in our view there is no need for further definitions and specifications, but there is need to change the name of this category (e.g. non-core activities instead of investing).

Chapter 2: Objectives and Principles of Financial Statement Presentation (continued)

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 U.S. GAAP as proposed? Why or why not?	SH does not consider that the financing section should be limited to just assets and liabilities under the scope of IAS 32/39 **s**ince this would not be consistent within a management approach and result in a number of items such as commodities, insurance contracts, employers' rights and obligations under IAS 19, finance leases etc. not being eligible for classification in this section. Depending on circumstances this may not be appropriate.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement

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?	If any at all, financial institutions
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?	SH agrees that a classification between short-term and long-term should be based on a one-year distinction based on the shorter of contractual maturity or expected realization/settlement and does not believe that there is need for additional guidance. However, SH believes that entities should continue to have the option (existing in IAS 1) to use the length of an entity's operating cycle if clearly identifiable, since this can be appropriate for certain entities and provide more useful information. SH is concerned by the requirement that deferred tax assets and liabilities should also be classified as short-term or long-term depending on the classification of the related items, since SH does not believe that benefits to users outweigh the additional cost of providing this information.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

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?	SH agrees that the separation of cash equivalents from cash is an improvement in principle because of the different nature of the asset. However, they are functionally linked and SH doubts whether a separation would add significantly to useful information especially in the Statement of Cash Flow. Further, excluding cash equivalents will often result in this statement being reconciled to an amount not managed separately by the entity (in our experience the treasury department usually manages at least short-term funds such as cash and cash equivalents as one category so the 3-month cut-off between cash equivalents and other short-term investments is artificial) and will therefore not be aligned with the management approach. Therefore SH would like to emphasize its proposal to improve cohesiveness by requiring the cash flow statement to reconcile to the movement in the financing category of the balance sheet (which in effect would be considered “net debt”) rather than with the movement in cash (as explained in answer to Q2 above).
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?	This information is available and the measurement on different bases is already well addressed in the current disclosure requirements in the notes. Furthermore, this disaggregation is not decision useful from a cash flow view point as the cash flows from assets and liabilities are independent of the measurement basis. Therefore, this should be a recommendation but not a mandatory requirement as it could lead to disclosure of excessive information which is not really useful and which leads to unnecessary complexity on the face of the financial statements.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

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?	Many users and many key figures used by financial analysts are focused on the net income and not comprehensive income. A change to a single statement should only be made when, and only when, the buy-in of the financial community has been obtained. SH would like to emphasize that the most important measure, net income (profit or loss), should not only be presented as a sub-total within a larger statement, since in SH's experience net income is a key starting point for users' analysis. SH believes also in this regard that the management approach coupled with the focus on stewardship should prevail, although SH agrees that this proposal is consistent with the objective related to cohesiveness and classification. It has to be further explored whether the users expect to benefit from having all components of comprehensive income in one single statement instead of having an Income Statement (traditional) plus a separate Statement of Recognized Income and Expense (SoRIE) for the purpose of disclosing other comprehensive income. Please also note that your present draft does not propose a split between amounts attributable to shareholders and to non-controlling interests. This is generally crucial information for many users.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

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?	The proposal is consistent in terms of the overall project objective related to cohesiveness and classification. Although it could be interesting to have a comprehensive view on the performance by category which could also improve the ability to compare with other peer companies, SH would not expect categorization of OCI items to provide decision-useful information for users beyond the information on each item already available from the notes to the financial statements.
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?	Provided the disaggregation is in alignment with Management's view (Management Approach) of the information needed to run the business, SH believes that this further disaggregation could be decision useful for the user as it further refines the cost structure and allows the user to analyze the key cost drivers within a function and to compare them with other preparers. The key here though is to find a way to make the details of costs by nature within functional categories simple enough so as not to overcomplicate the primary income and cash flow statements. In this regard SH would like to emphasize that there is need of further cost-benefit analysis, since for some global entities data collection to provide the information by nature could be very challenging, coupled with excessively high costs. Also more work needs to be done on the examples in the DP to improve presentation.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

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.	SH agrees to the proposed guidance to not allocate income taxes to other sections and categories. SH believes that presentation of other comprehensive income and discontinued operations on a net basis is sufficient, since the user is mainly focused on tax implications on the continuing business.
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 re-measurement 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 decisions-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.	The identification of transaction gains/losses can be extremely complex especially those arising from inter-company flows of goods produced in one functional currency and sold inter-company for ultimate sale to a unit with another functional currency and at the same time generating material inter-company profits requiring elimination from the inventory of the second company at group level. Furthermore, significant practical difficulties can arise in making the allocation, particularly for inter-company balances and/or where an entity manages foreign exchange risk centrally. Before there is a guideline on presentation requirements for transaction gains/losses SH suggests that the accounting standards provide additional guidance on what exactly is a transaction gain/loss (SH does not find this defined in IAS 21). The DP appears to just focus on the issue of re-measuring financial statements mainly in high inflation economies to the appropriate reporting currency and due to converting foreign currency denominated balance sheet amounts to

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

	the reporting currency. For the purpose of achieving the cohesiveness objective SH agrees in principle that it makes sense to allocate this type of foreign currency transaction gains and losses to the section/category of the respective underlying item. However, because of the complexity as set forth above SH believes that the management approach has to prevail, which would mean for instance that, where total FX exposures are managed on a global basis centrally by the finance function, such FX differences would be allocated in total to the financing section.
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?	As indicated above SH considers that paragraph 3.63 only relates to certain types of transaction gains/losses especially those arising from re-measurement of financial statements. SH does not have any experience of re-measuring foreign currency financial statements or any knowledge of the costs associated with this proposal. Nevertheless SH considers a presentation of the total amount per major category (but not by function or by nature) in the respective section as sufficient information to give the user an adequate view on the exposure arising from the sub-set of exchange risks related to the high inflation and balance sheet re-measurement processes.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

19. Paragraph 3.75 proposes that an entity should use a **direct method of presenting cash flows** in the statement of cash flows.	SH would take strong exception to an imposition of the direct cash flow method since this would require the production of information that is not readily available and would involve substantial costs to produce. It would result in financial data that is not used by management to manage the business and for which there appears to be little demand from users. The Boards would in any case need to clarify exactly what is meant by the "direct method of **presenting** cash flows". If the Boards' intention is solely to change the presentation format then some data may be obtainable "indirectly" from the balance sheet movements. This could help to reduce substantial changes of the existing system (e.g. cash receipts from sales can be derived from adjusting sales by VAT and by changes in accounts receivables and bad debt reserves). In addition, simplified rules would need to be permitted for the allocation (e.g. if cash payments related to personnel costs are known in total, but an allocation to functions would have to be made based on defined allocation keys, in many cases arbitrarily), in particular also for the reconciliation table. Additional thought would need to be given concerning the way to deal with the impact of VAT and other sales related taxes. If this approach were permitted and the focus more on the content of presentation rather than the method to produce the data, then a change of presentation could be implemented. However, in SH's view the benefit of a presentation method change would not outweigh the disadvantages resulting from the required complexities in the application of the method and from the production of "information" which does not enjoy the support of (as far we can see) the majority of preparers and users as being more useful and more meaningful.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

a. Would a direct method of presenting operating cash flows provide information that is decision useful?	Any benefit of using the proposed presentation would be limited to additional information related to cash flows from operating activities only, since currently cash flows from investing and financing activities (under the existing definitions in IAS 7 for these categories) must in theory already be presented using the direct method. SH does not believe, however, that such comprehensive direct-method operating cash flow information would be more useful – for preparers or users – than the current indirect-method information, indeed quite the opposite as the immediate link to operating profit would be lost.. SH would like to emphasized that one key element of cash flow management is the control and monitoring of working capital. Management is highly focused on managing these components (which is also of interest for the analysts), however the proposed change in cash flow presentation method (for most companies) would not provide this relevant information. This would lead to the situation that this lack of information has to be addressed elsewhere in the internal management reporting system and, in addition, for external presentation purposes further disclosures would be needed. In SH's view the management approach needs to also prevail in the production and presentation of operating cash flow lines and any related reconciliation to the income statement.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

a. Would a direct method of presenting operating cash flows provide information that is decision useful?	SH has concerns with the assertion that the direct method presentation as currently proposed would provide more decision-useful information than the indirect method, as in SH's discussions with users there does not seem to be a significant demand for a change. In fact users look for the link between income and cash flow from operating activities, especially relating to working capital that the current proposed change in presentation format does not provide.
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?	SH believes that the application of the indirect method of presentation coupled with an appropriate reconciliation between the Statement of Cash Flows with the Statement of Comprehensive Income in a format that management considers best represents its business needs and which is therefore readily available to the entity will adequately meet the users needs by providing the relevant information with an acceptable cost and in an understandable manner. SH strongly rejects any proposal from the Board to produce new financial information not already available within an entity's reporting system. Any additional financial data requirements will result in substantial internal and audit-related costs.
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?	While information about acquisitions and disposals of e.g. tangible and intangible assets or assets/liabilities is still available, as set forth above, in particular, the information about change in working capital is missing in the proposed direct method. Because of the importance of this key measure SH considers that there would be a need to show these items separately in a specific column in the reconciliation statement.

Chapter 3: Implications of the Objectives and Principles for Each Financial Statement (continued)

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?	As indicated above SH's view is that implementing the pure direct presentation method would involve substantial additional costs. Although material amounts of the added costs might be considered as one-off, SH would like to emphasize that the Boards must take into account the time that any change would take to implement. These initial costs would not only be the resources required to rebuild systems from the general ledger upwards but also the consequences for training staff. Simply because some costs are one-off does not mean they are to be ignored in the related cost/benefit analysis. However the on-going costs must also not be underestimated, as it would increase complexity in coding, data storage and retrieval. There would be also consequences for audit costs, regulatory compliance and the ability to produce the data in a timely manner.

Chapter 4: Notes to Financial Statements

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?	SH would support a separate category or sub-category as appropriate within the business section, and only applicable to the income statement and/or cash flow statement. However this issue should be considered together with the disclosures of IFRS 3 Business Combinations and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations to ensure there is a consistent set of requirements.
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?	SH supports the proposal but subject to further clarification. Contractual maturities for items recognized on the balance sheet are generally only relevant for financial instruments where information on liquidity (for liabilities) is already part of requirements under IFRS 7; other areas already include finance leases where maturity disclosures are required under IAS 17. We are not clear whether the Boards are considering moving the requirement out of these other standards or whether it is intended to have two potentially duplicate or even conflicting disclosure requirements in IFRS.
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.	

Chapter 4: Notes to Financial Statements

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.	SH sees some merits with the idea, although not necessarily using the currently proposed columns. SH considers that such a schedule in an appropriate format based on a management approach as to how it views its business could enable an entity to more easily comment on factors that affect what is called "the quality of income statement earnings" and will help to "legitimize" certain information that preparers provide to investors and analysts, which is greatly appreciated, but which cannot be included in for example an SEC Form 20-F filing as it is considered to be non-IFRS information. SH sees some merits with the idea of building a bridge between items that are reported in the Statement of Comprehensive Income and the Cash Flow Statement since this further improves the understanding of the amount, timing and uncertainty of an entity's future cash flows. SH believes that the standard should only state general principles for the reconciliation statement but that the entity should be allowed to follow a management approach to best present it own circumstances. Although SH believes that some of this information may be available in a current full set of financial statements and notes, SH realizes that having this information pulled together in one place has advantages, i.e. it is in a more structured and concentrated way. However, the related costs to prepare this analysis and maintain the definitions have to be taken into account in the context of this project (refer to response Q20).

Chapter 4: Notes to Financial Statements (continued)

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.	However, as set forth already in responses above, • SH is not aware of a significant demand for the direct cash flow presentation method from the users and therefore suggests to apply the indirect cash flow method instead and to start the reconciliation with the operating income. ▪ Furthermore, following the management approach, the Boards should allow to optionally provide more details in reconciling the income statement lines above operating income to operating cash flow. An entity should therefore have flexibility in adding lines and columns to the extent this helps to provide the most relevant information to the users. ▪ SH does not believe that it will be as straightforward as set out in the Discussion Paper to prepare the reconciliation schedule, so simplified rules are needed for the purpose of allocating the items. In this regard SH doubts that it is possible to provide guidance that will result in consistent application. ▪ Any disaggregation requirement (by function by nature) is subject to the application of the management approach.
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.	SH agrees with the proposed remeasurement components ((c) and (d)). A split between (a) and (b), on the other hand, would only be feasible on an indirect-method basis, without line-by-line cohesiveness. Following the management approach, the Boards should allow a certain flexibility in adding columns (components), e.g. relating to net working capital, to the extent this helps to provide the most relevant information to the users.

Chapter 4: Notes to Financial Statements (continued)

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.	As indicated above SH considers that only general principles should be provided and a Management approach required which follows the entity's business model.
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?	SH considers that to distinguish recurring items from all other re-measurement items for the purpose of this schedule should be determined by Management so as to allow information most useful to users. SH considers that there is no need for further disclosures in respect of fair value re-measurements beyond what is already available on the basis of IFRS 7.
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 B.10–B.22? 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?	As indicated above SH considers that the reconciliation schedule should follow a Management approach and the standard should focus more on general principles but not the details for each column. Furthermore, as indicated above, the Boards should allow a reconciliation to "net debt".

SwissHoldings (SH) response to Questions for Respondents

Chapter 4: Notes to Financial Statements (continued)

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?	As indicated above SH suggests that the reconciliation statement is also allowed to follow a Management approach so that flexibility is allowed for information that is decision useful for the prediction of the amount and timing of future cash flows.
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?	See comment to a) above.
c. Should an entity have the option of presenting the information in narrative format only?	As indicated above, SH believes that the Management approach should prevail. Certain entities may therefore prefer a narrative format.

SwissHoldings (SH) response to Questions for Respondents

Question Specific to the FASB

27. As noted in paragraph 1.18(c), the FASB has not yet considered the **application of the proposed presentation model to nonpublic entities.** What issues should the FASB consider about the application of the proposed presentation model to nonpublic entities? If you are a user of financial statements for a nonpublic 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.	N/A