



International Accounting Standards Board®

Press Release

FOR IMMEDIATE RELEASE

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IASB publishes proposals to improve the presentation of financial statements

The International Accounting Standards Board (IASB) today published for public comment proposals to improve the presentation of entities' financial statements. The proposals are set out in an Exposure Draft of proposed amendments to IAS 1 *Presentation of Financial Statements*.

The Exposure Draft results from the first stage (segment A) of the IASB's project on performance reporting and, if confirmed, would bring IAS 1 largely into line with the equivalent US standard. The second stage is being undertaken jointly with the US Financial Accounting Standards Board (FASB), and includes a reconsideration of the presentation and display of information in the financial statements. The FASB and the IASB have established an advisory group (the Joint International Group) to provide advice to the boards in working towards a discussion paper.

The proposed amendments to IAS 1 are aimed at enabling entities to present more clearly the financial information, in particular income and expenses, that is already required to be presented in accordance with the IASB's standards. Under the proposals an entity would present all income and expenses separately from changes in its equity that arise from transactions with its owners. Entities would have a choice of presenting income and expenses in a single statement or in two statements. An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, said:

The proposals to amend IAS 1 are the first to result from our work on improving the way that information is presented in financial statements. We believe that these proposals offer benefits to users of financial statements by aggregating information with

shared characteristics and providing additional trend information, and at no extra cost to those who prepare the information. Our work on the second phase of the project will continue in the coming months with continuing deliberations at the Board level and consultations with interested parties throughout the world.

The IASB invites comments on the Exposure Draft by 17 July 2006.

The primary means of publishing proposed Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers are able to access the Exposure Draft published today through 'online services'. Those wishing to subscribe should contact:

IASCF Publications Department,
30 Cannon Street, London EC4M 6XH, United Kingdom.
Tel: +44 (0)20 7332 2730, Fax +44 (0)20 7332 2749
Email: publications@iasb.org Web: www.iasb.org

Printed copies of the Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements—*A Revised Presentation* (ISBN 1-904230-99-7) are available, at £10 each including postage, from IASCF Publications Department.

From 27 March the text of the Exposure Draft will be available freely from the IASB's Website.

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Press enquiries:

Sir David Tweedie, Chairman, IASB,
telephone: +44 (0)20 7246 6410, email: dtweedie@iasb.org

Elizabeth Hickey, Director of Technical Activities, IASB,
telephone: 44 (0)20 7246 6458, email: ehickey@iasb.org

Notes to Editors

About the Exposure Draft

The main proposals are as follows. The Exposure Draft:

- specifies that entities should present all income and expenses in one or two statements, separately from changes in equity arising from transactions with owners in their capacity as owners (ie owner changes in equity). Consequently, all owner

changes in equity are presented separately from non-owner changes in equity. Accordingly, entities are not permitted to present income and expenses (ie non-owner changes in equity), as defined in the *Framework*, in the statement of changes in equity. The purpose of this amendment is to provide better information to users by requiring aggregation of items with shared characteristics.

- specifies that a statement of financial position as at the beginning of the period is included in financial statements. Accordingly, in addition to notes, entities presenting comparative information for the previous period are required to include, as a minimum, three statements of financial position and two of each of the other financial statements. IAS 1 requires the presentation of a minimum of two of each financial statement. The extra statement shows the financial position at the *beginning* of the previous period.
- instead of ‘balance sheet’ uses the title ‘statement of financial position’ to reflect the function of that statement more closely.

About the Performance Reporting project

- The IASB is undertaking the performance reporting project in two segments. Segment A addresses the statements that constitute a complete set of financial statements and the periods for which they are required to be presented. This Exposure Draft is the product of the IASB’s deliberations on segment A, and proposes to bring IAS 1 largely into line with the US standard—Statement of Financial Accounting Standards No.130 *Reporting Comprehensive Income*. The US standard-setter, the Financial Accounting Standards Board (FASB), decided to consider segment A and segment B issues together, and therefore will not publish an Exposure Draft related to segment A issues only.
- Segment B is being undertaken jointly by the IASB and the FASB and will address more fundamental issues including:
 - (a) consistent principles for aggregating information in each financial statement.
 - (b) the totals and subtotals that should be reported in each financial statement.
 - (c) whether components of other recognised income and expense should be reclassified to profit or loss and, if so, the characteristics of the transactions

and events that should be reclassified and when reclassification should be made.

- (d) whether the direct or the indirect method of presenting operating cash flows provides more useful information.

About the IASB

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.