

20 April 2009

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London ED 4M 6 XH
United Kingdom



LETTER OF COMMENT NO. 196

Dear Sir David

**IASB DISCUSSION PAPER:
PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION**

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the IASB Discussion Paper: Preliminary Views on Financial Statement Presentation. We appreciate the IASB's commitment to the development of standards that effectively meet user needs. The balance between the desire for financial information, the benefits to be derived from financial information, the time and costs associated with preparing information, as well as the appropriate level of detail – these are constant challenges that our Board shares with the IASB.

1. Consistency, Linkage and Disaggregation

We are of the view that the proposals set out in the Discussion Paper would serve the interests of a common approach to financial statement presentation and of linkage between the respective statements, as well as address issues regarding dissimilar items being aggregated into a single number.

However, we also appreciate that despite these objectives, there will continue to be limitations on comparability, which we have referred to elsewhere in this letter.

2. Alignment with Management Accounting and Reporting

We also acknowledge that the proposed presentation approach will likely align more closely with the manner in which financial information is analyzed and interpreted by management.

3. Cost / Benefit

Achieving the aforementioned ends has to be considered in light of the associated costs. The Discussion Paper sets out proposals which would require that financial statements should contain significantly higher levels of

detail than current requirements. While that itself may be a commendable objective, we do, however, have a general concern that useful information within financial statements might be obfuscated by the sheer volume of other “accurate” but less useful information. We urge, therefore, that the further development of these proposals be very deliberately challenged in the context of concerns about the level and extent of detail. Indeed, too much detail could lead to less rather than more transparency.

4. Convergence Effort

A number of jurisdictions, including Malaysia, are on track for convergence with IFRS in the next few years. Reporting entities in these jurisdictions are implementing changes in business processes and reporting systems, changes that are already very significant in many instances.

The changes currently being made towards convergence, when aggregated with changes that would be required in order to comply with a new Standard along the lines suggested in the Discussion Paper, would be very significant. This is a serious concern, and we therefore urge the IASB to seriously consider these circumstances when ultimately determining the effective date of the new Standard.

Jurisdictions such as ours have made a significant commitment towards convergence. We would be negatively and onerously burdened if while expending our convergence efforts, new Standards with very significant impact were to be concurrently introduced.

5. Systems and Technology – Preparers

Even discounting the issue of convergence referred to above, we also have concerns regarding the ability and capacity of preparers to develop systems and processes within a reasonable time frame so as to enable their preparation of the detailed information expected to be required. We acknowledge that no definite effective date has been determined. However, investments in systems and processes are likely to be a low priority during the current economic circumstances, and arguably, these may be altogether outside the scope of plans and budgets for many entities in the foreseeable future.

6. Systems and Technology – Other Parties

We anticipate that other parties including regulators would also need to adjust timely to the changes anticipated, and the change efforts would need to also consider their impact as well.

7. Systems and Technology – Future State

A discussion on systems and technology would quite naturally need to consider the onset of XBRL, and the transition of the Discussion Paper towards ultimately a Standard should be validated against the pace of development experienced in XBRL reporting, rapid or otherwise.

8. Financial Institutions – Banks, Insurance entities

We have identified several areas of concern that the approach expressed in the Discussion Paper would pose to banking and insurance entities.

The delineation of 'Operating / Investing / Financing' perspectives may not necessarily fit with the manner in which many entities in these industries operate. In many instances, the delineation itself may not be clear. Financing can rely on Operating or Investing (or another such combination), thus further detracting from the anticipated benefits that a 'neat split' would suggest is attainable.

To exemplify, while 'investments' in the financial statements of insurance entities are typically an operating item, there also are situations where insurers are major investors in large infrastructure projects. Depending on the circumstances, such investments could appropriately be classified within investing activities. At another layer, if the entity were to be part of a conglomerate, the classification could yet be challenged in the consolidated financial statements of the conglomerate too. These situations could lead to different classifications in different circumstances, thus threatening the consistency and comparability.

Banking and insurance entities frequently allocate common expenses between their different activities. Many of their systems are set up to address such allocation processes. A different process of classifying activities between Operating / Investing / Financing would likely compound the effects of allocation, thus rendering the final analyses a product of various compilation and allocation processes rather than a realistic portrayal by which management really runs the business, or of the business itself.

Many financial institutions also have extensive financial systems that manage information on assets and liabilities in their order of liquidity. This design or infrastructure reflects how the businesses of such entities, are managed. i.e. that liquidity risk is more appropriately represented through asset / liability analyses – liquidity gaps, interest rate mismatches, maturity profiles. These are disclosed under existing financial reporting requirements.

Requiring details stated by the sections and categories as indicated in the Discussion Paper would yet further compound the difficulties for these entities, with the added benefits questionable in the circumstances.

9. Cash Flow Statements and reconciliation schedule

On cash flow statements, while the arguments in favour of the direct method supplemented by disclosure of the reconciling statement appear sound, a significant component of the financial reporting community, specifically banks and insurance entities, may find these mandatory requirements irrelevant to their operations, and if performed, would amount to a large compilation effort of doubtful use.

We also have significant concerns the reconciliation statement that the Discussion Paper proposes to mandate. While we acknowledge that a reconciliation statement would serve as a useful check as to whether cash flow information is integrated or consistent with the information set out in the statement of comprehensive income, that should be a matter for preparers, and where the financial statements are audited, for the auditors, to validate. Mandating the disclosure of the reconciliation would add to the complexity of the financial statements, whereas the value of such disclosures would be questionable.

If indeed certain items within such a reconciliation are considered to be particularly worthwhile, we suggest that the specific disclosures be mandated through other disclosure requirements.

10. Islamic Banking Institutions

For the community of Islamic banks and financial institutions, the profit sharing concept and income are classified into two main groups, i.e. income derived from investment of depositors' funds and income derived from investment of shareholders' funds. Classifying the items by the format proposed in the Discussion Paper would represent an inconsistency with this approach, and would not provide information as to whether the items are identified with the depositor or shareholder categories.

11. Comparability

In the preceding sections, we have stated a number of issues with reference to banks and insurance entities. The manner by which these issues get dealt with in the context of the Discussion Paper proposals could also affect comparability between their financial statements.

Further, as acknowledged in the Discussion Paper, each entity would decide how to classify its assets and liabilities on the basis of how the item is used, with disclosure of how it chose those classifications. This, we feel, embodies an inherent weakness of variability to an extent that can detract from the perceived value anticipated of the more detailed information. The potential for reduced comparability outweighing the benefits is real.

12. Interim Reporting

We further suggest that future deliberations on the proposals consider what principles should be set for the presentation of interim financial reports. We expect that the full extent of the proposals may not be brought to bear on interim financial reporting. And neither should the presentation of interim financial reports be at significant variance from that of annual financial statements. IAS 34 would be in need of revision to reflect the appropriate balance between these objectives.

If you need further clarification, please contact Ms Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Yours sincerely,



Dato' Zainal Abidin Putih
Chairman