



LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD

17 July 2006

The Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Sir David,

Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements - A Revised Presentation

The Malaysian Accounting Standards Board (MASB) appreciates the opportunity to offer its views on the Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements - A Revised Presentation (ED).

We recognise that the proposed amendments are initiated as a result of IASB's convergence projects with FASB.

Generally, we are in support of the proposed revision to IAS 1 aimed at enabling entities to present more clearly the financial information, in particular the income and expenses.

However we wish to highlight our concerns on the following areas:

(a) Titles for the statements in the complete set of financial statements

The ED prescribes that an entity may use titles for the statements other than those used in the Standard.

We understand the rationale for the proposal to change the titles but in the interest of consistency, would suggest that the IASB to mandate the use of specific titles for the financial statements. The use of different titles by different entities to describe the same statements would unnecessarily add confusion to users.

In addition, to be consistent with the Framework, we suggest the title "statement of recognised income and expense" be replaced with "statement of financial performance".



(b) Three statements of financial position

The ED prescribes that an entity presents statements of financial position as at (i) end of the current period; (ii) end of the previous period; and (iii) the beginning of the previous period.

We do not agree with the requirement to present three statements of financial position. Not only is such proposal unnecessary, it also questions the usefulness of this requirement.

We believe the presentation of this additional information will result in unnecessary information overload which does not enhance understandability of the financial statements. We consider the current disclosures of any changes to the prior period statement of financial position to be sufficient.

If the investors or creditors need information to analyse the financial statements, the additional data could be obtained from the previous years' financial statements. The information on financial review by management and the relevant statistics could also be found within the annual report.

We hence recommend only 2 statements of financial position, ie the financial position of the current period and the comparative financial position of previous period.

(c) Other recognised income and expense – related tax effects

The ED prescribes that an entity shall disclose the amount of income tax relating to each component of other recognised income and expense, either on the face of the statement of recognised income and expense or in the notes. It further explains that the entity may present components of other recognised income and expense either: (i) net of related tax effects; or (ii) before related tax effects with one amount shown for the aggregate amount of income tax relating to those component.

We suggest that the components of other recognised income and expense should be presented net of tax, similar to presenting the share of associates' profit in the Statement.



On the specific questions raised in the ED, we are pleased to submit our responses in an Appendix to this letter.

Should you require further information, please contact Dr. Nordin Mohd Zain, the Executive Director of MASB, via e-mail at nordin@masb.org.my.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Zainal Abidin Putih', is positioned above the printed name and title.

Dato' Zainal Abidin Putih
Chairman

Exposure Draft

Proposed Amendments to IAS 1 Presentation of Financial Statements - A Revised Presentation

Questions 1 and 2 - A complete set of financial statements

The Exposure Draft proposes that the titles of the financial statements should be as follows:

- (a) statement of financial position (previously 'balance sheet');
- (b) statement of recognised income and expense;
- (c) statement of changes in equity; and
- (d) statement of cash flows (previously 'cash flow statement').

The Board does not propose to make the changes of nomenclature mandatory (see paragraph 31 of the draft Standard and paragraphs BC4 and BC5 of the Basis for Conclusions).

Question 1

Do you agree with the proposed titles of the financial statements (bearing in mind that an entity is not required to use those titles in its financial statements)? If not, why?

Response:

We do not agree that an entity be allowed to use titles other than that prescribed in the Standard. Allowing entities this liberty would create confusion to users of financial statements as different entities may use different titles to describe the same statements. In other words, IASB should mandate the use of the titles as prescribed in the Standard.

In addition, to be consistent with the Framework, we suggest that the title "statement of recognised income and expense" be replaced with "statement of financial performance" as the latter is more reflective of the function of the statement.

As an alternative, the IASB may wish to consider using the title "statement of comprehensive income" rather than "statement of recognised income and expense" as the word 'recognised' in the latter is redundant. All items of income and expense that are not to be recognised under the accounting standards would not have been included in the Statement in the first place, and vice-versa.

The Exposure Draft introduces a requirement to present a statement of financial position as at the beginning of the earliest period presented in the financial statements. Therefore, in addition to notes, an entity would be required to present three statements of financial position, and two of each of the other statements that form part of a complete set of financial statements (see paragraphs 31 and 39 of the draft Standard and paragraphs BC6–BC9 of the Basis for Conclusions).

Question 2

Do you agree that a statement of financial position as at the beginning of the period should be part of a complete set of financial statements, and that an entity presenting comparative information should therefore be required to present three statements of financial position in its financial statements? If not, why?

Response:

We do not agree with the proposal to present three statements of financial position. The current disclosure of any changes to the prior period statement of financial position is sufficient.

We believe that only 2 statements of financial position should be presented, ie the financial position as at end of the current period and the comparative financial position of previous period.

We wish to caution that by requiring the statement of financial position as at the beginning of the period to be presented as a complete set of financial statements may result in excessive information that will result in unnecessary information overload which is detrimental rather than enhances the understandability of the financial statements. If the users of financial statements need further information to analyse the financial statements, the additional data could be obtained from the previous years' financial statements. The information on financial review by management and the relevant statistics could also be found within the annual report.

Question 3 - 5 Reporting owner changes in equity and recognised income and expenses

The Exposure Draft proposes to require entities to present all changes in equity arising from transactions with owners in their capacity as owners (ie 'owner changes in equity') separately from other changes in equity (ie 'non-owner changes in equity' or 'recognised income and expense'). Non-owner changes in equity would be presented in either (a) a single statement of recognised income and expense, or (b) two statements: a statement displaying components of profit or loss and a second statement beginning with profit or

loss and displaying components of other recognised income and expense (see paragraphs 81 and 82 of the draft Standard and paragraphs BC11–BC20 of the Basis for Conclusions).

Question 3

Do you agree that non-owner changes in equity should be referred to as 'recognised income and expense' (bearing in mind that an entity is not required to use the term in its financial statements)? If not, why?

Is the terminology used in the Standard important if entities are permitted to use other terms in their financial statements? If so, what term would you propose instead of 'recognised income and expense'?

Response:

We believe the terminology used in the Standard is important, and hence, should be made mandatory. If the IASB is agreeable to mandate the terms as prescribed in the Standard, paragraph 8 of the Standard which states that:

“... An entity may use other terms to describe the totals so long as the meaning is clear. For example, an entity may use the term ‘net income’ to describe profit or loss.”

should be removed.

In addition, we suggest that the title “recognised income and expense” be replaced with “financial performance” – see response to Question 1 above.

Questions 4

Do you agree that all non-owner changes in equity (ie components of recognised income and expense) should be presented separately from owner changes in equity? If not, why?

Response:

We agree with this proposal and concur that it is important for all non-owner changes in equity to be presented separately from owner changes in equity.

Question 5

Do you agree that entities should be permitted to present components of recognised income and expense either in a single statement or in two statements?

If so, why is it important to present two statements rather than a single statement?

If you do not agree, why? What presentation would you propose for components of recognised income and expense that are not included in profit or loss?

Response:

We agree with the proposal to allow an entity to present components of recognised income and expense either in a single statement or in two statements as a means to facilitate the transitional period pending the conclusions of Segment B work are finalised.

However, we are concern whether users would be confused on the presentation of earnings per share in the single statement of recognised income and expense because the numerator used in the computation is based on an earning figure indicated somewhere in the middle of the statement.

Upon the completion of Segment B work, IASB has to decide whether an entity should present components of recognised income and expense in a single statement or in two statements rather than allowing a choice of presentation.

Questions 6 and 7 - Other recognised income and expense – reclassification adjustments and related tax effects

The Exposure Draft requires the disclosure of reclassification adjustments relating to each component of other recognised income and expense (see paragraphs 92–96 of the draft Standard and paragraphs BC21–BC23 of the Basis for Conclusions).

Question 6 – Do you agree with this proposal? If not, why?

Response:

We do not have objection to the proposal.

The Exposure Draft requires the disclosure of income tax relating to each component of other recognised income and expense (see paragraph 90 of the draft Standard and paragraphs BC24 and BC25 of the Basis for Conclusions).

Question 7 – Do you agree with this proposal? If not, why?

Response:

We suggest that the presentation of items under other recognised income and expense should be net of tax, ie consistent with the presentation of share of associates' profit attributable to equity holders of the associates.

Question 8 – Presentation of per-share measure

The Exposure Draft does not propose changes to IAS 33 Earnings per Share. Therefore, earnings per share will be the only per-share measure presented on the face of the statement of recognised income and expense. If an entity presents any other per-share measure, that information is required to be calculated in accordance with IAS 33 and presented in the notes (see paragraph BC26 of the Basis for Conclusions).

Do you agree that earnings per share should be the only per-share measure that is required or permitted to be presented on the face of the statement of recognised income and expense? If not, which other per-share measures should be required or permitted to be presented on the face of a statement and why?

Response:

We suggest that the earnings per share should be the minimum, rather than the only per-share measure that is permitted to be presented on the face of the statement of recognised income and expense.

Other Comments – Illustrative Example

- (a) The word 'sections' in paragraph IG2 should be replaced with 'parts' to be consistent with the headings provided on pages 98 and 100. Therefore, the first sentence should be revised to read:

The guidance is divided into three parts...

- (b) Part I: Illustrative presentation of financial statements (as shown on Page 87) should be placed under paragraph IG 2 so as to be consistent with the placing of paragraphs IG6 - IG8 in Part II and paragraphs IG9 - IG 10 in Part III.