



## ASSOCIATION ACTUARIELLE INTERNATIONALE INTERNATIONAL ACTUARIAL ASSOCIATION

July 20, 2006

IAS 1 Amendments  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom  
(Email: [CommentLetters@iasb.org](mailto:CommentLetters@iasb.org))

Dear Sir,

**Re: IAA comments on the Exposure Draft of Proposed Amendments to IAS 1  
Presentation of Financial Statements: A Revised Presentation**

In response to the request for comments to the Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements: *A Revised Presentation*, I am, on behalf of the International Actuarial Association (IAA), pleased to transmit our comments and recommendations. We hope that you find them to be of value.

These comments have been prepared by the Insurance Accounting Committee of the IAA, the members of which are listed by name and association in the Appendix to this submission. We would be pleased to respond to any questions you may have regarding these comments.

Yours sincerely,

Yves Guérard  
Secretary General

Attachment: IAA comments

**A Commentary on the Exposure Draft of Proposed Amendments to  
IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: A REVISED PRESENTATION  
Released by the International Accounting Standards Board: March 2006**

**THE INTERNATIONAL ACTUARIAL ASSOCIATION**

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our fifty-five Full Member actuarial associations represent more than 95% of all actuaries practicing around the world and are listed in an Appendix to these comments. The IAA promotes high standards of actuarial professionalism around the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within, or likely to have an impact upon, the areas of expertise and practice of actuaries.

We are not a trade association and do not represent the interests of either clients or employers. As actuaries, we have developed significant experience and expertise in the assessment of the value of contingent cash flows. Using this experience, actuaries will continue to provide assistance to those involved in the enhancement of financial reporting standards to make them more useful to the users of financial statements. These comments have been prepared by our Committee on Insurance Accounting, the members of which are listed by name and association in the Appendix to these comments.

**IAA COMMENTS**

Along with other responders to this exposure draft, the IAA appreciates this opportunity to provide input to the IASB regarding the Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements: *A Revised Presentation*. We commend the continuing, very worthwhile efforts of the IASB to develop globally accepted international financial reporting standards.

**General comments**

Overall, although several of the changes are worthwhile, we are not certain whether those changes sufficiently warrant an amendment of IAS 1 at this time. We recognize the time and resources it takes to complete an update to an IAS, so it might be more appropriate to devote such time and resources to moving up the schedule for Segments B and C of this project.

Due to the fact that the FASB has deferred Segment A, we encourage the Board, before adoption of these proposed revisions, to ensure that divergence in practice between the IASB and the FASB does not increase as a result.

We encourage the Board not to introduce optional titles that may be used inconsistently. In addition, we encourage the Board to ensure that sufficient principles are included in any revision to IAS 1 to warrant any changes; we discourage any rule-based approaches taken.

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**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?***

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).

**IAA Comments:**

- 1. We do not believe that the use of major labels/titles in a financial statement should be voluntary. If they are appropriate, then they should be common for all public entities. We expect that the inconsistencies that would result would add confusion for the users and contribute to non-comparability of financial statements.**
- 2. If it is determined that the proposed label changes must be made, because of the familiarity of the terms “balance sheet” and “income statement”, we suggest, at least for a lengthy transition period, that the familiar reference be placed in parentheses, e.g., statement of financial position (balance sheet). Since these familiar terms are so ingrained in the public consciousness, it may not be a good idea to change them, even though the proposed phrases might be somewhat better at communicating the contents of these statements.**
- 3. We do not believe that separate statements covering the beginning and the end of the period (paragraph 31 (a) and (b)) are necessary. More useful information would be provided if these were combined into a single statement with two columns.**
- 4. We do not understand why the term “recognised” is needed in the proposed “statement of recognized income and expenses.” Since it is obvious that the income and expense included in this statement are not “unrecognised”, we suggest omission of the adjective.**

***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?***

**IAA Comments:** Although it is useful to include two balance sheets (statements of financial position), we don't believe that there is a significant need to present three

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of them. Please note that this comment is not made on the basis of discussions with users of financial statements – we suggest strongly that, to confirm this or other related conclusions, a selected set of users be interviewed.

**Questions 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’?**

**IAA Comments:**

1. We agree with the principle of presenting items of profit and loss together with changes in equity.
2. As mentioned in our comments on question 1, we do not understand what the word “recognised” adds here. In addition, the phrase “income statement” is so well recognized by users, it may not be advisable to change this, even though it may not be ideal.

**Question 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?**

**IAA Comments:**

1. We have difficulty with the new terms “owner” and “non-owner,” as they may prove to be confusing in certain situations, and may not be useful in others. If they are used here, these categories should be clarified in respect to their treatment, for example in the case of those with minority interests (e.g., participating insurance contracts in a stock insurance company), mutual companies, those in customer-based entities, or holders of compound financial instruments. If these concepts are expected to be introduced in a revised Conceptual Framework, it may be preferable to wait until such revisions are made.
2. However, assuming that the distinction between owners and non-owners is sufficiently clarified through a principle based approach (so that new instruments or other means don’t cloud their meaning), such a distinction may prove useful.

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**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 recognized income and expense that are not included in profit or loss?**

**IAA Comments:** We believe that it would be more useful to present income and expenses in a single statement. Nevertheless, net income should be displayed prominently within such a statement. We do not have an opinion regarding the form or specific contents of its components.

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

**Question 6 –** 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).

*Do you agree with this proposal? If not, why?*

**IAA Comments:** We believe that it is important to consider the principles underlying issues such as reclassifications and recycling. Since this is a complex area in which clarity and consistency are important, a set of principles would be valuable to guide the development of this information. If not practical to implement in Segment A of this project, we urge that this be addressed during Segment B.

**Question 7 –** 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).

*Do you agree with this proposal? If not, why?*

**IAA Comments:** Although in the aggregate the contribution of certain components to the measurement of deferred tax is important, we are not convinced, based on the arguments raised in the ED, that the income tax allocation to each component of income and expense would provide significant additional useful information to warrant the effort likely to be involved and the possibly arbitrary nature of the tax allocations that would be needed to provide such information to that level of detail.

**Question 8 – Presentation of per-share measures**

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).

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*Question 8 – 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?*

**IAA Comments:** We agree that earnings per share should be the only per-share measure required or permitted to be presented on the face of the statement of income and expenses.

Although we have no further comments on proposed Segment A, we note the importance of several issues that we hope will be addressed in segment B of this project. Among these issues include principles underlying recycling income, revenue recognition, meaningful reporting of performance, treatment or elimination of measurement inconsistencies between assets and liabilities, and the appropriateness of these statements for financial institutions.

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**APPENDIX A**

**Members of the IAA's Insurance Accounting Committee**

Sam Guterman	Chairperson
David Congram	Vice-Chairperson
Francis Ruygt	Vice-Chairperson
Clive Aaron	Institute of Actuaries of Australia
Yutaka Amino	Institute of Actuaries of Japan
Félix Arias Bergadà	Col.legi d'Actuaris de Catalunya
Victor Hugo Cesar Bagnati	Instituto Brasileiro de Atuária (IBA)
Daniel Barron	Israel Association of Actuaries
Ralph Blanchard	Casualty Actuarial Society
Guy Castagnoli	Association Suisse des Actuaires
Clinton Chang	Actuarial Institute of the Republic of China
David Congram	Canadian Institute of Actuaries
Paolo De Angelis	Istituto Italiano degli Attuari
Guillermo Ezcurra Lopez De La Garma	Instituto de Actuarios Españoles
Mark J Freedman	Society of Actuaries
William Hines	American Academy of Actuaries
Armand Maurice Ibo	Institut des Actuaires de Côte d'Ivoire
Burton D Jay	Conference of Consulting Actuaries
Jelica Klucovska	Slovenska Spoločnosť Aktuárov
Ad A.M. Kok	Het Actuarieel Genootschap
Christoph Krischanitz	Aktuarvereinigung Österreichs (AVÖ)
Kurt Lambrechts	Association Royale des Actuaires Belges
Kristine Lomanovska	Latvijas Aktuaru Asociacija
Anne Sundby Magnussen	Den Norske Aktuarforening
Richard O'Sullivan	Society of Actuaries in Ireland
Markku Paakkanen	Suomen Aktuaariyhdistys
Andreja Radic	Hrvatsko Aktuarsko Drustvo
Venkatarama Rajagopalan	Actuarial Society of India
Nithiarani Rajasingham	Singapore Actuarial Society
Thomas Ringsted	Den Danske Aktuarforening
Matthew Christopher Saker	Faculty of Actuaries
Jaanus Sibul	Eesti Aktuaaride Liit
Dieter Silbernagel	Deutsche Aktuarvereinigung e.V. (DAV)
Bjarni Thórdarson	Félag Íslenskra Tryggingastærðfræðinga
Charles Vincensini	Institut des Actuaires
Tuomo Virolainen	Svenska Aktuarietföreningen
Peter Withey	Actuarial Society of South Africa
Derek Wright	Institute of Actuaries
Jesús Zúñiga San Martin	Colegio Nacional de Actuarios A. C.

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**APPENDIX B**

**Full Member Associations of the IAA**

Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires  
(Argentina)

Institute of Actuaries of Australia (Australia)

Aktuarvereinigung Österreichs (AVÖ) (Austria)

Association Royale des Actuaires Belges (Belgique)

Instituto Brasileiro de Atuária (IBA) (Brazil)

Canadian Institute of Actuaries/Institut Canadien des Actuaires (Canada)

Institut des Actuaires de Côte D'Ivoire (Côte D'Ivoire)

Hrvatsko Aktuarsko Drustvo (Croatia)

Cyprus Association of Actuaries (Cyprus)

Ceská Spolecnost Aktuárů (Czech Republic)

Den Danske Aktuarforening (Denmark)

Egyptian Society of Actuaries (Egypt)

Eesti Aktuaaride Liit (Estonia)

Suomen Aktuaariyhdistys (Finland)

Institut des Actuaires (France)

Deutsche Aktuarvereinigung e. V. (DAV) (Germany)

Hellenic Actuarial Society (Greece)

Actuarial Society of Hong Kong (Hong Kong)

Magyar Aktuárius Társaság (Hungary)

Félag Islenskra Tryggingastærðfræðinga (Iceland)

Actuarial Society of India (India)

Persatuan Aktuaris Indonesia (Indonesia)

Society of Actuaries in Ireland (Ireland)

Israel Association of Actuaries (Israel)

Istituto Italiano degli Attuari (Italy)

Institute of Actuaries of Japan (Japan)

Japanese Society of Certified Pension Actuaries (Japan)

Latvijas Aktuaru Asociacija (Latvia)

Lebanese Association of Actuaries (Lebanon)

Persatuan Aktuari Malaysia (Malaysia)

Colegio Nacional de Actuarios A. C. (Mexico)

Het Actuarieel Genootschap (Netherlands)

New Zealand Society of Actuaries (New Zealand)

Den Norske Aktuarforening (Norway)

Pakistan Society of Actuaries (Pakistan)

Actuarial Society of the Philippines (Philippines)

Polskie Stowarzyszenie Aktuariuszy (Poland)

Instituto dos Actuários Portugueses (Portugal)

Academia de Actuarios de Puerto Rico (Puerto Rico)

Singapore Actuarial Society (Singapore)

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Slovenska Spolocnosť Aktuárov (Slovakia)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Col·legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaires (Switzerland)  
Actuarial Institute of the Republic of China (Taipei)  
Faculty of Actuaries (United Kingdom)  
Institute of Actuaries (United Kingdom)  
American Academy of Actuaries (United States)  
American Society of Pension Professionals & Actuaries (United States)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
Society of Actuaries (United States)