

Secretariat:
Antonio Vivaldistraat 2-8
Postbox 7984
1008 AD Amsterdam
The Netherlands

T +31 (0)20 301 03 91
F +31 (0)20 301 02 79
rj@rjnet.nl
www.rjnet.nl

EFRAG
Attn. EFRAG Technical Expert
Group
35 Square de Meeûs
B-1000 Brussels
Belgique

Our ref : AdK
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302
Date : Amsterdam, 9 December 2009
Re : Comment on EFRAG's PAAinE Discussion Paper on Performance Reporting

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to EFRAG's PAAinE Discussion Paper on Performance Reporting, published in March 2009.

We note that the IASB published a Discussion Paper "Preliminary Views on Financial Statement Presentation." In this respect, it is important that this EFRAG PAAinE project is finalised to be able to contribute to the IASB's final decisions on performance reporting.

Although we recognise that current practice needs more guidance on Performance Reporting, we believe that significant changes in standards should only be made when they lead to clear and significant improvements.

To deal with the tension between 'standardisation' and 'flexibility', we are in favour of the option that the standard setter identifies certain key lines as mandatory but allows preparers to present additional key lines (Option B).

Furthermore we note that in practice net income is a key line in its own right.

We also believe that recycling should be maintained, because recycling is necessary in certain circumstances to arrive on the 'true' income figures, despite the recognition and/or valuation requirements in the balance sheet.

We refer to the appendix for our answers to questions posed in the paper.

Yours sincerely,



Hans de Munnik
Chairman Dutch Accounting Standards Board

APPENDIX

Question 1: Do you think there is anything else in the development of existing standards (apart from that discussed in chapter 2) that should be taken into account when considering the way forward for performance reporting?

Answer DASB

Yes, we do. Since the first draft paper on this topic, IFRS 8 Operating segments has been issued. The requirements of IFRS 8 are based on the information about the components of the entity that management uses to make decisions about operating matters. Since segment reporting addresses the disclosure of financial information that can be considered to be performance-related, the approach of “through the eyes of management” may be relevant for presenting performance in primary financial statements as well.

This can either mean that the statement of comprehensive income should be consistent with this approach, or that the focus should be on comparability to other entities, since comparability to previous periods of the reporting entity is already achieved by IFRS 8.

Secondly, the analysis should include an evaluation of the preliminary views as expressed in the IASB Discussion Paper “Preliminary Views on Financial Statement Presentation.”

Question 2: Do you agree with the observation in this chapter that, at the level at which standards are written, there is no generally agreed notion of what represents ‘performance’ and that in fact performance is a complex, multi-faceted issue that cannot be encompassed in one or a few numbers? If you do not, please explain your reasoning.

Answer DASB

Yes, we agree.

Question 3: Do you agree that key lines are still useful, though only because of their value as a basis for communication to the market and as a starting point for analysis and comparison? If you do not, please explain your reasoning.

Answer DASB

Yes, we agree.

Question 4: Do you agree that, in order to fulfil this function, it is important that there are clear principles that underpin what is included and excluded from the key line(s) (in order to make their content understandable) and those principles need to be such that the content of a key line is standardised to a fair degree (in order to ensure the necessary comparability).

Answer DASB

Yes, we agree. We favour the Option B where the standard setter identifies certain key lines as mandatory but allows companies to present additional key lines. The options A, C and D are not acceptable, as they are too restrictive (A) respectively too liberal (C and D.)

Question 5: This chapter discusses the need for standard setters to balance the competing demands of comparability and flexibility, in order to give users fairly consistent starting points for analysis, while allowing management to present income and expenses in a manner that reflects the particular circumstances of the entity. Has the range of approaches to flexibility and comparability given in the chapter been appropriately described? What do you believe would offer the best approach in practice?

Answer DASB

We refer to our answer to Question 4.

Question 6: This chapter finds no evidence that it is important for the "bottom line" of statement(s) of income and expense to be a key line. Do you agree that it is not important for the "bottom line" of statement(s) of income and expense to be a key line? If you do not, please explain your reasoning.

Answer DASB

Theoretically, we agree that a bottom line item is not necessarily a key line. However, we believe that in current practice where net income is the bottom line, net income is a key line in its own right.

Question 7: In chapter 4, the paper observes that there is no evidence that it is important for the "bottom line" of statement(s) of income and expense to be a key line. Assuming that is correct, do you agree that it follows that the number of performance statements provided is not particularly important either. And thus that the one or two performance statements debate is a non-issue; the real issues relate to the key lines. Do you agree with this analysis and conclusion? If you do not, please explain your reasoning.

Answer DASB

We refer to our answer to question 6, as that question seems to be identical to question 7.

Question 8: Do you agree that recycling is mainly an issue if a realised/unrealised split is the main disaggregation criterion for the statement(s) of income and expense, that therefore recycling is really a secondary issue and that the main issue is which disaggregation model should be used? If you do not, please explain your reasoning.

Answer DASB

No, we do not agree. Recycling is necessary in certain circumstances to arrive on the 'true' income figures, despite the recognition and/or valuation requirements in the balance sheet. Therefore, other comprehensive income components should not be mixed with the items presented currently in the income statement.

We note that in practice, net income is still considered as the main performance measure. This figure should not be blurred with other comprehensive income.

Question 9: Would the issue of recycling on its own affect your decision as to the best approach to disaggregation? Please explain your reasoning.

Answer DASB

Yes, it would. Considering the relative low focus on other comprehensive income in performance analysis in current practice, we believe that other comprehensive income should be kept out from the disaggregation of the performance measures in the income statement. We observe that the components of other comprehensive income are very diverse in nature. We do not see a relevant key line within other comprehensive income.

Question 10: Do you have any comments on the basic models of disaggregation presented in this chapter? Are there any other broad types of model that would have been worth exploring?

Answer DASB

No.

Question 11: Is the discussion of the advantages and disadvantages of each disaggregation model fair and complete? If not, how could it be improved?

Answer DASB

Yes, we believe that the discussion is fair and complete.

Question 12: Which of the models of disaggregation—or combinations of models— do you favour and why do you believe it meets the needs of users better than the alternatives?

Answer DASB

As the paper does not indicate that an alternative model would render significant improvements to the current practice, we would prefer to maintain current practice on this matter. We refer to our answer to Question 1. The IASB Discussion Paper “Preliminary Views on Financial Statement Presentation” may add arguments in favour or against the disaggregation of revenues and expenses on operating / investing / financing.